



Delhi Policy Group

Advancing India's Rise as a Leading Power

POLICY BRIEF

India's Defence Procurement Manual 2025: Key Changes, Impact and Challenges

Author

Deependra Singh Hooda

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Core 5A, 1st Floor, India Habitat Centre, Lodhi Road, New Delhi- 110003

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Author

Lt. Gen. Deependra Singh Hooda (Retd.), PVSM, UYSM, AVSM, VSM & Bar, Distinguished Fellow for Military Strategy, Delhi Policy Group

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Cover Image:

India's Defence Minister Rajnath Singh has approved the DPM 2025 to further streamline, simplify, enable and rationalise the revenue procurement process in the Ministry of Defence, on September 14, 2025. Source: [X/@rajnathsingh](#)

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Introduction

On September 14, India's Ministry of Defence (MoD) introduced the Defence Procurement Manual (DPM) 2025, the first comprehensive update of the manual since 2009. This long-awaited revision aims to streamline and modernise the processes for revenue procurement – the purchase of goods and services needed for day-to-day operations and sustenance of the armed forces, in line with contemporary needs and the government's self-reliance goals.¹

DPM 2025 arrives in a defence landscape that has changed significantly over the past 16 years. Apart from the increasing security challenges on both the northern and western borders of India, the pace of technological change has accelerated dramatically, and the private defence industry has entered the market, which was once almost entirely the preserve of Defence Public Sector Undertakings (DPSUs).

The new manual focuses on faster decision-making, jointness among services, and promoting indigenous innovation. It governs approximately ₹1 lakh crore (USD 11.4 billion) worth of annual revenue procurements, covering items like spares, ammunition, maintenance services, and other operational needs. The DPM 2025 is distinct from the Defence Acquisition Procedure (DAP), which handles capital acquisitions involving major military platforms, weapons systems, and high-value defence assets, such as aircraft, tanks, ships, submarines, and other key military equipment.

This brief will examine the key new provisions of DPM 2025, its implications for the three services, and potential challenges that could arise in the implementation.

Key Provisions

DPM 2025 introduces a range of new provisions and reforms that markedly change how defence procurement will be conducted. These provisions are aimed at enhancing efficiency, encouraging domestic industry participation, and reducing bureaucratic hurdles.

¹ "Raksha Mantri Approves Defence Procurement Manual 2025." Accessed September 16, 2025. <https://www.pib.gov.in/www.pib.gov.in/Pressreleaseshare.aspx?PRID=2166559>.

- **Ease of Doing Business.** The manual places strong emphasis on facilitating industry participation from private firms, MSMEs, start-ups, and academia, alongside traditional DPSUs. The objective is to tap into the domestic market's potential by simplifying procedures and removing entry barriers for new suppliers. It does away with anti-competitive practices that favoured DPSUs; notably, the requirement for a No Objection Certificate (NOC) from DPSUs before going for open tenders has been abolished. All tenders will now be purely competitive, levelling the playing field for private vendors. This had been a significant bottleneck for private players, with the DPSUs garnering almost 80% share of the government's defence expenditure.
- **New Chapter on Innovation and Indigenisation.** In a major structural addition, DPM 2025 includes an entirely new chapter dedicated to promoting self-reliance through innovation. This chapter outlines measures to indigenise defence items and spares through in-house design and development, in collaboration with industry and academic institutions like the IITs and IISc. By integrating initiatives like prototype development by start-ups and partnerships with universities, the manual seeks to transform procurement into a catalyst for domestic innovation. Defence Minister Rajnath Singh has stated, "We want to ensure that those who dare to innovate are not punished for failing fast, but encouraged to succeed quickly. This is how nations build robust defence ecosystems."² This shift is reflected in several industry-friendly provisions discussed below.
- **Relaxation of Financial Penalties.** One of the important reforms is the easing of Liquidated Damages (LD) norms in contracts, especially for development projects. Under the old rules, companies faced hefty penalties for delays, which deterred smaller players. DPM 2025 now eliminates any LD during the development (R&D/prototype) phase of a contract. Once a prototype is developed, only a minimal 0.1% LD may be levied for delays, and the maximum penalty is capped at 5% of the contract value. Only in cases of extreme delays can LD go up to 10%. By lowering punitive risks for vendors, especially during innovation stages, the government hopes to incentivise genuine efforts, a move welcomed by the defence industry.
- **Assured Orders and Support for New Developers.** DPM 2025 introduces a provision to provide assured guarantees of future orders to suppliers, particularly those developing new products. To stabilise demand conditions, the manual allows

