

**40**

**STANDING COMMITTEE ON DEFENCE  
(2022-23)**

**(SEVENTEENTH LOK SABHA)**

**MINISTRY OF DEFENCE**

**[Action Taken by the Government on the Observations/Recommendations contained in the Twenty-sixth Report of Standing Committee on Defence (17<sup>th</sup> Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 2022-23 on 'General Defence Budget, Border Roads Organisation, Indian Coast Guard, Defence Estates Organisation, Defence Public Sector Undertakings, Canteen Stores Department, Welfare of Ex-Servicemen and Defence Pension (Demand Nos. 19 and 22)']**

**FORTIETH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**August, 2023 / Sravana 1945 (Saka)**

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**(2022-23)**

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*Presented to Lok Sabha on 10.08.2023*

*Laid in Rajya Sabha on 10.08.2023*



**LOK SABHA SECRETARIAT**

**NEW DELHI**

**August, 2023 / Sravana 1945 (Saka)**

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## COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (2022-23)

SHRI JUAL ORAM

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CHAIRPERSON

Lok Sabha	
2.	Shri Nitesh Ganga Deb
3.	Shri Devaragunda Venkappa Sadananda Gowda
4.	Shri Annasaheb Shankar Jolle
5.	Choudhary Mehboob Ali Kaiser
6.	Shri Suresh Kumar Kashyap
7.	Prof. (Dr.) Ram Shankar Katheria
8.	Shri Durai Murugan Kathir Anand <sup>@</sup>
9.	Kunwar Danish Ali
10.	Dr. Rajashree Mallick
11.	Shri Reddeppa Nallakonda Gari <sup>*</sup>
12.	Shri Uttam Kumar Reddy Nalamada
13.	Shri Anumula Revanth Reddy
14.	Shri Jugal Kishore Sharma
15.	Dr. Shrikant Eknath Shinde
16.	Shri Prathap Simha
17.	Shri Brijendra Singh
18.	Shri Mahabali Singh
19.	Shri Durga Das Uikey
	<i>Vacant<sup>\$</sup></i>
	<i>Vacant<sup>^</sup></i>
Rajya Sabha	
20.	Dr. Ashok Bajpai
21.	Shri Prem Chand Gupta
22.	Shri Sushil Kumar Gupta
23.	Shri Venkataramana Rao Mopidevi
24.	Shri Kamakhya Prasad Tasa
25.	Dr. Sudhanshu Trivedi
26.	Smt. P.T. Usha
27.	Shri G.K. Vasani
28.	Lt. Gen. (Dr.) D. P. Vats (Retd.)
29.	Shri K.C. Venugopal

**NOTE:-** Two seats vacant in Lok Sabha.

<sup>@</sup> Nominated w.e.f 08.12.2022.

<sup>★</sup> Nominated w.e.f 16.11.2022.

<sup>\$</sup> **Shri Rahul Gandhi** ceased to be a Member of the Committee consequent upon his disqualification from Membership of Lok Sabha vide LSS Notification No.21/4(3)/2023/TO(B) dated 24/03/2023; and disqualification ceased to be operate vide Lok Sabha Secretariat Notification No. 21/4(9)/2023/TO(B), dated 7 August, 2023.

<sup>^</sup> Sad demise of **Shri Rattan Lal Kataria** on 18/05/2023 notified vide Lok Sabha Secretariat Notification No. 21/4(7)/2023/TO (B) dated 22 May, 2023.

## **SECRETARIAT**

1. Dr. Sanjeev Sharma - Joint Secretary
2. Shri Tirthankar Das - Director
3. Shri Rahul Singh - Deputy Secretary
4. Smt. Preeti Negi - Executive Officer

## **INTRODUCTION**

I, the Chairperson of the Standing Committee on Defence (2022-23), having been authorized by the Committee, present this Fortieth Report of the Committee on Action Taken by the Government on the Observations/Recommendations contained in the Twenty-sixth Report of Standing Committee on Defence (17<sup>th</sup> Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 2022-23 on 'General Defence Budget, Border Roads Organisation, Indian Coast Guard, Defence Estates Organisation, Defence Public Sector Undertakings, Canteen Stores Department, Welfare of Ex-Servicemen and Defence Pension (Demand Nos. 19 and 22)'.

2. The Twenty-sixth Report (17<sup>th</sup> Lok Sabha) was presented to the Lok Sabha and laid in Rajya Sabha on 16 March, 2022. The Report contained 43 Observations/ Recommendations. The Ministry of Defence furnished Action Taken Replies on all the Observations/Recommendations in February 2023.

3. The Report was adopted at the Sitting held on 09 August 2023.

4. For facility of reference and convenience, Observations/Recommendations of the Committee have been printed in bold letters in the Report.

5. An analysis of Action Taken by the Government on the Observations/ Recommendations contained in the Twenty-sixth Report (17<sup>th</sup> Lok Sabha) of the Standing Committee on Defence is given in Appendix II.

**New Delhi;**  
**... August, 2023**  
**... Shrawana, 1945 (Saka)**

**JUAL ORAM**  
**Chairperson**  
**Standing Committee on Defence**

## REPORT

### CHAPTER – I

This Report of the Standing Committee on Defence deals with Action Taken by the Government on the Observations/Recommendations contained in the Twenty-sixth Report of Standing Committee on Defence (17<sup>th</sup> Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 2022-23 on 'General Defence Budget, Border Roads Organisation, Indian Coast Guard, Defence Estates Organisation, Defence Public Sector Undertakings, Canteen Stores Department, Welfare of Ex-Servicemen and Defence Pension (Demand Nos. 19 and 22)', which was presented to Lok Sabha and laid in Rajya Sabha on 16 March, 2022.

2. The Twenty-sixth Report (17<sup>th</sup> Lok Sabha) of the Committee contained 43 Observations/Recommendations on the following aspects:-

Para No.	Subject
<b>General Defence Budget</b>	
1	Ministry of Defence Budget and Demands for Grants 2022-23: A bird's eye view
2	Projection and allocation under Defence Budget 2022-23
3	Growth of Defence Budget vis-a-vis rate of inflation
4-5	Expenditure on Research & Development
6-7	Initiatives taken under Aatmanirbhar Bharat
8	Integrated Theater Commands
9	Maintenance of airports controlled by Defence Forces
<b>Border Roads Organisation</b>	
10	Budgetary Allocation to BRO
11	Required and existing number of equipment with BRO
12	Creation of all Women Road Construction Company (RCC)
<b>Indian Coast Guard</b>	
13-14	Indian Coast Guard
15	Induction of Anti-Drones and Drones in ICG
16	Shortage of Manpower
<b>Defence Estates Organisation</b>	
17-18	Budgetary provision
19	Resolution of bottlenecks/disputes pertaining to Defence Lands
20	Amendment in Cantonment Act, 2006
<b>Defence Public Sector Undertakings</b>	
21	Defence PSUs
22	Order Book Status of DPSUs

23-24	Profitability and efficiency of the DPSUs
25	Challenges encountered by DPSUs
26	Disinvestment
27	Defence Exports
28	Indigenization efforts and self reliance in Defence sector
29	Defence Corridors
<b>Canteen Stores Department</b>	
30	Budgetary Allocations
31	Provision of combat uniforms for the Forces through CSD
<b>Welfare of Ex-Servicemen</b>	
32-36	Welfare of Ex-Servicemen
<b>Defence Pension</b>	
37	Budgetary Provisions
38-39	SPARSH-System for Pension Administration (RAKSHA)
40	One Rank One Pension (OROP)
41	Military Service Pay (MSP)
42-43	Welfare of the cadets boarded out of Defence Training Academies/Institutions on Medical Grounds

3. The complete Action Taken Replies have been received from the Government in respect of 43 Observations/Recommendations contained in the Report on 23.02.2023. Replies to Recommendation Nos. 31, 36 and 41 are of classified nature and have been categorized as 'Accepted'. Replies to rest of the recommendations have been examined and categorized as follows:-

**(i) Observations/Recommendations which have been accepted by the Government (Chapter II):**

**Para Nos. 1,2,3,5,6,7,8,10,11,12,13,14,15,16,17,18,19,20,21,22, 23,24,25,26,27,28,29,30,31,32,33, 34,35,36,37,38,39,40,41,42 and 43**

**(Total - 41)**

**(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government (Chapter III):**

**Para No. 9**

**(Total -1)**

**(iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee (Chapter IV):**

**Para Nos. Nil**



(Total - 0)

(iv) Observations/recommendations in respect of which final replies of the Government are still awaited (Chapter V):

Para No. 4

(Total - 1)

4. The Committee observe that in the normal course, the replies pertaining to the Twenty-sixth Report of the Committee should have been received within three months of the presentation of the Report, i.e. by June, 2022 and accordingly, the Action Taken Report on the subject would have been presented to the House before the presentation of the Report on Demands for Grants for the year 2023-24 (i.e. 35<sup>th</sup> Report). Therefore, the Committee desire that Action Taken Notes should invariably be furnished within the prescribed time line and in future, all efforts may be done to obviate such delays.

5. The Committee also desire that the Action Taken Notes in respect of comments of the Committee contained in Chapter I and V of the Report should be furnished to them at the earliest and in any case, not later than six months of the presentation of this Report.

6. The Committee will now deal with the action taken by the Government on some of the Observations/Recommendations made in the Twenty-sixth Report in the succeeding paragraphs.

## General Defence Budget

### **A. Ministry of Defence Budget and Demands for Grants 2022-23: A bird's eye view and Projection and allocation under Defence Budget 2022-23**

#### **Recommendation (Para Nos. 1 & 2)**

7. The Committee had recommended as under:

“The Defence Budget is categorised/grouped under four Demands for Grants viz. Demand No. 19 – Ministry of Defence (Civil), Demand No. 20 – Defence Services (Revenue), Demand No. 21 – Capital Outlay on Defence Service and Demand No. 22 – Defence (Pension). Demand Nos. 19 and 22 come under Civil/Pension Estimates and Demand Nos. 20 and 21 fall under Defence Services Estimates. The Committee note that the requirements for the Civil expenditure of the Ministry of Defence Secretariat, Defence Accounts Department, Canteen Stores Department, Defence Estates Organisation, Coast Guard Organisation, Jammu & Kashmir Light Infantry (J&K LI), Border Roads Organization etc. are provided for in Demand No. 19- MoD(Civil). The Defence Services Estimates (DSE) reflects the detailed estimates for the Defence Services and Organizations/Services covered under Grant Number 20 and 21 of the Ministry of Defence. The Services and Organizations covered under DSE are Army (including National Cadet Corps, Director General Quality Assurance, Military Farms and Ex-Servicemen Contributory Health Scheme), Navy (including Joint Staff), Air Force, Defence Research and Development Organization (DRDO) and erstwhile Defence Ordnance Factories/Directorate of Ordnance (Coordination & Services) [7 newly created Defence Public Sector Undertakings]. Demand No. 22 provides for Pensionary charges [Service pension, gratuity, family pension, disability pension, commuted value of pension, leave encashment etc.] in respect of retired Defence personnel (including Defence civilian employees) of the three Services viz. Army, Navy and Air Force. The Committee note that the total allocated budget for the Ministry of Defence for Financial Year 2022-23 is ₹ 5,25,166.15 crore. Out of this amount, the largest share of 73.38 percent, *i.e.* ₹ 3,85,370.15 crore has been allocated for Defence Services Estimates (Grant Numbers 20 and 21). The Capital Outlay on Defence Services (Grant number 21) has been allocated an amount of ₹ 1,52,370 crore for the coming Financial Year. Defence Pensions (Grant Number 22) has secured 22.79 percent *i.e.* ₹ 1,19,696 crore of the total budget. The remaining 3.83 percent *i.e.* ₹ 20,100 crore of the total Defence budget have been allocated to Ministry of Defence (Civil) (Grant Number 19).

The Committee, after detailed analysis of the budgetary provisions of Defence, observe a shortfall of approximately ₹ 1 lakh crore in the allocated Defence budget *i.e.* ₹ 5,25,166.15 crore as compared to the projected amount of ₹ 6,33,346.02 crore for Financial Year 2022-23. The Committee note the Ministry's contention in this regard that during the last few years, allocations are lesser than the projections made. However, greater projections at Budget Estimates stage become a justification for enhanced allocation at Revised Estimates stage. Further, additional funds are allocated by the Ministry of Finance contingent upon spending capacity of the Ministries/Organisations. The Committee also note the assurance of the Ministry of Defence that operational preparedness of the Defence Services will not be affected and the Ministry of Finance will be approached for additional allocation of funds, if needed, at Revised Estimates stage. The Committee, in this context, are of the considered view that inspite of the Ministry's affirmation that operational preparedness of the Services will not be compromised due to want of funds and the additional funds, if needed, will be sought at Revised Estimates stage, the huge mismatch between projected and allocated funds is a cause of concern. They are of the considered view that as the Defence budget caters to the Revenue and Capital expenditure for the Forces, the tendency for greater projections in anticipation of greater allocation of funds at Revised Estimates stage is not desirable as it gives impression of huge gap between required and allocated Defence budget. Therefore, the Committee recommend that a method may be formulated by the Ministry of Defence in consultation with the Ministry of Finance for pragmatic budgetary projections. It is needless to say that this mechanism will also require cooperation and, to some extent, assurance of the Ministry of Finance for allocation of requisite funds to the Ministry of Defence at both Budget and Revised Estimates stage so that combat preparedness of our Forces remain at an optimum level.

