

# MP-IDSA

## *Issue Brief*

# AK-203 Rifle Joint Venture and India-Russia Defence Cooperation

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## **S***ummary*

The success of the AK-203 Joint Venture could serve as a model for future collaborations between India and Russia in arms, ammunition, weapon systems and platforms. However, challenges such as pricing concerns, production delays and geopolitical pressures must be addressed proactively to ensure seamless execution.

## Introduction

In 2018, the governments of India and Russia inked an intergovernmental agreement to establish a joint venture (JV) for the production of AK-203 rifles in India.<sup>1</sup> Additionally, at the 20<sup>th</sup> India–Russia Bilateral Summit in Vladivostok in 2019, an Inter-Governmental Agreement (IGA) on ‘Mutual Cooperation in Joint Manufacturing of Spares, Components, Aggregates and other Material related to Russian/Soviet Origin Arms and Defence Equipment’ was signed.<sup>2</sup> By enabling the Indian industry to produce spare parts and components domestically through JVs and partnerships with Russian original equipment manufacturers (OEMs), the IGA seeks to improve the ‘After Sales Support’ and operational availability of Russian-origin equipment currently in use in the Indian armed forces.

On 18 February 2019, a Protocol was signed to alter the agreement on ‘cooperation in the sphere of producing small arms of the Kalashnikov series’, thus establishing the Indo-Russian Rifles Private Limited (IRRPL) JV in 2019. This JV has been formed between Rosoboronexport JSC and the Kalashnikov Group (subsidiaries of the Rostec State Corporation) from the Russian side and Advanced Weapons & Equipment India Limited (AWEIL) and Munitions India Limited (MIL) from the Indian side.<sup>3</sup> Russia has a shareholding of 49.5 per cent in IRRPL, out of which Concern Kalashnikov (CK) holds 42 per cent and Rosoboron Exports (ROE) holds 7.5 per cent.<sup>4</sup> The majority shareholding of 50.5 per cent lies with India. IRRPL has established all facilities to commence production of assault rifles at Korwa, in Amethi district of Uttar Pradesh.<sup>5</sup>

Under the terms of the military–technical cooperation agreement for 2021–2031, India agreed to purchase 601,427 units of 7.62 x39mm assault rifles (AK–203) through IRRP,<sup>6</sup> the contract for which was signed on 6 December 2021.<sup>7</sup> This is a component of a multi-crore agreement that Russia and India signed to purchase more than 770,000 AK-203 rifles. Over 100,000 of these were to be imported directly from Russia, with the rest to be produced locally at the Korwa facility.<sup>8</sup> The total value of the deal is Rs 5,124 crore.<sup>9</sup> The first batch of 35,000 AK-203 rifles has been

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<sup>1</sup> “[Defence Production Units](#)”, Press Information Bureau, Ministry of Defence, Government of India, 17 December 2021.

<sup>2</sup> Ibid.

<sup>3</sup> “[Manufacturing of AK-203 Assault Rifles](#)”, Press Information Bureau, Ministry of Defence, Government of India, 13 February 2023.

<sup>4</sup> “[Defence Production Units](#)”, no. 1.

<sup>5</sup> “[Manufacturing of AK-203 Assault Rifles](#)”, no. 2.

<sup>6</sup> “[Defence Agreement With Russia on Assault Rifles](#)”, Press Information Bureau, Ministry of Defence, Government of India, 20 December 2021.

<sup>7</sup> “[Development of Defence Sector](#)”, Lok Sabha Unstarred Question No. 3821, Ministry of Defence, Government of India, 25 March 2022.

<sup>8</sup> Javin Aryan, “[India’s Quest for a New Assault Rifle is Almost Over](#)”, Expert Speak, Observer Research Foundation, 26 February 2021.

<sup>9</sup> ET Online, “[India Signs AK-203 Rifle Deal with Russia Worth Rs 5124 crore](#)”, *The Economic Times*, 6 December 2021.

successfully delivered by IRRPL to the Indian Army till mid-2024; the remaining weapons will be delivered in stages till 2032.<sup>10</sup>

India and Russia share a deep-rooted defence relationship that dates back to the Soviet era. Over the decades, this partnership has been characterised by large-scale arms transfers, licensed production agreements and joint research initiatives. The Soviet Union was India’s primary defence supplier during the Cold War, providing platforms such as the MiG-21 fighter jets, T-series tanks and submarines,<sup>11</sup> many of which formed the backbone of the Indian Armed Forces.