² "Defence Procurement Manual '25: Blueprint for Jointness, Innovation, Military Preparedness." ETGovernment.Com. Accessed September 16, 2025.
<https://government.economictimes.indiatimes.com/news/defence/revolutionizing-defence-procurement-indias-dpm-2025-enhances-jointness-and-innovation/123882952>.

the Services to commit to orders for up to five years, extendable by another five years in special cases. In practice, if a company develops a new piece of equipment or spares under a development contract and meets the requirements, they can be assured of the procurement of that item for a multi-year period, rather than facing one-off orders. Such predictability in orders is aimed at giving industry partners confidence to invest in production lines and recover R&D costs. Additionally, the Services will provide hand-holding support in sharing technical know-how, access to existing equipment, testing facilities, etc., to help vendors successfully develop and supply new products. This combination of guaranteed demand and mentorship is expected to help start-ups and smaller enterprises enter the defence sector.

- **Empowerment of Field-Level Authorities.** Another change is the delegation of decision-making powers to lower echelons. Competent Financial Authorities (CFAs) in field units and lower formations are now empowered to take many procurement decisions without referring files to higher headquarters, which used to result in long delays. For instance, CFAs can now approve extensions of delivery deadlines “irrespective of the quantum of delay” in consultation with their financial advisors, without seeking approval from the higher authorities. By cutting down the movement of files between lower and higher levels, these delegations aim to accelerate procurement cycles and reduce red tape. The concept of collegiate decision-making (i.e., decisions by committee involving technical, financial, and user representatives) has also been reinforced to ensure balanced and transparent outcomes.
- **Maintenance and Repair Efficiency.** Recognising that a significant share of revenue procurement is for maintenance, repair, and overhaul (MRO) of equipment, DPM 2025 introduces a provision for 15% “growth of work” in MRO contracts. In simple terms, when servicing complex military platforms, if unforeseen issues arise that require additional spare parts or work beyond the original scope, 15% extra expenditure can be incurred without requiring a fresh approval. This is expected to reduce downtime of critical equipment by allowing on-the-spot sanction for additional work.
- **Streamlined Procurement for Specialised or Limited Suppliers.** DPM 2025 addresses scenarios where only a limited number of suppliers exist. Limited Tendering – inviting bids from a shortlist of vendors rather than an open tender – is now permissible for contracts valued up to ₹50 lakh (USD 57 thousand) for specialised goods. This doubles the threshold from the ₹25 lakh (USD 28.5 thousand) limit set in DPM 2009. Contracts above ₹50 lakh would be through open tender, except in exceptional circumstances where limiting bidders is justified.

Likewise, for proprietary items (where a particular company holds unique IP or is the sole manufacturer), the manual continues to allow procurement on a proprietary article certificate basis. Still, the buying authority must make parallel efforts to find or develop alternative sources. Furthermore, Government-to-Government (G2G) procurement arrangements have been given dedicated guidelines to make such deals smoother. Earlier, revenue procurements via G2G were less common, but if a need arises, DPM 2025 has provisions to handle it efficiently.

Impact on the Military

DPM 2025 simplifies procedures and addresses bottlenecks that often delay the procurement of urgently required stores. This will ensure higher operational readiness through provisions like 15% growth of work, ensuring that the maintenance does not stop if additional faults are uncovered that require additional costs. Empowering field commanders means that decisions can be taken quickly to provide maintenance support for equipment under repair.