”

8. The Ministry in its Action Taken Reply has stated as under:

“This Ministry submits the requirements projected by the Services to Ministry of Finance for favourable consideration. In the pre-budget meeting discussions with M/o Finance, broad reasons for requirements projected by the Services are justified/elaborated. While allocating funds, Ministry of Finance analyses past absorption capacity of the Services, pace of expenditure in the current Financial Year, overall resource envelope available and pressing demands from other quarters etc. Based on the overall ceilings conveyed by M/o Finance, Ministry of Defence allocates funds among the Services and Organisations under MoD, taking into account Inter-Services priorities, pace of expenditure, pending committed liabilities etc.

The Committee may be assured that all efforts will be made to obtain additional funds projected by the Services at Supplementary/RE stage. The additional requirements projected by the Services are also discussed in detail with Ministry of Finance during pre-budget meeting discussions. Further, the allocated funds are optimally utilized towards operational preparedness of the Services. If required, the schemes are reprioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness.”

### **Comments of the Committee**

9. The Committee, in their Twenty-sixth Report, had recommended that a method may be formulated by the Ministry of Defence in consultation with the Ministry of Finance for pragmatic budgetary projections. The Committee are satisfied to note that pursuant to their recommendation, the gap between projection and allocation in Defence Budget has decreased from approximately ₹ 1 lakh crore in Budget Estimates 2022-23 (₹ 5,25,166.15 crore as compared to the projected amount of ₹ 6,33,346.02 crore) to approximately ₹ 44,000 crore in Budget Estimates 2023-24 (₹ 5,93,537.64 crore as compared to the projected amount of ₹ 6,37,113.51 crore) as mentioned in their 35<sup>th</sup> Report. The Committee have been given to understand that while allocating funds, the Ministry of Finance analyses past absorption capacity of the Services, pace of expenditure in the current Financial Year, overall resource envelope available and pressing demands from other quarters etc. They have also been given to understand that based on the overall ceilings conveyed by M/o Finance, Ministry of Defence allocates funds among the Services and Organizations under MoD, taking into account Inter-Services priorities, pace of expenditure, pending committed liabilities etc. The Committee are surprised to note that despite following such cautious approach in allocating funds, there still remains a gap between projection and allocation in Defence budget, which is a matter of concern for the Committee. Therefore, the Committee desire that the Ministry, while planning for budgetary projections, should take into account the entire gamut of issues and meticulously analyze them so that the projected Defence budget is kept close to actual requirements as far as possible for a particular financial year. Further, the Committee reiterate that cooperation and, to a large extent, assurance of the Ministry of Finance for allocation of requisite funds may be fully

**extended to the Ministry of Defence at both Budget and Revised Estimates stage so that operational preparedness of our Forces remain at an optimum level.**

## **INDIAN COAST GUARD**

### **B. Induction of Anti-Drones and Drones in ICG**

#### **Recommendation (Para No. 15)**

10. The Committee had recommended as under:

“The Committee note that Indian Coast Guard’s main duty and function is the protection of the Country’s maritime interests in the Maritime Zones of India. To fulfill this purpose, helicopters are used on the ships, which on one hand increase the search area and on the other decrease the surveillance time. The Committee are of the considered view that keeping in mind the contemporary technological developments taking worldwide and looking at the futuristic technology in the Armed Forces and the present security scenario in the country, usage of drones is an imperative need of the hour, as these are cost effective and will be useful in search and rescue operations, surveillance, traffic monitoring in the waters, firefighting and so on. Further these are evidently a cheaper option than the helicopters not only in their operations but also in procurement and maintenance. Operating drones can be mastered with more ease than training a helicopter pilot. The Committee were informed that a proposal for acquiring Drones and Anti-Drones is already under consideration of the Government. The Committee, therefore, recommend that the Ministry should take steps to expedite finalization of the proposal for induction of drones and anti-drones along with Drone Interceptors in the Indian Coast Guard Organisation and facilitate the ease in their procurement on urgent basis. The Committee would like to be informed of the steps taken in this regard within three months of the presentation of this Report to the Parliament.”

11. The Ministry in its action taken reply has stated as under:

“Presently, Indian Coast Guard is not using drones or anti-drones. However, Drone is an emerging technology which can be utilized for search & rescue operations, aerial survey of the oil spill, pre-boarding close scan during boarding operations and for visual inputs to the command team during fire fighting operations. Therefore, induction of drones in Indian Coast Guard is under examination, keeping in line with the contemporary development and induction programme in the other Services.

### **Comments of the Committee**

12. The Committee, after being informed that a proposal for acquiring Drones and Anti-Drones is already under consideration of the Government, had recommended that the Ministry should take steps to expedite finalization of the proposal for induction of drones and anti-drones along with Drone Interceptors in the Indian Coast Guard Organization and facilitate ease of procurement on urgent basis. In the normal course, the Committee expect that their recommendations be taken in right earnest and the implementation of the recommendations should commence as soon as practicable consequent to the presentation of the Report. However, it has been reported that the Indian Coast Guard has concluded a maiden contract for multi-copter (vertical take-off and landing) drones. In this context, the Committee would like to be informed about the update regarding the induction of drones in the Coast Guard.

### **DEFENCE ESTATES ORGANIZATION**

#### **C. Budgetary provision**

#### **Recommendation (Para No. 18)**

13. The Committee had recommended as under:

“The Committee note that the Ministry of Defence (MoD) provides financial assistance to Cantonment Boards in the form of ordinary Grant-in-Aid to balance their budgets. Besides ordinary grant-in-aid, grants for creation of capital assets like under-ground sewerage system, water supply schemes, construction of hospitals and schools etc. are also being provided from 2012-13 onwards. The Committee also learn that the Cantonment Boards have powers to raise resources through taxation, fees, lease rentals in respect of lands under their management and rentals in respect of properties belonging to and vested in the Board. The main sources of income of a Cantonment Board are local taxes such as house tax, conservancy tax, water tax, lighting tax, trade and profession tax, Service Charges etc. During oral evidence, a representative of DGDE candidly admitted that the financial challenges encountered by the Cantonment Boards are due to limited trade and business activity and also due to Government ownership of the properties in the Cantonment areas. It was also submitted that amount of General Grant-in-Aid being given to the Cantonments has been showing a downward trend, declining from ₹ 361.60 crore in 2019-20 to ₹ 239.80 crore in 2021-22; while cost

of running the establishments and maintenance of assets has been increasing over the years. In light of these facts, the Committee recommend that adequate financial support should be provided to the Cantonments to enable them to provide efficient civic services to the residents as well as to run various welfare schemes/initiatives in an unhampered manner.”

14. The Ministry in its action taken reply has stated as under:

“

<b>Grant-in-Aid details of last 04 years</b>			
<b>Year</b>	<b>Annual Demand</b> (Initial Projected amount in crore)	<b>Allotment</b> (Rs. in crore)	
<b>Grant-in-Aid (General)</b>			
<b>2052.00.092.03.01.31</b>		<b>(BE)</b>	<b>(MA)</b>
2018-19	803.44	297.75	289.99
2019-20	1160.96	297.15	361.60
2020-21	1281.12	254.60	304.60
2021-22	1666.77	222.87	239.80
<b>Grants for Creation of Capital Assets</b>			
<b>2052.00.092.03.01.35</b>			
2018-19	312.72	68.67	31.88
2019-20	301.71	53.53	10.00
2020-21	110.00	10.00	10.00
2021-22	30.00	8.75	8.75
<b>Grant-in-Aid (SAP)</b>			
<b>2052.00.092.03.96.31</b>			
2018-19	127.54	0	10
2019-20	93.76	15	15
2020-21	93.76	1.00	1.00
2021-22	27.50	0.87	0.87

Apart from Grant-in-Aid to Cantonment Boards, the 15<sup>th</sup> Finance Commission (FC), for the first time, made recommendations for release of FC grants to the Cantonment Boards. Accordingly, 15<sup>th</sup> FC grants were released to the Cantonment Boards as under:

**15<sup>th</sup> Finance Commission grants received during the last 02 years**

<b>Sl. No.</b>	<b>Financial Year</b>	<b>Amount (in Rs.)</b>
1.	2020-21	1,43,21,78,541
2.	2021-22	98,93,73,464

Matter has also been taken up with the State Governments to provide GST compensation to the Cantonment Boards. The State of Punjab has started compensating Cantonment Boards of Ferozepur and Jalandhar against GST loss. In

addition, 14 States/UTs are also releasing funds to the Boards as grants / share of State revenue. Efforts are also being made to augment the local revenue by the Boards.”

### **Comments of the Committee**

**15. The Committee, in their original report, had recommended that adequate financial support should be provided to the Cantonments to enable them to provide efficient civic services to the residents as well as to run various welfare schemes/initiatives in an unhampered manner. The Committee comprehend from the Action Taken Reply of the Ministry that apart from Grant-in-Aid, the Cantonment Boards in certain cases have received Finance Commission Grants and Goods and Services Tax (GST) compensation from certain States in the past few years. The Committee in order to enable them to gauge a clearer picture, would like the details regarding revenue/income earned and expenditure made/done by each Cantonment Board in the country for the past three financial years. The Committee also desire that details regarding the efforts being made to augment the local revenue by the Boards, as submitted in the Ministry’s reply, may be furnished at the time of submitting Action Taken Statements.**

### **DEFENCE PUBLIC SECTOR UNDERTAKINGS**

#### **D. Indigenization efforts and self-reliance in the Defence sector**

#### **Recommendation (Para No. 28)**

**16. The Committee had recommended as under:**

“The Committee note various steps being taken for realization of goal of self-reliance in Defence sector. These inter alia include notification of two Positive lists of indigenization of weapons and platforms, preference to ‘Buy Indian Indigenously Designed Developed and Manufactured (IDDM)’ in procurement and launching of SRIJAN portal for facilitation of private industry to become part of indigenization drive. Further, process has been initiated for identification of major Line Replaceable Units (LRUs) and Subsystems for industry led design and development. The Committee appreciate that various measures are being taken for major transformation in the entire Defence ecosystem so as to encourage maximum indigenization and visible results are also being seen in this regard, for instance, pursuant to notification of positive lists of indigenization of DPSUs of assemblies/sub-assemblies, 2500 items have already been



indigenized and 351 items are to be indigenized in 3 years, resulting in expected savings of ₹ 3000 crore per year. The Committee find that some of the critical components are not being produced in the country and this resulted in decrease in the indigenous content in various equipment /platforms made by the DPSUs. The Committee, in order to gauge the contribution of the DPSUs in indigenization efforts, desire that a detailed note on the indigenous content vis-a-vis import content being used in manufacturing and production by the DPSUs may be furnished. The note should also contain the critical components which are not indigenously produced and the efforts being made by the Ministry and the DPSUs for local production of the same. The Committee, while understanding the need for import content, which is unavoidable in some cases so as to cater to various critical requirements of our Armed Forces, recommend that stringent and synergized efforts be taken by all stakeholders i.e. Ministry, DPSUs, Research and Development Institutions, academia etc. for realization of objective of 'Aatmanirbhar Bharat' in Defence sector."

17. The Ministry in its action taken reply has stated as under:

"1. Synergised efforts are being taken for realization of objective of 'Aatmanirbhar Bharat' in Defence Sectors which have already been informed to the Committee. In addition, recent efforts undertaken are as under:-

(a) The Department of Defence Production has notified 'Policy for Indigenization of components and spares used in Defence platforms for DPSUs on 08<sup>th</sup> March, 2019. The objective of the Policy is "to create an industry ecosystem which is able to indigenize the imported components (including alloys & special materials) and sub-assemblies for defence equipment and platform manufactured in India and to leverage the said capability to create export market.

(b) SRIJAN portal ([srijandefence.gov.in](http://srijandefence.gov.in)) to promote indigenization was launched on 14 Aug 2020. As on date i.e 07.04.2022, 19595 items, which were earlier imported by DPSUs/SHOs, have been displayed on the portal. The Indian industry has shown interest for 4162 displayed items so far. DPSUs/SHQs are interacting with these industries for indigenization of the items as per extant procedures.