Even after the dissolution of the Soviet Union, Russia continued to be a key supplier of defence equipment. India’s procurement of advanced Russian systems, such as anti-ship missiles, T-90 tanks, MIG 29 and Su-30 fighter aircraft, etc., reinforced Moscow’s role as a critical supplier of high-end military technology. From 1998 onwards, the Indo-Russian defence cooperation diversified towards license manufacturing<sup>12</sup> and JVs.<sup>13</sup> This was done with the objective of reducing imports from Russia and creating indigenous capabilities. Despite growing diversification in India’s defence procurement strategy, Russia remained an important defence supplier, supplying nearly 36 per cent of India's defence imports in recent years.<sup>14</sup>

## AK-203 Rifle JV

The AK-203 JV takes the Indo-Russian defence cooperation forward by building on the success of the BrahMos Aerospace JV that has been operational since 2001. While direct imports and licensed production have their own pros and cons, a JV model is more suitable for India in the current context as it involves joint initial investments and long-term collaboration. It reflects mutual trust, confidence and convergence of interests among both the partners. Both the Indo-Russian JVs (BrahMos Aerospace and IRRPL) also have a dedicated focus on exports to sustain the project financially and strategically.

India’s objective of strengthening domestic defence production under the ‘Atmanirbhar Bharat’ initiative aligns with Russia’s commitment to engage in co-production and technology transfer, under this project. While Indian companies have engaged in JVs with various countries, joint ventures with Russia hold particular significance due to India’s history of defence cooperation with Russia. IRRPL aims to jointly manufacture the AK-203 rifles in India with 100 per cent localisation. This

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<sup>10</sup> Dinakar Peri, [“Indo-Russian Joint Venture has Delivered 35,000 AK-203 Assault Rifles to MoD: Rostec”](#), *The Hindu*, 6 July 2024.

<sup>11</sup> P.R. Chari, [“Indo-Soviet Military Cooperation: A Review”](#), *Asian Survey*, Vol. 19, No. 3, 1979, pp. 230–244.

<sup>12</sup> [“Acquisition of Su-30 Aircraft”](#), Public Accounts Committee 2003-2004, Fifty-Ninth Report, Lok Sabha Secretariat, Government of India, 22 December 2003.

<sup>13</sup> [“History of BrahMos”](#), BrahMos Aerospace, 2003.

<sup>14</sup> [“Armaments Disarmament and International Security”](#), Summary Report, Stockholm International Peace Research Institute (SIPRI), 2024.

allows the company to access new markets, networks, supply chains and resources leading to increased sales and revenues. One of the key benefits of a JV is that it enables both the countries to share risks as well as costs. The shared burden of initial investments needed mitigates risks and creates ease-of-business for India as well as Russia. This pooling of resources, capabilities and mutual strengths is crucial for making the project profitable.

As per the JV agreement, IRRPL will maintain, operate and repair AK-203 rifles and assure their technical support. This would lead to joint marketing efforts and the search for export prospects of the entire product portfolio. The company is now looking at joint development of AK rifles for new applications, upgrades of existing rifles, including replacement of third-party equipment (and accessories), and manufacturing of other Kalashnikov series small arms in India.<sup>15</sup> IRRPL thus benefits from Indian manufacturing at competitive prices and Russian expertise in technology and marketing. Due to the JV agreement, India now possesses a full-scale factory to produce the AK series of rifles, making it the only country other than Russia to have this facility.

IRRPL envisions becoming a key driver in the manufacturing of small arms in India, positioning itself as a leader in South and Southeast Asia.<sup>16</sup> IRRPL also seeks to support the growth of Micro, Small and Medium Enterprises (MSMEs) in India by establishing an ecosystem conducive to innovation and growth. This allays the concerns that foreign countries would not be interested in ‘Make-in-India’ projects which seek to substitute defence imports with local manufacturing.

Countries in Africa and West Asia have been showing interest in the Indian-made AK-203 rifles. Defence analysts note that the sanctions placed on Russia by the US and other Western countries account for this increased interest. Speaking on the subject, a defence official stated: "The AK-203 rifle has become increasingly popular, particularly in regions where Russian weapons have long been the go-to option. We can fill the gap created by the sanctions and further India's defence objectives thanks to our cooperation with Russia."<sup>17</sup> Even though no official agreements have been signed yet, the increasing number of queries suggests that IRRPL's export portfolio may expand.

This joint venture serves as a potential model for future India–Russia defence collaborations. With India operating Russian origin tanks and other armoured vehicles, a next-generation combat vehicle JV could be planned, incorporating modern technologies. Similarly joint ventures could be explored in next-generation small arms, transport aircraft, stealth battleships, long-range radar systems and missile technology.

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<sup>15</sup> Oliver Fredrik, [“AK-203 Rifles To Be Fully Made in India as Kanpur Factory Develops Unique Metal”](#), *News18*, 24 October 2024.