With technology changing rapidly, the three services require specialised equipment for immediate operational requirements or upgrades to existing equipment. Limited tenders up to ₹50 lakh will provide a quick route to buy niche equipment that can be quickly placed in the hands of the soldiers. Moreover, by assuring the industry of longer-term orders, the services can expect more reliable supply lines. For instance, if the Army collaborates with a start-up to develop a new surveillance gadget under DPM 2025, it can commit to buying that equipment for five years. This was a major complaint of the start-ups that demonstrated technology often does not result in orders.

The provision of open tenders and the reduction in LD norms will encourage greater participation of the private industry. This would provide the services with options that go beyond what the DPSUs can offer and tap into dual-use technologies. While the private industry today cannot match the scale and experience of the DPSUs, they are nimbler and more innovative. This is why they have garnered a 65% share of the exports, where quality control standards are higher and competition stiffer.³ Removing entry barriers for private players will also promote India's Atmanirbharta (self-reliance) goals.

³ Standard, Business. "Defence Exports Hit Record Rs 23,622 Cr in FY25, but Pace of Growth Slows." April 1, 2025. https://www.business-standard.com/external-affairs-defence-security/news/defence-exports-hit-record-rs-23-622-cr-in-fy25-but-pace-of-growth-slows-125040101323_1.html.

Challenges

While the DPM 2025 is widely seen as a positive reform, there is also a need to address the potential challenges that could arise during its implementation. Some of these are described below.

- **Cultural Shift and Training.** The transition from a compliance-heavy to an enabling framework may face resistance within the bureaucracy accustomed to centralised control. A traditional culture of risk-aversion might make some officials hesitant to use new powers like extending delivery without higher approval or not levying penalties. Comprehensive training and a shift in accountability frameworks will be needed. The MoD might consider issuing detailed Standard Operating Procedures (SOPs) and FAQs to guide procurement officers. Bridging the gap between policy and practice is a challenge that will determine how effective DPM 2025 truly becomes on the ground.
- **Vendor Readiness and Capacity.** DPM 2025 opens doors for many new players (start-ups, MSMEs, academia). However, implementation could see challenges if the domestic industry is unable to meet the technical requirements or quality standards of the armed forces. The assured orders provision is intended to mitigate financial risk, but some firms may still be hesitant to invest without clarity on funding and continuity. To mitigate this, the MoD and Services need to work closely with industry so that the intent of the innovation chapter translates into real products. If the supply side does not rise to the occasion, the new relaxed rules might not yield significantly different outcomes.
- **Monitoring and Transparency.** With greater autonomy at lower levels, maintaining oversight will be crucial. The MoD will need to enhance monitoring mechanisms to ensure the flexibility is not misused. New procedures will require updated audit frameworks and compliance mechanisms to ensure accountability in decentralised decision-making. One improvement could be more frequent reporting on procurement timelines and indigenisation outcomes as the manual is put into practice. However, the monitoring should not become so onerous as to reintroduce delays in the system.
- **Budgetary and Policy Support.** Some provisions, like guaranteed five-year orders, hinge on steady budget availability and long-term planning. If budget allocations fluctuate or there are policy shifts, it might be challenging to honour those commitments. The MoD will have to coordinate with the Ministry of Finance to ensure that its forward-looking commitments to vendors are matched by financial

provisioning in future budgets. Otherwise, there is a risk of over-promising to the industry.

Conclusion

DPM 2025 marks a significant step in defence procurement reform. It brings a much-needed overhaul to the revenue purchasing process, addressing bottlenecks and aligning with India's ambitions of self-reliance. Through its key provisions, from relaxed penalties and multi-year order guarantees to empowering field officers and encouraging innovation, DPM 2025 seeks to ensure that the armed forces retain a high level of operational readiness.

The manual's success will ultimately depend on implementation. Early indications are positive, but the actual test will be seen in the coming years in terms of faster procurement decisions, increased private sector participation, and tangible progress in indigenisation of defence items. Challenges will need to be managed, from ensuring the culture change in procurement organisations to ensuring transparency. If implemented well, DPN 2025 could build a foundation for India's military readiness and a strong defence industrial base.



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New Delhi - 110003
India

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