(c) In continuous pursuit of self-reliance in defence manufacturing under 'Aatmanirbhar Bharat Abhiyan' and to minimize import by DPSUs, Ministry of Defence has notified a Positive Indigenisation list of sub-systems/ assemblies/ sub-assemblies/ components on 27<sup>th</sup> Dec 2021. The list contains 2500 items, which are already indigenized, and another 351 items which will be procured from Indian Industry after the timelines indicated in the list.

(d) On 28<sup>th</sup> March 2022, Ministry of Defence has notified 2<sup>nd</sup> Positive Indigenisation list of 107 Line Replacement Units (LRUs)/ sub-systems for indigenisation of Defence Public Sector Undertakings (DPSUs), for which there would be an embargo on the import beyond the timelines indicated against them.

(e) In a significant boost to Hon'ble Prime Minister's vision on 'Aatmanirbhar Bharat Abhiyan', and in sync with the announcement in the Union Budget 2022-23 that allocated 25% of Defence R & D Budget for industry led R & D, 18 major platforms have been announced by the Ministry of Defence on 11<sup>th</sup> March 2022, for industry led Design & Development under various routes.

(f) Make-II category (Industry funded), introduced in DPP 2016 to encourage indigenous development and manufacture of defence equipment has number of industry friendly provisions such as relaxation of eligibility criterion, minimal documentation, provision for considering proposals suggested by industry/individual etc. So far 72 projects relating to Army, Navy & Air Force, have been accorded 'Approval in Principle', valuing about Rs 30,000 Crores.

(g) In order to promote Indigenous manufacturing, though not designed / developed indigenously, import substitution for product support of weapon system/equipment held in the inventory of the services, a new 'Make-III' procedure have been introduced in DAP 2020 so that Indian firms may manufacture these either in collaboration or with ToT from foreign OEMs.

(h) An innovation ecosystem for Defence titled Innovations for Defence Excellence (iDEX) has been launched in April, 2018. iDEX is aimed at creation of an ecosystem to foster innovation and technology development in Defence and Aerospace by engaging Industries including MSMEs, Start-ups, Individual Innovators, R&D institutes and Academia and provide them grants/funding and other support to carry out R&D which has potential for future adoption for Indian defence and aerospace needs. The procurement of the final product will be processed under the 'Buy (Indian-IDD)' category. So far, 130+ Start-ups have been engaged and 71 contracts have been signed. One procurement order has been placed by Navy.

(i) To give a major boost to development of innovative defence technologies and support the growing Start-up base in the country, Ministry of Defence has also approved a new scheme worth Rs 498.80 Crores during 2021-22, which would support about 300 new Start-ups and 20 incubators during the next 05 years.

(j) DAC has recently cleared the procurement of 14 items worth Rs 380.43 Crore from the innovations for Defence Excellence (iDEX) startups/MSMEs. The DAC also has approved the new simplified procedure for procurement from iDEX

startups/MSMEs. This would fast-track the procurement from the startups/MSMEs. The procurement cycle for iDEX from the AoN to contract signing will be around 22 weeks as per the new procedure and similar provisions are included for Make-II Procedure and time taken from issue of PSO to signing of contracts has been reduced from existing 122-180 weeks to 101-119 weeks. The fund disbursement under iDEX has been recently further liberalised so that it does not become an impediment for startups who are technically progressing well for prototype development.

(k) Government of India has established Technology Development Fund (TDF) Scheme under 'Make in India' initiative to create an eco-system for enhancing cutting edge technology capability by inculcating R&D culture in Industry for building indigenous state-of-art systems for defence applications and import substitution. The scheme has been established to promote self-reliance in Defence Technology as part of the 'Make in India' initiative by encouraging participation of public / private industries especially MSMEs including Start-ups. The procurement will be made under the 'Buy(Indian-IDDM)' Category.

(m) Reforms in Offset policy have been included in DAP 2020, with thrust on attracting investment and Transfer of Technology for Defence manufacturing. Higher multipliers have been assigned to offset discharge in case of development of MSMEs, manufacturing in India, Transfer of Technology etc. Value of Offset discharge so far is worth 3565 Million USD.

(n) Government has notified the 'Strategic Partnership (SP)' Model in May 2017, which envisages establishment of long-term strategic partnerships with Indian entities through a transparent and competitive process, wherein they would tie up with global Original Equipment Manufacturers (OEMs) to seek technology transfers to set up domestic manufacturing infrastructure and supply chains.

2. Indigenous Content viz-a-viz import content being used in manufacturing and production with respect to Value of Production (VoP)" received from DPSUs/OFB (Now Department of Ordnance (C&S) and Seven Defence Companies for last three years are as under:

(Value in Rs. Crore)

<b>Year</b>	<b>Import Material</b>	<b>Indigenous Material</b>	<b>Total (VoP)</b>
2018-19	8459.79 (22.43%)	29263.86 (77.57%)	37723.65
2019-20	14551.51(25.81 %)	41830.78 (74.19%)	56382.29
2020-21	13534.96 (23.83%)	43267.52 (76.17%)	56802.48

3. Data of Controller General of Defence Accounts (CGDA) on procurement of defence equipment by the three Services (Army, Navy and Air Force) in the last three years, brings out that increasing reliance has been laid on procurement from domestic sources and the expenditure on procurement from foreign sources has shown significant reduction in percentage terms.

Year	Expenditure on Procurement (both capital and revenue) from Domestic sources		Expenditure on Procurement (both capital and revenue) from Foreign sources		Total expenditure on Procurement (both capital and revenue)
	Value (In Rs. Crore)	Percentage	Value (In Rs. Crore)	Percentage	
2018-19	50500	54.0	42974	46.0	93474
2019-20	63722	58.8	44618	41.2	108340
2020-21	88631	63.6	50709	36.4	139340

4. The details of FDI/JV proposals which have been approved in the Defence sector in the past five calendar years is as below:-

Name of JV	Activity
<b>2017</b>	
M/s Ideaforge Technology Pvt Ltd	Manufacture of unmanned aerial systems used in Defence sector.
M/s Alpha-Elsec Defence and Aerospace Systems Pvt Ltd	Manufacture of optical goods and equipment and optical instruments.
<b>2018</b>	
Indo Russian Helicopters Ltd	To manufacture, supply, maintain and service Helicopters to the Indian Defence Forces.
<b>2019</b>	
M/s Indo Russian Rifles Pvt Ltd	Design, Development and Production of Kalashnikov Series Rifle.
<b>2020</b>	
M/s Omnidyne Systems Pvt Ltd	Research, Development and Manufacturing of advanced, state of the art, unmanned vehicle systems and related technologies.
M/s Elbit Systems Ltd	Primarily undertaking research and development in the defence sector in India, executing design and development programs and also for engaging in upcoming defence programs in the Indian defence sector as well as in the international market by providing services as a sub-contractor in compliance with applicable law

	including Defence Procurement Procedure issued by the Government of India, as amended from time to time. Further, the applicant has stated that it will undertake research and development in the Indian defence sector, execute design and development programs, as well as undertake manufacturing of products that do not require industrial license.
<b>2021</b>	
<b>M/s Everchem Asia Pvt Ltd</b>	<b>Engage exclusively in holding indirect investment in M/s Calimara Matters Pvt Ltd, subject to 74% acquisition of M/s Calimara Matter Ltd by M/s Calibre Chemicals.</b>

5. There are some critical components that are not indigenously produced for various unavoidable reasons such as uncertainty that the indigenised items would be used in designated shipbuilding projects during construction & operational life of the ship/platform, lack of volume of order for the developer/indigenising vendor, unavailability of qualifying technical documents from the collaborator is considered for indigenisation under various routes. Further few major platforms have been identified by the Ministry of Defence for Industry led design & development under various routes which is in sync with the announcement in the Union Budget 2022-23 that allocates 25% of Defence R&D Budget for Industry led R&D. The list is as follows:-

<b>Sl. No.</b>	<b>Equipment Description</b>
	<b><u>Make-I</u></b>
1	Hypersonic Glide Vehicle
2	Directed Energy Weapons (300 KW and more) [High Powered Electromagnetic Devices and High Powered Laser Devices]
3	Naval Ship Borne Unmanned Aerial System (NSUAS)
4	Light Weight Tank
5	Self-Healing Mine Fields
6	Unmanned Autonomous AI Based Land Robot
7	127 mm Naval Gun
8	127 mm Guided Projectile
9	Electric Propulsion(Engines) for Ships
10	Standoff Airborne Jammer
11	Li-ion Cells/Li-Sulphur Cells [Portable High Capacity Energy Systems replacing the Conventional Hydrocarbons]
12	Communication System (AFNET System Switches, routers, Encryptors& VOIP phones)
13	Electro Optical (EO) Pod (with subsequent upgrade to EO/IR) with high resolution sensing
14	'Plug and Play' Housing/Infrastructure for soldiers posted at extreme altitudes.

<b><u>Special Purpose Vehicle (SPV) Model</u></b>	
15	Long Range Unmanned Aerial Vehicles (UAVs)[ High Altitude Long Endurance (HALE)}
16	Indian Multi Role Helicopter (IMRH)
	<b><u>iDEX</u></b>
17	Low Orbit Pseudo Satellites
	<b><u>Make-II</u></b>
18	Anti-Jamming Systems for Multiple Platforms

6. Efforts are also being made to take up indigenisation of equipment for future projects under 'Aatmanirbhar Bharat' and 'Make in India' programs. A separate indigenisation cell in DPSUs have also been constituted to give thrust to indigenisation of equipment/item at DPSUs level. These items are planned to be indigenised in-house Make-I, Make-II and DRDO route. Further, DPSUs have been able to successfully indigenise some of the critical equipment/items required for warships and submarines. The list is attached as **Annexure I**.

7. DPSUs are also outsourcing some of the activities like hull fabrication and equipment outfitting to domestic vendors to encourage public/private partnership in indigenous warship building. The list is attached as **Annexure II**.

8. "Offset portal" has been created in May 2019 to ensure Greater transparency, efficiency and accountability in the process. Reforms in Offset policy have been included in DAP 2020, with thrust on attracting investment and Technology for Defence manufacturing. The new Offset Policy is expected to encourage investment for Transfer of Technology / Critical Technologies to Indian Industry in Defence Sector. Higher preference has given for purchase of defence products as compared to components, as under:

(a) **Multiplier:**

- (i) For products / systems (x 1.0)
- (ii) For components (x 0.5)
- (iii) For MSME (x 1.5)

(b) **Investments incentivized through higher multipliers:**

- (i) In Defence Manufacturing (x 1.5)
- (ii) In Defence Industrial Corridors (x 2.0)
- (iii) For Transfer of Technology to Indian Enterprises (x 2.0)
- (iv) For Transfer of Technology to OFB / DPSUs (x 3.0)
- (v) Higher Multiplier for Critical Technology (x 4.0)"

### Comments of the Committee

18. The Committee are happy to note that synergized efforts are being taken for realization of objective of 'Aatmanirbhar Bharat' in Defence Sectors. They are also happy to learn that efforts are also being made to take up indigenization of equipment for future projects under 'Aatmanirbhar Bharat' and 'Make in India' programmes. The Committee note, from the data supplied by the Ministry, that the expenditure on procurement (both capital and revenue) from domestic sources has displayed an increasing trend since 2018-19. The percentage of such procurement stands at 63.6 per cent in 2020-21 as against 54 per cent in 2018-19. The Committee have been apprised that there are some critical components that are not indigenously produced for various unavoidable reasons. These reasons are uncertainty that the indigenized items would be used in designated shipbuilding projects during construction and operational life of the ship/platform, lack of volume of order for the developer/indigenizing vendor, unavailability of qualifying technical documents from the collaborator being considered for indigenization under various routes. In this regard, the Committee hope that the Indigenization Cell constituted in DPSUs will be able to successfully indigenize some of the critical equipments/items required for warship and submarines. They also have been apprised that a few major platforms have been identified by the Ministry of Defence for Industry-led design & development under various routes which are in sync with the announcement in the Union Budget 2022-23 that allocates 25 per cent of Defence Research & Development (R&D) Budget for Industry-led R&D. They, therefore, recommend that efforts for design and development of the identified platforms be made in a mission mode so as to further boost 'Aatmanirbhar Bharat' and 'Make in India' initiatives. They also desire that updates regarding the progress of such identified platforms be intimated to the Committee at the time of submitting the Action Taken Statement.