<sup>16</sup> [“Vision & Mission”](#), Indo-Russian Rifles Private Limited, 2024.

<sup>17</sup> Shivani Sharma, [“Indian-made AK 203 Rifles Draw Increased Interest from Africa, Middle East”](#), *India Today*, 25 September 2024.

## The Geopolitical Aspect

The geopolitical implications of the AK-203 rifle JV extend beyond opening of a production line for AK-series weapons outside Russian territory. As global power dynamics shift with growing Western influence in India’s defence sector and increasing sanctions on Russia, this JV reinforces the resilience of Indo-Russian strategic ties. It serves as a reaffirmation of mutual trust, demonstrating that despite geopolitical shifts, India and Russia continue to prioritise defence cooperation. Unlike Western defence suppliers that often impose restrictions on technology transfer, Russia remains open to deeper industrial collaboration. By successfully establishing the AK-203 project, India and Russia have signalled their intent to navigate global challenges while reinforcing their legacy of defence-industrial collaboration.

India maintains strong ties with both Russia and the US. BrahMos Aerospace and IRRPL have remained unaffected by US sanctions. The US values its strategic partnership with India and may have opted to avoid actions that could strain bilateral relations, especially given India's growing significance in the Indo-Pacific. India has been actively diversifying its defence imports, strengthening partnerships with the US, France and Israel. Recent high-profile acquisitions demonstrate India’s intent to avoid overdependence on any single supplier. India’s goal is to cut import dependency across the board, rather than just shifting from one supplier to another. But instead of abruptly reducing defence imports from partner countries, India could also engage them in joint ventures for indigenous manufacturing. This approach minimises the financial impact and mitigates a potential market loss for the partner countries.

India’s diversification of defence imports, hence, is not a zero-sum game. Rather, it advances India’s objective of a reduced defence import bill while maintaining a geopolitical balance. By engaging with India in JVs, Russia ensures its continued relevance in India's defence sector. This approach aligns with India's push for localised defence production while sustaining its strategic partnership with Russia.

## Challenges

While the AK-203 JV sets a positive precedent, Indo-Russian defence collaborations must navigate several challenges, some of which are highlighted below:

### ***Investments and Decision Making***

JVs require a long-term commitment from the partners, since it involves sharing resources, finances, knowledge and processes over an extended period of time. Additionally, defence projects often face cost escalations, and balancing affordability with advanced technology remains a challenge. Recent years have seen important defence projects with Russia being cancelled due to financial issues and

disagreements on technical specifications.<sup>18</sup> Economic viability and joint decision-making is hence essential for the current as well as future JVs.

### ***Production Delays***

Previously, India has faced problems in procuring essential spares, parts and components needed for maintenance and repairs of Russian-origin defence equipment.<sup>19</sup> While Russia has agreed to address these concerns by setting up joint production facilities, the effectiveness of these measures will depend on timely execution, technology transfer and sustained logistical support to ensure uninterrupted supply chains for critical defence equipment.

### ***Geopolitical Pressures***

Western sanctions on Russian defence entities, particularly under the CAATSA (Countering America's Adversaries Through Sanctions Act), could complicate joint collaborations. Russia's engagements in Crimea and Ukraine have also resulted in delayed deliveries of defence equipment to India. Joint projects, hence, need to factor in this aspect. India must navigate these constraints while safeguarding its strategic autonomy. By addressing these roadblocks proactively, India and Russia can sustain their defence partnership and adapt it to future strategic needs.

## **Conclusion**

The AK-203 Rifle Joint Venture marks an important step in furthering the India–Russia defence cooperation. It highlights the trust and strategic alignment between the two nations and also their commitment to fostering long-term defence-industrial cooperation. Through this JV, India seeks to strengthen its defence industrial base while gaining expertise in small arms production. For Russia, this initiative ensures its continued relevance in India's evolving defence sector despite increasing diversification. The project also underscores the geopolitical resilience of Indo-Russian ties, demonstrating their ability to navigate global challenges.

As both nations look ahead, the success of the AK-203 JV could serve as a model for future collaborations in arms, ammunition, weapon systems and platforms. However, challenges such as pricing concerns, production delays and geopolitical pressures must be addressed proactively to ensure seamless execution. By refining their joint manufacturing approach and expanding technological cooperation, India and Russia can sustain and strengthen their defence cooperation in the years to come.

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<sup>18</sup> Franz Stefan-Gady, “[India Russia Aircraft Deal Terminated](#)”, *The Diplomat*, 28 March 2017.

<sup>19</sup> “[Russia Agrees to Set Up Joint Ventures in India to Address Delays in Supply of Spares of Military Platforms](#)”, *The Economic Times*, 9 July 2024.

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