## **DEFENCE PENSION**

### **E. Welfare of the cadets boarded out of Defence Training Academies/Institutions on Medical Grounds**

#### **Recommendation (Para No. 43)**

19. The Committee had recommended as under:

“The Committee have been informed that during the last few years, on an average, approximately 11 to 12 cadets have been boarded out because of disabilities due to training attributable issues and accidents etc. The Ex-gratia benefits granted to the cadets on being medically boarded out include Ex-Gratia Disability Award (for 100% disability, reduced proportionately) of ₹ 16,200 per month plus Dearness Relief, monthly Ex-Gratia of ₹ 9000 plus Dearness Relief and Constant Attendance Allowance (for 100% disability only) of ₹ 6,750/- per month. In addition, Army Group Insurance Fund (AGIF) provides certain insurance coverage for death. The Committee have been informed that proposal to increase the insurance coverage under AGIF is under examination of the Ministry. The Committee are of the considered view that non providing of adequate financial benefits and other avenues for settlement/ rehabilitation of such disabled cadets/corps would not only discourage the youth from joining the Forces but would also add to the already existing numbers of vacancies in the Armed Forces. Exhorting the need for having a humanitarian approach towards such cadets who decided to serve the country by joining the Armed Forces but unfortunately were medically boarded out due to certain reasons, the Committee recommend that facilities of Ex-Servicemen Contributory Health Scheme (ECHS) and Canteen Stores Department (CSD) may also be extended to such cadets. The Committee also recommend that periodic review of ex-gratia amounts to the medically boarded-out cadets based on the extant cost of living and inflation should be undertaken by the Ministry and the financial aid to such cadets be enhanced suitably. Based on the degree of disability, all out efforts should be made and all avenues be looked into by the Government in providing any kind of employment including civil jobs to such candidates who had taken risks and were inadvertently injured/harmed during training period.”

20. The Ministry in its action taken reply has stated as under:

“The Ex-gratia benefits granted to the cadets on being medically boarded out due to their disability attributable to or aggravated by military service include Ex-Gratia Disability Award (for 100% disability, reduced proportionately) of Rs. 16,200/- per month plus Dearness Relief, monthly Ex-Gratia of Rs. 9000/- plus Dearness Relief and Constant Attendance Allowance (for 100% disability only) or Rs. 6750/- per month.



### **CSD Facilities to Medically Boarded Out Cadets**

Cadets who have been boarded out and are in receipt of disability award are already entitled to Canteen facilities through Canteen Stores Department (CSD) excluding Against Firm Demand Category-I (AFD-I) items.

In the past three years, 49 such cadets have applied for and have been issued with Canteen Smart Cards to avail the facility through Unit Run Canteens (URCs).

As per MoD (DoESW) letter 12/1/2005/D(Res) dated 05 Sep 2011, it has been clarified that the “the proposal for granting Ex-Servicemen status to ex-cadets who were boarded out on medical grounds has been examined. The Competent Authority has not approved the proposal to grant Ex-Serviceman Status to disabled cadets.”

### **ECHS facilities**

Ex-Servicemen Contributory Health Scheme (ECHS) is not entitled to ex-cadets since they do not meet the mandatory twin criteria of being ex-servicemen and pensioners through defence estimates.”

### **Comments of the Committee**

21. The Committee have been apprised that Ex-Servicemen Contributory Health Scheme (ECHS) is not entitled to the ex-cadets being medically boarded out due to their disability attributable to or aggravated by military service since they do not meet the mandatory twin criteria of being ex-servicemen and pensioners through defence estimates. The Committee find that the ex-gratia benefits granted to such cadets include the Ex-Gratia Disability Award (for 100% disability, reduced proportionately) of Rs. 16,200/- per month plus Dearness Relief, monthly Ex-Gratia of Rs. 9000/- plus Dearness Relief and Constant Attendance Allowance (for 100% disability only) or Rs. 6750/- per month. The Committee understand that a sizeable portion of the ex-gratia financial benefits provided to such cadets by the Ministry of Defence may be required to be spent on medical expenses. Therefore, adopting a humanitarian approach towards such cadets who decided to serve the country by joining the Armed Forces but unfortunately were medically boarded out due to certain reasons, the Committee recommend that feasibility of tie-ups with empanelled hospitals of ECHS on the lines of ‘Ayushman Bharat’ may be explored by the Ministry for ex-cadets. Further, a study may be conducted by the Ministry for revision of the ex-gratia financial benefits to the ex-cadets keeping in view the vagaries of inflation and the rising cost of healthcare. The findings and recommendations of the

**study may be intimated to the Committee at the stage of submitting Action Taken Statements by the Ministry.**

**The Committee note that the reply of the Ministry is silent on the Committee's recommendation regarding efforts to be made and all avenues be looked into by the Government in providing any kind of employment including civil jobs to such medically boarded out candidates. Therefore, the Committee reiterate their recommendation that sincere efforts should be made by the Government for providing employment including civil jobs to such candidates.**

## **CHAPTER – II**

### **Observations/Recommendations which have been accepted by the Government**

#### **GENERAL DEFENCE BUDGET**

##### **Recommendation (Para No. 1-2)**

The Defence Budget is categorised/grouped under four Demands for Grants viz. Demand No. 19 – Ministry of Defence (Civil), Demand No. 20– Defence Services (Revenue), Demand No. 21 – Capital Outlay on Defence Service and Demand No. 22 – Defence (Pension). Demand Nos. 19 and 22 come under Civil/Pension Estimates and Demand Nos. 20 and 21 fall under Defence Services Estimates. The Committee note that the requirements for the Civil expenditure of the Ministry of Defence Secretariat, Defence Accounts Department, Canteen Stores Department, Defence Estates Organisation, Coast Guard Organisation, Jammu & Kashmir Light Infantry (J&K LI), Border Roads Organization etc. are provided for in Demand No. 19- MoD(Civil). The Defence Services Estimates (DSE) reflects the detailed estimates for the Defence Services and Organizations/Services covered under Grant Number 20 and 21 of the Ministry of Defence. The Services and Organizations covered under DSE are Army (including National Cadet Corps, Director General Quality Assurance, Military Farms and Ex-Servicemen Contributory Health Scheme), Navy (including Joint Staff), Air Force, Defence Research and Development Organization (DRDO) and erstwhile Defence Ordnance Factories/Directorate of Ordnance (Coordination & Services) {7 newly created Defence Public Sector Undertakings}. Demand No. 22 provides for Pensionary charges {Service pension, gratuity, family pension, disability pension, commuted value of pension, leave encashment etc.} in respect of retired Defence personnel (including Defence civilian employees) of the three Services viz. Army, Navy and Air Force. The Committee note that the total allocated budget for the Ministry of Defence for Financial Year 2022-23 is ₹5,25,166.15 crore. Out of this amount, the largest share of 73.38 percent, i.e. ₹3,85,370.15 crore has been allocated for Defence Services Estimates (Grant Number 20 and 21). The Capital Outlay on Defence Services (Grant number 21) has been allocated an amount of ₹ 1,52,370 crore for the coming Financial Year. Defence Pensions (Grant Number 22) has secured 22.79 percent i.e. ₹ 1,19,696 crore of the total budget. The remaining 3.83 percent i.e. ₹ 20,100 crore of the total Defence budget have been allocated to Ministry of Defence (Civil) (Grant Number 19).

#### **Projection and allocation under Defence Budget 2022-23**

2. The Committee, after detailed analysis of the budgetary provisions of Defence, observe a shortfall of approximately ₹ 1 lakh crore in the allocated Defence budget i.e. ₹ 5,25,166.15 crore as compared to the projected amount of ₹ 6,33,346.02 crore for Financial Year 2022-23. The Committee note the Ministry's contention in this regard that during the last few years, allocations are lesser than the projections made. However, greater projections at Budget Estimates stage become a justification for enhanced allocation at Revised Estimates stage. Further, additional funds are allocated by the Ministry of Finance contingent upon spending capacity of the Ministries/Organisations. The Committee also note the assurance of the Ministry of Defence that operational preparedness of the Defence Services will not be affected and the Ministry of Finance

will be approached for additional allocation of funds, if needed, at Revised Estimates stage. The Committee, in this context, are of the considered view that in spite of the Ministry's affirmation that operational preparedness of the Services will not be compromised due to want of funds and the additional funds, if needed, will be sought at Revised Estimates stage, the huge mismatch between projected and allocated funds is a cause of concern. They are of the considered view that as the Defence budget caters to the Revenue and Capital expenditure for the Forces, the tendency for greater projections in anticipation of greater allocation of funds at Revised Estimates stage is not desirable as it gives impression of huge gap between required and allocated Defence budget. Therefore, the Committee recommend that a method may be formulated by the Ministry of Defence in consultation with the Ministry of Finance for pragmatic budgetary projections. It is needless to say that this mechanism will also require cooperation and, to some extent, assurance of the Ministry of Finance for allocation of requisite funds to the Ministry of Defence at both Budget and Revised Estimates stage so that combat preparedness of our Forces remain at an optimum level.

### **Reply of the Government**

This Ministry submits the requirements projected by the Services to Ministry of Finance for favourable consideration. In the pre-budget meeting discussions with M/o Finance, broad reasons for requirements projected by the Services are justified/ elaborated. While allocating funds, Ministry of Finance analyses past absorption capacity of the Services, pace of expenditure in the current Financial Year, overall resource envelope available and pressing demands from other quarters etc. Based on the overall ceilings conveyed by M/o Finance, Ministry of Defence allocates funds among the Services and Organisations under MoD, taking into account Inter-Services priorities, pace of expenditure, pending committed liabilities etc.

2. The Committee may be assured that all efforts will be made to obtain additional funds projected by the Services at Supplementary/RE stage. The additional requirements projected by the Services are also discussed in detail with Ministry of Finance during pre-budget meeting discussions. Further, the allocated funds are optimally utilized towards operational preparedness of the Services. If required, the schemes are reprioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness.

### **Growth of Defence Budget vis-a-vis rate of inflation**

#### **Recommendation (Para No. 3)**

The Committee note that the as per Economic Survey 2021-22, Consumer Price Index-Combined (CPI-C) inflation moderated to 5.2 percent in 2021-22 (April to December, 2021) from 6.6 per cent in the corresponding period of 2020-21 and was recorded at 5.6 per cent (provisional) in December, 2021. The annual rate of inflation based on monthly Wholesale Price Index (WPI) increased to 12.5 percent (provisional) during 2021-22 (April-December). The Committee also note that the actual increase in percentage in Defence Budget at the stage of Revised Estimates 2021-22 over 2020-21 (Actuals) amounts to (-) 1.66 percent after adjusting inflation. The Committee recommend that considering the factor of inflation, the additional funds

sought at the Revised Estimates stage in Financial Year 2022-23 should be allocated to the Ministry of Defence so as to ensure that planned Capital and Revenue Expenditure for the Forces continue unhampered.

### **Reply of the Government**

In BE 2022-23, an amount of Rs. 5,25,166.15 Crore (i.e. an increase of Rs.46,970.53 Crore over BE 2021-22) has been allocated to M/o Defence which is an increase of 9.82% over BE 2021-22 allocations. If required, additional funds will be sought at Supplementary/ Revised Estimate stage to meet the requirements to ensure that planned Capital and Revenue Expenditure for the Forces continue unhampered.

### **Recommendation (Para No. 5)**

The Committee note that for Financial Year 2022-23, 25 per cent of the R&D Budget has been earmarked for private industries, start-ups and academia. It has been stated by the Ministry that private industry will be encouraged to take up design and development of military platforms and equipment in collaboration with Defence Research and Development Organisations (DRDO) and other organizations through Special Purpose Vehicle (SPV) model. Besides, an independent nodal umbrella body will also be set up for meeting wide-ranging testing and certification requirements. The Committee also note that the scheme of opening of R&D to private industry and academia and providing suitable assistance to them has to be formulated following the announcement in the Budget 2022-23. The Committee understand that this scheme of engagement of DRDO and other organizations with private industry and academia is in an embryonic stage, however, they recommend that a timeframe should be fixed for expeditious formulation of modalities of this scheme and establishment of nodal umbrella body for wide-ranging requirements of testing and certifications of defence systems so that budget reserved for this purpose is relevantly utilized in 2022-23. Further, the Committee desire that details of the schemes so formulated containing *inter alia* identification of willing and competent private industries, start-ups and academia, scope of revenue generation through assistance to such entities, infrastructure and manpower required etc. may be furnished to them at the earliest.

### **Reply of the Government**

SPVs are being proposed in areas such as Advanced Medium Combat Aircraft (AMCA), Twin Engine Deck Based Fighter (TEDBF), Long Range Surface to Air Missile (LRSAM), Tanks, Future Infantry Combat Vehicle etc.

Defence Technology Promotion Board (DTPB) is being proposed which will coordinate & facilitate provisioning of R&D test facilities to industry. Details of scheme formulated for enhancement of Indian industry are:

### **Existing Scheme:**

- (a) **Technology Development Fund (TDF) Scheme** implemented to fund industry, MSMEs and Start-ups (upto Rs. 10 Cr for design and development of a product). Funding proposed to be enhanced to Rs. 50 Cr per project.
- (b) **Industry as Development Cum Production Partner (DcPP):** A new concept of industry as DcPP to take along industry as a partner right from the development stage so that industry builds capability of producing.
- (c) **Development Contract:** All system developed by DRDO are produced by industries. Minimum 50% of project funds go to industry as development contract.
- (d) **Basic & Applied Research through Academic Institutes:** DRDO has multiple mechanisms for working with academic institutes such as Extramural Research (ER), Research Boards and Contract for Acquisition for Research Services (CARS).
- (e) **DRDO- Academic Centers of Excellence (CoES):** 10 CoES established at academic institutes to work on specific advanced & futuristic areas.

### **New Scheme:**

- Advanced Defence Acquired Research (ADAR) Scheme has been proposed to promote disruptive research/ technology among Academia, R&D Centers, Start-ups and Industries.
- New scheme has been proposed for funding D&D project upto Rs. 500 Cr for each industry.

Setting up of Design & Development of Systems by Industry (DeSI) has been proposed as a scheme where design and development (D&D) of large systems and platforms shall be taken up by industry against funding and technical handholding provided by DRDO. The funding for these projects shall be up to ₹500 Cr.

### **Initiatives taken under Aatmanirbhar Bharat**

#### **Recommendation (Para No. 6)**

The Committee note that the share of domestic capital procurement which was earmarked at 58 percent and 64 percent in 2020-21 and 2021-22, respectively, has been enhanced to 68 percent of the Capital acquisition Budget of the Defence Services for the year 2022-23, which approximately amounts to Rs84,598 crore. As regards the quality of equipment/platforms/ weapons being manufactured indigenously under Aatmanirbhar initiative, the Defence Secretary submitted that there is no change in standards of quality of items procured through other countries or under 'Make in India'. The Committee, while taking note of the submission of the Defence Secretary, urge upon the Ministry to continue strict monitoring of the quality' of products

being manufactured/produced under 'Make in India' initiative so that our Services are armed/equipped with world class products. In this regard, the Committee desire that the details of the complaints/ grievances, if any, received in the last three years from the users i.e. the Armed Forces regarding the quality and standards of equipment/ platforms/weapons produced indigenously be furnished to them at the earliest. The Committee also desire that estimates regarding cost involved in procurement and percentage of indigenous content in weapons/items/equipment, barring sophisticated and hi-technology ones, being manufactured /produced in domestic Defence sector may also be furnished to them.

### Reply of the Government

1. The capital expenditure on purchase of defence equipment from Indian and Foreign vendors for the Services during the last three years shows increasing trends in procurement from Indian Vendors, same is as given below:-

(Rs. In crore)

	<b>Total Procurement</b>	<b>Procurement from Foreign Vendors</b>	<b>Procurement from Indian Vendors</b>	<b>% of Procurement from Indian Vendors</b>
2018-19	75913.06	36957.06	38956.00	51.32%
2019-20	91004.94	38156.83	52848.11	58.07%
2020-21	118860.52	42786.54	76073.98	64.00%
2021-22	113511.11	40325.09	73186.02	64.47%

2. During the past three financial years and the current financial year (upto Nov 2021), total 185 contracts have been signed, out of which 115 contracts have been signed with Indian vendors for capital procurement of defence equipment for Armed Forces. No complaint regarding quality has been reported for the delivered indigenous products during last 3 years by the services.

3. The percentage of indigenous content in recently delivered platform by DPSU is furnished below:-

<b>Major Platform</b>	<b>% Indigenous</b>
ASW Corvette – P28	> 85
Landing Craft Utility (LCU)	> 90
Fast Patrol Vessel (FPV)	> 70
Water Jet Fast Attack Craft	> 70
Sighting system of BMP-II	100%
Sighting and Fire Control system of Tk T72	100%
Sighting and Fire Control system of Tk T90	68%
STP	23%
RO Plant	63%
Gear Box	85%
3HP Air compressor	98%
Capstan	100%

Emergency Generator	80%
HVAC	60%
Centrifugal pumps (80 cmh to 600 cmh)	70%
Centrifugal pumps (1 cmh to 10 cmh)	100%
PD Pumps (2 cmh to 40 cmh)	60%
PD Pumps (3 cmh to 5 cmh)	100%
MSB	100%
Steering Gear	97%
Fin Stabilizer	85%
Sighting system of BMP-II	100%
Sighting and Fire Control system of Tk T72	100%
Sighting and Fire Control system of Tk T90	68%
LCA	60%
Su-30MKI	60%
ALH	56%
Do-228	40%
Water tight, Weather tight doors	100%
Heli Landing Grids	50%
Steel Plates	100%
Long Range Surface to Air Missile & Multi-Function Surveillance and Threat Alert Radar (LRSAM & MFSTAR)	37.88%
VARUNA Electronic Warfare System	100%
Combat Management System (CMS)	100%
Advance Composite Communication System (ACCS)	100%
Ship Data Network (SDN)	100%
Fire Control System IAC-MOD-C	100%
Direction Finder NAYAN	100%
Integrated Bridge System (IBS)	40%
Indigenous Rocket Launcher (IRL)	100%
DMR 249A Steel Plate	100%

4. In the last three years i.e. 2019-20 to 2021-22, the Government has accorded Acceptance of Necessity (AoN) for 118 proposals worth Rs 1,38,936.212Crores approximately, in 'Buy (Indian-Indigenously Designed & Developed Manufactured (IDDM)', 'Buy (Indian)', 'Buy and Make (Indian)', 'Make', 'SP Model', 'Buy & Make' categories of capital acquisition.

#### **Recommendation (Para No. 7)**

With regard to the challenges being faced by the new entrepreneurs and suppliers in domestic Defence sector, the Defence Secretary has stated that to aid 'ease of doing business' for Indian entrepreneurs willing to enter Defence sector, steps such as simplification of process of granting industrial licences, transaction through 'Government e-Marketplace (GeM) to bring transparency and creation of Defence Industry Cell have been taken. The Committee, while



taking note of these measures, recommend that concerted efforts on the part of all stakeholders i.e. the Ministry of Defence, the Services, DRDO etc. are required for removing the bottlenecks and hesitancy, if any, faced by the Indian entrepreneurs/ small companies who want to participate in 'Make in India' initiative so as to make the country a giant and competitive Defence manufacturing hub in the world.

### **Reply of the Government**

1. The Government has taken the following policy initiatives for promotion of Indian entrepreneurs/MSMEs to make the country a giant and competitive Defence Manufacturing Hub in the world:-

- (i) In the Defence Acquisition Procedure 2020, there are specific reservations on Orders up to Rs. 100 Crore/ year for MSMEs and Small Shipyards.
- (ii) A Scheme for scaling up iDEX has been launched in May 2021 with a budgetary support of Rs. 498.80 crore for the next five years i.e. from 2021-22 to 2025-26. The Scheme aims at providing financial support to nearly 300 Start-ups/ MSMEs/ individual innovators and 20 partner incubators under the Defence Innovation Organisation (DIO) framework.
- (iii) The Defence Offset guidelines have further paved the way for proactive participation of MSMEs of India by incorporating a scheme of multipliers of 1.5 for engaging MSME as Indian Offset Partners (IOP).
- (iv) Industries are partnering in DRDO projects and DRDO developed technologies are also being transferred to them. They are important partners in industry ecosystem for the production of DRDO developed products. DRDO through its Technology Development Scheme (TDF) funds industries, especially Start-ups and MSMEs upto an amount of Rs 10 Cr, for innovation, research and development of Defence Technologies in the field of Defence and Aerospace.
- (v) Department of Defence Production (DDP) conducts outreach programs in various parts of the country to interact with Industry Associations, Industry especially MSMEs and academia, to spread awareness about the potential export opportunities. A scheme aimed to promote MSMEs in defence is in place. Under this scheme, conclaves/ seminars are being organized in Tier II and Tier III cities across the country with strong industrial MSMEs presence with the support of the DDP.
- (vi) Regular interactions are taking place to settle the grievance of vendors at DPSUs. Defence Investor Cell has been opened in DDP to address the issues being faced by Indian vendors.
- (vii) Private investment in Defence Production. In addition, the Government has taken several policy initiatives in the past few years under 'Make in India' program and brought in reforms to encourage indigenous design, development and manufacture of

defence equipment in the country including by the private sector. These initiatives, inter-alia, include according priority to procurement of capital items from domestic sources under Defence Acquisition Procedure (DAP)-2020; Announcement of 18 major defence platforms for industry led design & development; Notification of three 'Positive Indigenisation Lists' of total 310 items of Services and two 'Positive Indigenisation Lists' of 2851 items and 107 Line Replaceable Units (LRUs) of Defence Public Sector Undertakings(DPSUs), for which there would be an embargo on the import beyond the timelines indicated against them; Simplification of Industrial licensing process with longer validity period; Liberalisation of Foreign Direct Investment(FDI) policy allowing 74% FDI under automatic route; Simplification of Make Procedure; Implementation of Public Procurement (Preference to Make in India) Order 2017; Launch of an indigenization portal namely SRIJAN to facilitate indigenisation by Indian Industry including MSMEs and reforms in Offset policy with thrust on attracting investment and Transfer of Technology for Defence manufacturing by assigning higher multipliers.

- (viii) **Defence Corridors.** Defence Corridors-To fillip domestic Defence manufacturing and creating an ecosystem of Defence production in country, Government of India announced two Defence corridors in Feb 2018. Uttar Pradesh Defence Industrial Corridor (UPDIC) has 06 nodes spanning across Aligarh, Agra, Jhansi, Chitrakoot, Kanpur and Lucknow. Tamil Nadu Defence Industrial Corridor (TNDIC) has 05 nodes spanning across Chennai, Hosur, Salem, Coimbatore and Tiruchirappalli. At UPDIC, investments of Rs. 1552.00 Crore have been reported till March 2022. UPEIDA the nodal agency has signed 63 MoUs with potential investments of Rs. 8764.00 Cr. At TNDIC, investments of Rs. 2217.00 Crore have been reported till March, 2022. TIDCO the nodal agency has arranged potential investment of Rs. 11103.00 Cr. through MoUs etc. from 39 companies. The Defence Industrial Corridors (DICs) are an integral part of the Prime Minister's "**Gati Shakti**", the National Infrastructure Development Master Plan (NMP), aiming to boost economic growth through infrastructure building. The NMP aims to lay the foundation for overall infrastructure development and integrated pathway to the economy and help in generating employment opportunities for the youth.
- (ix) A draft Defence Production and Export Promotion Policy (DPEPP) 2020 has been prepared to promote defence production capabilities of the country for self-reliance and exports by active participation of public and private sector.
- (x) Department of Defence Production has notified 46 items under the latest Public Procurement Order 2017 notified by Department for Promotion of Industry and Internal Trade (DPIIT), for which there is sufficient local capacity and competition and procurement of these items shall be done from local suppliers only irrespective of the purchase value.
- (xi) Defence products list requiring Industrial Licences has been rationalised and manufacture of many parts or components are delicensed. The initial validity of the Industrial Licence granted under the IDR Act has been increased from 03 years to 15

years with a provision to further extend it by 03 years on a case-to-case basis. A total of 573 defence industrial licenses have been issued to 353 companies so far i.e. upto 31 Mar 2022.

- (xii) Ministry has introduced an end-to-end online export authorisation system that has resulted in a marked increase in the number of online export authorisations issued. This has reduced the average time taken for issuance of export Authorisations considerably from 86 days to 35 days in case of Systems/Sub-systems and from 24 days to 13 days in case of components.

2. Since the focus of the Government is on indigenization and promotion of defence industry to achieve Atmanirbharta, the proposals which were accorded Acceptance of Necessity (AoN) under Buy (Global) category of Capital Acquisition in the past have been reviewed as per DAP-2020 and the Defence Acquisition Council (DAC) has approved cancellation/closure of AoN for 09 such proposals worth Rs. 46,695 Crore.

3. Contracts for worth Rs. 53,838 Crore for 31 equipment have been awarded by the Armed Forces to the domestic industry since notification of the earlier two Positive Indigenization Lists

### **Recommendation (Para No. 8)**

#### **Integrated Theater Commands**

The Committee note that the Department of Military Affairs has been entrusted with the onerous responsibility of spearheading the reforms within the military establishment towards enhancing synergy and jointness among the Services and ensuring optimum utilisation of resources. In this connection, renewed impetus has been provided to the establishment of Theatre/ Joint Commands to complete the process in a time bound manner. Presently, Lead Commanders-in-chief (C-in-Cs) have been nominated to work out the contours of respective Theatre/ Joint Commands in consultation with all stakeholders. Further, a study is also in progress by Headquarters Integrated Defence Staff (HQ IDS) to strengthen Joint structures to support these Theatre/ Joint Commands. The Committee cognizant of the fact that that establishment of Integrated Theatre/ Joint Commands is a gargantuan task, nevertheless, recommend that the creases in creation of Integrated Joint Commands need to be ironed out expeditiously so that the Services adopt a concerted approach in the event of any threat perception/war and the resources of manpower and infrastructure of the Services are synergized so as to make the nation a formidable force.

#### **Reply of the Government**

- (a) As brought out above, the Lead C-in-Cs are working out the contours of Theatre/Joint Commands in consultation with all stakeholders. Further, a study is also in progress by HQ IDS to strengthen Joint Structures to support these Theatre/Joint Commands.
- (b) These Study Reports, once finalised would be examined in details and thereafter a way-ahead would be charted to establish Theatre/Joint Commands in consultation with all stakeholders.

### **Recommendation (Para No.10)**

#### **Budgetary Allocation to BRO**

The committee note that for the year 2021-22, the final allocation to Border Roads Organisation (BRO) under MoD (Civil) was Rs. 7,432.42 crore and the expenditure upto January 2022 was Rs. 5773.15 crore. For 2022-23, the BE allocation is Rs. 7882.36 crore under MoD (Civil). The Committee also note that Capital Budget of Border Roads Organisation has increased by 40 percent to Rs. 3,500 crore in BE 2022-23 vis-à-vis Rs. 2,500 crore in BE 2021-22. The committee appreciate that funds allocated to BRO under the Capital Section have been remarkably enhanced for BE 2022-23 which signifies the strategic role of BRO in developing and maintaining infrastructure in Border Areas as well as being the first responders to various natural calamities in the country. They also note BRO's salient achievements such as completion of 102 infrastructure projects, construction of road over Umlingla Pass, adoption of new technologies such as Geo Cell for road works, Plastic coated aggregate, extended opening of Zojila and other major Himalayan Passes, automation of BRO, Government e-Marketplace (GeM) procurement etc. in 2021. The Committee trust that the record increase in Capital Budget of BRO in FY 2022-23 would enable BRO to ramp up their scale and capabilities and equip them in better and speedy execution of works of construction and maintaining operational road infrastructure for the Forces in Border Areas as well as contributing towards the overall economic growth of remote border areas.

#### **Reply of the Government**

Enhancement in Capital budget of BRO in FY 2022-23 will give the necessary boost to the speedy execution of works of construction and maintaining operational road infrastructure for the Forces in Border Areas as well as contributing towards the overall economic growth of remote border areas. It would also help for completion of road projects as per their planned probable date of completion.

### **Recommendation (Para No. 11)**

#### **Required and Existing Number of Equipment with BRO**

The Committee note that based on the requirement of BRO, an Annual Procurement Plan (APP) amounting to Rs. 262.34 crore has been approved for FY 2021-22 for procurement of critical equipment, where 222 Dozer size II equivalent, 7 Hot Mix Plants and 10 Motor Graders would be procured. Out of the requirement of 222 Dozer size II equivalent, supply order for 90 equipment has been placed/procured. The Committee, while taking note of the mismatch between the required and existing critical equipment, would like to be apprised as to whether the quantity procured under APP would be sufficient and meet their work requirements in the FY 2021-22. In this regard, the Director General BRO submitted that enhanced delegation of powers for procurement of equipment and machines would enable BRO to procure more equipment in 2022-23 and this would increase the progress of works undertaken by BRO by 25 percent. Keeping in view the enhanced capital budget of BRO for FY 2022-23, the Committee recommend

that procurement of requisite critical equipment for operational needs of BRO should be expedited so as to ensure that execution of various infrastructure projects by BRO are not affected.

### **Reply of the Government**

Annual Procurement Plan (APP) is prepared each year based on the targets allotted in Annual Works Plan for carrying out works on strategically important roads and as per priority set by Armed Forces in order to complete the Project as per laid down probable date of completion. Accordingly, a total of 222 Nos of Dozer size II were approved under APP 2021-22. Out of these, 90 Nos Dozer size-II have been procured. In addition, supply order for procurement of 40 equipments is under preparation and tendering action (opening of bids) for balance 92 equipments is under progress. Thus, entire demand of 222 No of Dozer size-II approved under APP 2021-22 is likely to be realized shortly. Further, all efforts are underway for timely procurement of requisite critical equipment for the FY 2022-23 to meet operational needs of BRO.

### **Recommendation (Para No. 12)**

#### **Creation of All-Women Road Construction Company (RCC)**

The Committee appreciated that initiative taken by BRO for creating the first ever all Women Road Construction Company (RCC) in their Organisation, which is an encouraging development and evidently would lead to empowerment of women and give recognition to the contributions made by them. The Committee hope and wish that such a move will definitely pave the way for other Government and Private Industries for providing more employment opportunities exclusively for women. It goes without saying that female-friendly facilities and infrastructure should be created at the place of posting/working.

### **Reply of the Government**

Requisite infrastructure at all detachments of various sectors of these RCCs have been provided/being provided to create women-friendly environment. Facilities like ladies toilet, Medical Inspection room, separate single accommodations etc. have also been provided.

### **INDIAN COAST GUARD**

#### **Recommendation (Para No.13)**

The Committee note that Indian Coast Guard (ICG) is an Armed Forces of the Union constituted upon enactment of Coast Guard Act, 1978, under the Ministry of Defence, for protection of the country's maritime interests in the Maritime Zones of India. The Committee note that in the year 2021-22, against projection of Rs. 6400.00 crore under combined Revenue and Capital Budget, ICG received only Rs. 5244.72 crore which was revised to Rs. 6033.72 crore at RE allocation stage. In the budget of 2022-23, ICG had been allocated only Rs. 7310.29 crore

vis-à-vis projections of Rs. 10803.85 crore. The Committee are aware that ICG is an armed force and primary law enforcement agency whose 24x7 presence in the ocean ensures safety in marine thereby having a direct impact on safety of maritime trade as well as checking infiltrations through sea routes. The Committee also note that ICG envisages an increase of their current fleet from 158 to 190 ships and 72 to 80 aircrafts by 2025. The Committee are of the firm opinion that for facilitating timely materialization of targeted force level, a strong financial support is inevitable. Since this is an ongoing process and the Ministry is already aware of this expansion plan, the Committee at this stage, can only recommend that the projected demands of Coast Guard are given due weightage as the Committee can see the allocations for Coast Guard are far less than the projections both under capital and revenue heads. The Committee, therefore, recommend that the Ministry should vigorously pursue with the Ministry of Finance for securing additional allocations atleast at the RE/supplementary grants stage. The Committee would like to be apprised of the amount of additional allocation received by ICG in 2021-22.

### **Reply of the Government**

This Ministry submits the requirement projected by the Departments, including Indian Coast Guard, to Ministry of Finance for favorable consideration. While allocating funds, Ministry of Finance analyses past absorption capacity of the Organizations, pace of expenditure in the current Financial Year, overall resource envelope available and pressing demands from other quarters etc. Based on the overall ceiling conveyed by M/o Finance, Ministry of Defence allocates funds among the Departments and Organizations of MoD, including Indian Coast Guard, taking into account inter-Organizations priorities, pace of expenditure, pending committed liabilities etc.

2. The Committee may be assured that all efforts will be made to obtain additional funds projected by Indian Coast Guard at Supplementary/RE stage under Revenue and Capital head. Further, the allocated funds will be optimally utilized towards operational activities. If required, the schemes will be reprioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness.

3. It is submitted that additional funds of Rs. 202.54 crore under Revenue Section and additional funds of Rs. 586.46 crore under Capital Section were allocated to ICG in Financial year 2021-22. Out of additional funds of Rs. 586.46 crore, a sum of Rs. 350.00 crore was allocated for Acquisition of Ships, Aircraft & Fleet.

### **Recommendation (Para No. 14)**

The Committee are concerned to note that in 2021-22 only Rs. 4232.7316 crore have been utilized till 31<sup>st</sup> December, 2021 vis-à-vis RE allocation of Rs. 6033.7200 crore. It is apparent that an amount of Rs.1,800.9884 crore remains unutilized in the last quarter of the FY i.e. 2021-22. The Committee cannot but recommend that prudent financial planning and strict monitoring of expenditure should be done so that such a scenario does not recur. The Committee learn that around 80 percent funds under Capital Head and 85 per cent under Revenue Head were utilized till the mid February 2022. The Committee were assured by the Ministry during the evidence that the unutilized allocated funds would be completely utilized by the end of this FY. The Committee trust that in view of the enhanced demands and allocations under BE for the year

2022-23, the Ministry would take appropriate measures in the right direction to utilize the rest of unutilized amount by the end of 2021-22 so that unutilized funds are not surrendered at the end of the financial year.

### **Reply of the Government**

1. During the Financial Year 2021-22, against the Modified Allocation (MA) of Rs. 2919.14 crore in Revenue Head, an amount of Rs. 2918.2932 crore (i.e 99.97%) has been utilised.
2. In case of Capital head, an amount of Rs. 3181.9575 crore (i.e 97.15%) has been utilised against MA allocation of Rs. 3275.41 crore.
3. In overall basis Rs. 6100.2431 crore (i.e 98.48%) have been utilised till 31<sup>st</sup> March, 2022 vis-a-vis MA allocation of Rs. 6194.5500 crore by Indian Coast Guard for the financial year 2021-22.

### **Recommendation (Para No. 15)**

#### **Induction of Anti-Drones and Drones in ICG**

The Committee note that Indian Coast Guard's main duty and function is protection of the Country's maritime interests in the Maritime Zones of India. To fulfill this purpose helicopters are used on the ships, which on one hand increase the search area and on the other decrease the surveillance time. The Committee are of the considered view that keeping in mind the contemporary technological development taking worldwide and looking at the futuristic technology in the Armed Forces and the present security scenario in the country, usage of drones is an imperative need of the hour, as these are cost effective and will be useful in search and rescue operations, surveillance, traffic monitoring in the waters, firefighting and so on. Further, these are evidently a cheaper option than the helicopters not only in their operations but also in procurement and maintenance. Operating drones can be mastered with more ease than training a helicopter pilot. The Committee were informed that a proposal for acquiring Drones and Anti-Drones is already under consideration of the Government. The committee, therefore, recommend that the Ministry should take steps to expedite finalization of the proposal for induction of drones and anti-drones along with Drone interceptors in the Indian Coast Guard Organisation and facilitate the ease in their procurement on urgent basis. The Committee would like to be informed of the steps taken in this regard within three months of the presentation of this Report to the Parliament.

### **Reply of the Government**

1. Presently, Indian Coast Guard is not using drones or anti-drones. However, Drone is an emerging technology which can be utilized for search & rescue operations, aerial survey of the oil spill, pre-boarding close scan during boarding operations and for visual inputs to the command team during fire fighting operations. Therefore, induction of drones in Indian Coast Guard is under examination, keeping in line with the contemporary development and induction programme in the other Services.

## Recommendation (Para No. 16)

### **Shortage of Manpower**

The Committee note that there is around 17 per cent shortage of manpower in Coast Guard Organisation vis-à-vis sanctioned strength in the categories of Officers, Enrolled Personnel and Civilian Staff, which is 2344, 12,645 and 1970 respectively. The borne manpower (including deputation) in respect of Officers is 1977, for Enrolled Personnel it is 10748 and 1334 for Civilian Staff. The Committee observe that Indian Coast Guard is one of the largest Coast Guard Organisations in the world that provides search and rescue operations in 4.6 million square kilometers of coastal waters around the Indian peninsula. The Organisation is involved in tackling with cross-border terrorism, maritime transactional crimes, maritime safety and environment protection to name a few. To accomplish these tasks and operations, it goes without saying that copious and adequate manforce to commensurate to the tasks it performs, is required at all levels. Taking into account the vast coverage area of the ICG as well as its multi-faceted roles and responsibilities, the Committee recommend that extensive publicity should be given to the recruitments in ICG at both at officers level as well as at the jawans level through electronic and print media, including local and regional languages so that youth in far flung villages and towns are made aware of the opportunities available in ICG. The Committee appreciate the efforts of the Ministry in introducing online examination and direct recruitment of the civilians and hope that this will aid in filling up the vacancies in the organization in an expeditious manner. The Committee desire that ICG may explore the possibilities for giving due weightage to the local youth and regional representation while filling up the vacancies.

### **Reply of the Government**

1. The expeditious induction of manpower by affording wide publicity is a continuous process. Migration to online computer based examination for recruitment has facilitated wider outreach and tapping of a larger pool of talent. The same has been aimed to achieve quicker reduction of shortages as well as proportionate representation of the youth from Regions all across India.

2. In addition, following steps have been undertaken by ICG to give suitable weightage to local youth and Regional representations while filling up the vacancies:

(a) **Community Interaction Programme**. Indian Coast Guard organizes Community Interaction Programmes (CIP) in the coastal villages on routine basis. During the course of interaction, the youth are encouraged to join Indian Coast Guard and are also elaborated about the recruitment procedures for joining Indian Coast Guard. Further, outreach assistance is also being rendered by local Indian Coast Guard stations if sought by the local youths/villagers.

(b) **Establishment of recruitment centers in hilly area**. In order to tap/ attract talent pool from the Northern/North-Eastern (hilly) areas, Indian Coast Guard is planning to set up two recruitment cum orientation/liaison centres at Dehradun and Guwahati, for which the



approval-in-principle has already been accorded. The envisaged centres will act as an extended nodal point to spread information/publicity about Indian Coast Guard. After successful implementation of these two pilot projects (recruitment centres) of Dehradun and Guwahati, many more such recruitment centres will be proposed for setting-up in other parts of India in the hinterland.

### **Recommendation (Para No. 17)**

The Committee have been apprised that as against the projected amount of 1,101.98 crore for Directorate General Defence Estates (DGDE), an amount of ₹ 574.98 crore has been allocated in Budget Estimates 2022-23, i.e. a gap of ₹ 527 crore. Out of these, ₹ 401.95 crore and ₹ 173.03 crore have been allocated under Revenue and Capital Head, respectively. The Committee note that as against the projected amount of ₹ 1635.44 crore in BE 2020-21, the amount allocated to DGDE at Budget Estimates (BE) stage was ₹ 397.36 crore and the actual expenditure incurred was ₹ 409.19 crore. Further, in Financial Year 2021-22, ₹ 364.56 crore was allocated against the projection of ₹ 1927.46 crore, whereas the actual amount spent upto December 2021 was ₹ 201.79 crore. The Committee, on sifting and analyzing the data supplied by the Ministry, deduce that allocated funds at BE stage during the recent financial years suffice for functioning of DGDE. Thus, taking into account the trend of actual expenditure incurred by DGDE *vis-a-vis* the projections made at BE stage during the past few financial years, the Committee regret to note that there is lack of judicious financial planning by DGDE while projecting the Budget Estimates under Demands for Grants. The Committee would like to be apprised about the reasons for projecting unrealistically high figures for Demands for Grants from 2020-21 onwards. The Committee urge upon the Ministry to streamline their procedures of financial planning so as to ensure that the projections made at BE stage are done prudently and realistically.

### **Reply of the Government**

It is intimated that the amount of Rs.1102.33 crores was projected under BE 2022-23. The said projections also include amount of Rs. 611.48 crores as Grant-in-Aid (General), Rs. 45 crores as Grant for Creation of Capital Assets and Rs. 30.25 crores as Grant-in-Aid-General (SAP) to deficit Cantonment Boards. Therefore, out of total of Rs.1102.33 crores, Rs.686.72 crores was the projected demand for Cantonment Boards and Rs. 415.61 crores was projected under various Revenue and Capital Heads.

**The details on the projected demand and allotment to Cantonment Boards for last 03 years are as under:-**

<b>Initial Projected Demand (in crores)</b>					
	<b>Grant-in-Aid (General)  (BE)</b>	<b>Grant for Creation of Capital Assets  (BE)</b>	<b>Grant-in- Aid-General (SAP) (BE)</b>	<b>Projected loss due to implementation of GST (BE)</b>	<b>Total (BE)</b>

(1)	(2)	(3)	(4)	(5)	(6)
FY 2020-21	952.40	110.00	93.76	328.72	1484.88
FY 2021-22	1047.64	30.00	27.50	619.13	1724.27
FY 2022-23	611.47	45.00	30.25	0	686.72

Allotment (in crores)	(BE)	(MA)	(BE)	(MA)	(BE)	(MA)	(BE)	(MA)	(BE)	(MA)
FY 2020-21	254.60	304.6	10	10	1	1	0	0	265.60	315.60
FY 2021-22	222.87	239.8	8.75	8.75	0.87	0.87	0	0	232.49	249.42
FY 2022-23	236.82	NA	18	NA	2	NA	0	0	256.82	NA

### **Demand for Grant-in-aid for Cantonment Boards**

1. The total demand for the Financial Year 2020-2021 was Rs. 1484.88 crores. This included an amount of Rs. 328.72 crores as demand on account of accumulated loss incurred by the Cantonment Boards due to subsuming of certain local taxes imposed by the Cantonment Boards post implementation of GST.

2. Similarly, for Financial Year 2021-22, a total demand of Rs. 1724.27 crores was projected on the same line as done for Financial Year 2020-21. An accumulated loss due to implementation of GST of Rs. 619.13 crores was projected in the said demand.

3. The projection made by DGDE was reviewed comprehensively in BE 2022-23. It has been noted that compensation in lieu of loss due to implementation of GST should not be separately demanded, as there is no statutory or administrative mechanism available for the same. Efforts are being made to get GST compensation through the State Governments. The State of Punjab has started compensating Cantonment Boards of Ferozepur and Jalandhar against GST loss by way of Grant-in-Aid.

4. Accordingly, for Financial Year 2022-23, a total demand of Rs. 686.72 crores only was projected as BE without linking it to the GST loss.

5. It is, however, submitted that the Cantonment Boards project the Grant-in-Aid in the Budget Estimates (BE) on basis of their annual plans & outstanding liabilities which include various development works and expenditure for providing civic amenities. However, based on the actual allocation of Grant-in-Aid in the BE, the works are prioritized and expenditure incurred accordingly.

### **Recommendation (Para No. 18)**

The Committee note that the Ministry of Defence (MoD) provides financial assistance to Cantonment Boards in the form of ordinary Grant-in-Aid to balance their budgets. Besides ordinary grant-in-aid, grants for creation of capital assets like under-ground sewerage system, water supply schemes, construction of hospitals and schools etc. are also being provided from 2012-13 onwards. The Committee also learn that the Cantonment Boards have powers to raise

resources through taxation, fees, lease rentals in respect of lands under their management and rentals in respect of properties belonging to and vested in the Board. The main sources of income of a Cantonment Board are local taxes such as house tax, conservancy tax, water tax, lighting tax, trade and profession tax, Service Charges etc. During oral evidence, a representative of DGDE candidly admitted that the financial challenges encountered by the Cantonment Boards are due to limited trade and business activity and also due to Government ownership of the properties in the Cantonment areas. It was also submitted that amount of General Grant-in-Aid being given to the Cantonments has been showing a downward trend, declining from ₹ 361.60 crore in 2019-20 to ₹ 239.80 crore in 2021-22; while cost of running the establishments and maintenance of assets has been increasing over the years. In light of these facts, the Committee recommend that adequate financial support should be provided to the Cantonments to enable them to provide efficient civic services to the residents as well as to run various welfare schemes/initiatives in an unhampered manner.

### Reply of the Government

<b><u>Grant-in-Aid details of last 04 years</u></b>				
<b><u>Year</u></b>	<b><u>Annual Demand</u></b> (Initial Projected amount in crores)	<b><u>Allotment</u></b> (Rs. in crores)		
<b><u>Grant-in-Aid (General)</u></b> <b><u>2052.00.092.03.01.31</u></b>		<b>BE</b>	<b>MA</b>	
2018-19	803.44	297.75	289.99	
2019-20	1160.96	297.15	361.60	
2020-21	1281.12	254.60	304.60	
2021-22	1666.77	222.87	239.80	
<b><u>Grants for Creation of Capital Assets</u></b> <b><u>2052.00.092.03.01.35</u></b>				
2018-19	312.72	68.67	31.88	
2019-20	301.71	53.53	10.00	
2020-21	110.00	10.00	10.00	
2021-22	30.00	8.75	8.75	
<b><u>Grant-in-Aid (SAP)</u></b> <b><u>2052.00.092.03.96.31</u></b>				
2018-19	127.54	0	10	
2019-20	93.76	15	15	
2020-21	93.76	1.00	1.00	
2021-22	27.50	0.87	0.87	

Apart from Grant-in-Aid to Cantonment Boards, the 15<sup>th</sup> Finance Commission (FC), for the first time, made recommendations for release of FC grants to the Cantonment Boards. Accordingly, 15<sup>th</sup> FC grants were released to the Cantonment Boards as under:

### 15<sup>th</sup> Finance Commission grants received during the last 02 years

Sl. No.	Financial Year	Amount (in Rs.)
1.	2020-21	1,43,21,78,541
2.	2021-22	98,93,73,464

Matter has also been taken up with the State Governments to provide GST compensation to the Cantonment Boards. The State of Punjab has started compensating Cantonment Boards of Ferozepur and Jalandhar against GST loss. In addition, 14 States/UTs are also releasing funds to the Boards as grants / share of State revenue. Efforts are also being made to augment the local revenue by the Boards.

### **Recommendation (Para No. 19)**

The Committee note that there are several cases relating to demands/requests of the State/ local Government for land transfer from the Defence authorities to them for infrastructural development in various places in the country. The major reasons cited for these demands were use of roads passing through the Cantonments, use of schools etc. by the civil population. The Committee note from the submission of the Director General Defence Estates that one of the challenges in this context is the rule to provide A-1 category of land to Army according to their requirements. It was also submitted that as per present policy of the Ministry of Defence, cases pertaining to infrastructural development are being processed in one month. The Committee are cognizant of the fact that resolution of such disputes between civil dispensation and military authorities is an onerous task as it involves security concerns and legal implications. They also understand that proposals for transfer of equal value land in exchange for Defence lands by certain States are in the offing. In light of these facts, the Committee recommend that, wherever necessary, meetings with the State Governments, local military authorities and the Ministry of Defence may be organized in a periodical manner to enable the fast-tracking of resolution of the disputes pertaining to Defence lands. The Committee have come to learn about a case where a Government school, which is 102 year old, in Hebbal in Bengaluru is locked in ownership of land dispute with Defence authorities/establishment, which is lying unresolved. The representative of the Ministry in his deposition has stated that a committee has already been constituted to look into the problem and its report is awaited. The Committee recommend that the Ministry should pursue the matter vigorously and resolve the problem at the earliest.

### **Reply of the Government**

It is submitted that in order to expedite the pending applications of different Central/State Govt departments/PSUs, for transfer of defence land for public infrastructure projects, regular meetings are conducted in MoD with reps of Services concerned i.e. Army, Navy, Air Force, Coast Guard, DGDE etc. and concerned indenting agencies. So far, 128 Working Permissions on defence land have been issued for public infrastructure projects during the period from 01.01.2021 to 30.09.2022.

2. Further, with regard to case pertaining to 102 years old Govt. School situated in Bengaluru, it is submitted that the land in question, forms a part and parcel of land measuring

373 acres 33 guntas in Revenue Sy. No. 1 of Sawar Lines, which is Ex-State Forces property of the Mysore Maharaja and later of Mysore Government. Consequent upon the Merger of State forces into Indian Union, the then Mysore Government transferred all the Ex-State Force properties located in Bangalore and Mysore to the Gol, MoD in the year 1954-55. As per Military Land Register (MLR) maintained by DEO Bangalore, the said land is under the management & occupation of Army/QMG since 1954-55. The instant case relates to encroachment by Govt School at Sawar Line at JC Nagar and not Hebbal.

3. As reported by DGDE an area measuring 2.891 acres has been encroached by the State Government for the school. In the past, Chief Minister of Karnataka vide DO letter dated 31.08.2017 had included the instant land in his proposal for transfer of number of pockets of defence land at various locations in Karnataka.

4. During 2018, a Joint Task force (JTF) has been constituted by the State Government under the chairmanship of Chief Secretary, Government of Karnataka to resolve various issues/problems related to Defence lands in a time bound manner.

5. The Joint Task Force assembled on 16.01.2019 and 26.11.2019 to discuss issues pertaining to mutation of defence land in State Revenue records, ownership/title disputes and the sharing of documents by MoD & State Govt. During the last meeting held on 08.09.2021, a draft report was submitted by the State Government which could not be finalized for want of consensus among revenue authorities, DEO & LMA. The State Government has been requested to convene JTF meeting for resolution of the issues.

### **Recommendation (Para No. 20)**

As per entry 3 of the Seventh Schedule to the Constitution of India, Parliament is competent to make laws for delimitation of Cantonment areas, local self-government in such areas, the constitution and powers of Cantonment authorities in such areas and the regulation of house accommodation including the control of rents in such areas. 74th amendment of the Constitution necessitated a de-novo look into administration of Cantonments and the role of Cantonment Boards under the Cantonments Act, 1924. Accordingly, the Cantonments Act, 2006, which came into force on 18.12.2006, was enacted to consolidate and amend the law relating to the administration of Cantonments with a view to impart greater democratization, improvement of their financial base, to make provisions for development activities and for other connected matters. During the course of examination of DFG 2022-23, the Committee were informed that the new Cantonment Bill is under final examination. The salient features of the proposed new Bill *inter alia* include increase in number of elected members in the Cantonment Board, greater democratization and modernization of Cantonment structure, more financial power to the elected representatives, application of modern municipal act and consideration of 'ease of living' for the residents. The Committee understand that various exercises pertaining to the residents of the Cantonment areas and democratic functioning of the Cantonment Boards are contingent upon enactment of the new Cantonment Bill. One such exercise is holding elections in various Cantonment Boards in the country. The Committee have been informed that as on date, 61 Cantonment Boards, where elections are due, are varied under Section 13 of the Cantonments Act, 2006. The Committee can understand very well that varying the Cantonment Boards is an ad hoc arrangement and regular elections are required for fair representation of the residents living

in the Cantonment areas. The Committee understand that opinion was sought from various stakeholders in the yester years and based on that, a new draft Bill was put in the public domain. Keeping in view welfare of the residents in the Cantonment areas and maintenance of democratic structure in the Cantonment Boards in the country, the Committee recommend that the new Cantonment Bill may be finalized without any further loss of time and introduced in the Parliament at the earliest.

### **Reply of the Government**

It is intimated that for the administration of Cantonments with a view to impart greater democratization, modernization and efficiency thereof, and to achieve greater developmental objectives in alignment with municipalities across the country and to facilitate “ease of living” in Cantonments; the draft Cantonments Bill, 2022 is under consideration of the Government.

### **Defence Public Sector Undertakings (DPSUs)**

#### **Recommendation (Para No. 21)**

The Committee note that the decision of corporatization of 41 production units (Ordnance Factories) of the Ordnance Factory Board was taken by the Union Cabinet on 16th June, 2021 and in pursuance thereof, the management, control, operation and maintenance of 41 production units was handed over to the newly formed 7 Defence Public Sector Undertakings (DPSUs) namely Munitions India Limited (MIL), Armoured Vehicles Nigam Limited (AVNL), Troop Comfort Limited (TCL), India Optel Limited (IOL), Advanced Weapons and Equipment India Limited (AWEIL), Yantra India Limited (YIL) and Gliders India Limited (GIL) w.e.f 1st October, 2021. Presently, there are 16 Defence Public Sector Undertakings under the administrative control of the Department of Defence Production, Ministry of Defence. The Committee find that out of overall production of Rs. 85000 crore by the country’s Defence Industry, the contribution of public sector is Rs. 68,000 crore. They are pleased to learn that two DPSUs viz Hindustan Aeronautics Limited (HAL) and Bharat Electronics Ltd. (BEL) have secured 42nd and 66th position, respectively, in ‘The Stockholm International Peace Research Institute (SIPRI) top 100 arms-producing and military services companies’ report. The Committee are quite hopeful that with creation of new DPSUs, the overall volume of production by domestic Defence industry will be augmented and that the requirements of modernization of the Armed Forces will be fulfilled timely and in qualitative and cost effective manner, and more Indian companies would establish themselves globally as Defence manufacturing giants.

### **Reply of the Government**

The creation of new DPSUs is to transform Ordnance Factories into productive and profitable assets, improve expertise in product range, increase competitiveness, improve quality, enhance cost-efficiency and ensure self-reliance in defence preparedness.

As a part of transformation exercise, all the existing indents placed by the Services on erstwhile OFB were converted into deemed contracts, thereby ascertaining sustained work load to various units for next four years. These deemed contracts provide annual targets for delivery of products. Every year, 60% of amount pertaining to that year's target shall be paid by the Services to the DPSUs as advance as per the terms and conditions stipulated in the deemed contract. The advances provide the working capital to the newly constituted DPSUs.

These newly created DPSUs have the potential to earn profit from their supplies to Services, other Government organizations (like MHA), civil trade and exports through participation in competitive bidding.

Further, modernization is an on-going process to ensure the product quality and retention of manufacturing capacities through induction of latest technology and state-of-the-art Plant & Machineries available across the world. These DPSUs have comprehensive modernization plan to ensure the product quality and capacity retention to meet the requirement of Indian Armed Forces. Capacity augmentation plans are also underway for meeting requirements of customers and increasing indigenization content to meet the objective of "Atmanirbhar Bharat".

In order to secure the futuristic load, impetus is being given in the development of technically advanced niche products and indigenization of ex-import items, so as to cater the futuristic requirement of the Services.

DPSUs are focusing on widening their customer base, including exports to augment the volume of defence production. As an outcome of such actions taken to tap export market, these new companies have secured export orders of more than Rs. 600 crore. Also, the DPSUs are pursuing export opportunity through interaction with defence attaches at various Indian embassies and missions abroad and are also exploring the opportunity of entering into MoUs with private defence industries.

#### **Recommendation (Para No. 22)**

The Committee note that cumulative order book status of the 9 DPSUs, as on 16<sup>th</sup> February, 2022, stands at Rs. 2,48,487 crore. After examining the data furnished by the Ministry regarding order book status of each DPSU, it is inferred that out of the nine DPSUs, Hindustan Shipyard Limited (HSL) and Mishra Dhatu Nigam Limited (MIDHANI) has considerably low order book value when compared to the other DPSUs. The order book value, as on 16<sup>th</sup> February, 2022, in respect of HSL and MIDHANI amounts to Rs. 2,673 crore and Rs. 1,350 crore, respectively. The committee also learn that in case of HAL, there is no firm order currently available with the company for platform manufacturing beyond 2022-23, except the 83 LCA Mk1A order received in February 2021. The major part of existing orders for supply of aircraft and helicopters will be liquidated shortly with the major manufacturing order of Su-30MKI completed in 2022-21. BEML is stated to be having an order book position of over Rs. 10,000 crore which will be executed by 2024-25. As regards MDL, the balance order book of Rs. 47,728 crore is slated to be completed in next 5 to 6 years. Admittedly, the order book position of HSL is low when compared with other Defence shipyards and the balance orders are scheduled to be completed by end of March 2024. In this connection, the Committee note that the steps taken by

the Ministry for strengthening the order book of DPSUs amongst others, include reforms in promoting exports, indigenization, ease of doing business in Defence and supporting Technology, Innovation, Research and Development in DPSUs. The Committee, after examination of the data provided in respect of the DPSUs, find that challenge of underutilization of production facilities and other resources in the coming years is also being faced by even well performing DPSUs such as HAL. The Committee also understand that due to complexities involved in the Defence procurement process, translation of an Acceptance of Necessity (AoN) into a concrete order for DPSUs takes time. Therefore, in order to ensure that the DPSUs maintain a healthy order book position, the Committee recommend that timely placement for orders and other requirements by the Services and long-term planning for maintaining financial viability of the DPSUs should be carried out by the Ministry in consultation with the DPSUs.

### **Reply of the Government**

**HAL:**The order book position of HAL as of 31<sup>st</sup> Dec2022 is Rs. 83707 Crs. This includes the firm platform manufacturing order for LCA Mk1, LCA MK1A, and LCH.

Various manufacturing orders are in advance stages of approval with Defence acquisition and these are:

- HTT-40 Basic Trainer Aircraft for IAF
- Su-30 MKI Aircraft for IAF
- ALH for Army
- Light Utility Helicopter (LUH) for Army and IAF
- Do-228 aircraft for IAF and ICG
- AL-31FP Engine for IAF
- RD-33 Engine for IAF
- Mid Life Upgrade of Do-228 for IN

Further, following manufacturing proposals have been projected to SHQs to initiate activities for putting up AoN for approval by DG (Acq) and subsequent release of RFPs:

- LCH for Army and IAF
- LUH for Army and IAF
- Utility Helicopter – Marine (UHM)
- Addl. ALH for ICG
- Addl. HTT-40 aircraft
- Mid Life Upgrade of Do-228 for IAF

These anticipated orders along with the repair & overhaul task, once materialized would help in sustaining the growth of organization in the coming years.

**BEL:** BEL's current order book stands at around Rs. 49,598 Cr as on date. The deliveries are spread over next few years in a phased manner as per the time-lines of customer contract. Considering the current order book, BEL Utilization of Capacity/Production facilities by all



Units/SBUs is to the maximum. It is also pertinent to mention here that timely placement of some of the major orders as listed below will help BEL strengthen its financial viability. Major Projects for which receipt of Lol, Preparation of draft orders, Completion of trials & BQ submitted are: (Orders expected during FY 2022-23)

Product/System	Approx. Order Value (Rs. Cr)
Akash Prime - 3 <sup>rd</sup> & 4 <sup>th</sup> Reg (Main Equipment)	4350
Mountain Terrain EW Systems - Himshakti	2526
MPR (Arudhra)	2407
BMP-II Upgrade	2425
MSWS for Mi-17 upgrade - IAF	2000

Major Projects for which receipt of Lol, Preparation of draft orders, Completion of trials & BQ submitted are: (Orders expected during FY 2023-24)

Product/System	Approx. Order Value (Rs. Cr)
QRSAM - Army	10400
MRSAM & MFSTAR-RA FOR SHIVALIK, TALWAR / TEG CLASS OF SHIPS	8621
MRSAM FOR NEW GENERATION CORVETTES	8176
Sub-Nodes -IACCS	7000
ADC&RS (Phase-II)	1973

**BEML:** At present, BEML Limited is having an order book position of over Rs. 9,042 Cr. as on date, comprising all 3 business verticals (Defence & Aerospace, Mining & Construction and Rail & Metro) which will be executed over next few years in a phased manner as per the time-lines of customer contract. Further orders are required from MoD and Indian Railways for having continuity in production and utilisation of facilities. As far as BEML Limited is concerned, the orders received from MoD in the last 3 years is as below:

Year	Value in Rs. Cr.
2019-20	45
2020-21	2090
2021-22	197
2022-23 (Upto end Jan'23)	Nil

Also, major orders which are in various stages from MoD where BEML has submitted the offer / PNC under process / RFP anticipated / BQ submitted etc:

- (a) Command Post Vehicle
- (b) Mechanical Mine Marking Equipment Mk II
- (c) Sarvatra Bridge System
- (d) Self Propelled Mine Burrier (SPMB)
- (e) Arjun Armoured Repair and Recovery Vehicle (ARRV)
- (f) Articulated All Terrain Vehicle (AATV)
- (g) Rough Terrain Fork Lift Truck (RTFLT)

**BDL:** Order book position of BDL is around Rs 12000 Cr and spread over a period of six to seven years whereas BDL has already established its capability in giving a turnover of Rs 3500 Cr and above in earlier years. With this the present Order Book Position available in hand keeping the capability of BDL will not last more than three to four years. Projects like Akash, Invar ATGM are being underutilized with respect to the capacity and capability of divisions and also the skilled manpower. Various orders which are under pipeline needs to be expedited in placement of order on BDL to utilize all its resources in an optimum manner and also the capacity can be fully utilized. Invar ATGM order is already completed and manpower is underutilized due to non-availability of firm order. Similarly, Akash division will have only 10% of its capability and capacity load for next year. Hence these two divisions need to be immediately loaded with firm orders.

The following are the anticipated orders which are in pipeline and under various stages of approval:

1. Akash 3rd & 4th Regiment order
2. MRSAM(IN)
3. Refurbishment of R73
4. SAAW
5. Helina
6. Spike ER2
7. Invar ATGM

**MIDHANI:** MIDHANI currently has open order of Rs. 1,402 Cr. as on 01-Feb-2023 and is further expected to book around Rs. 200 Cr. till end of Mar-2023. Presently, the major orders are received from Defence sector. However, newly set up Wide Plate Mill has started production and MIDHANI supplied trial orders of Special steel & Nickel Alloy wide plates and obtaining regular orders. Supplies from newly set-up Armour plant at Rohtak also started. It is expected to improve sales from wide plate mill & Armour Plant in the FY 2023-24 onward. Hence, the order book position will improve in coming years.

**MDL:** MDL is currently building Destroyers, Advance Stealth Frigates and Conventional Submarines. In addition to the above, MDL is also carrying out Medium Refit & Life Certification of Submarine. These projects constitute MDL's order book position of Rs. 40,252 Cr approx. as on 31<sup>st</sup> Jan 2023.

**GRSE:** GRSE Ltd is primarily engaged in Warship Construction for Indian Armed Forces. GRSE has supplied Warships to Indian Navy, Indian Coast Guard, Govt of Mauritius and Govt of Seychelles. GRSE completed its Infrastructure Modernization creating Integrated Shipbuilding Facility in 2013, with an aim to build quality warships in reduced timeframe with Modular Construction Technology. GRSE has an executable order book of Rs. 22,242.42 Crs as on 31.12.2022.

Towards utilization of infrastructure, GRSE has responded to various RFI / RFPs floated by IN / ICG. Over and above, GRSE has also submitted BQ worth over 600 M USD through MoD facilitation to various Friendly countries under GOI LOC/G-2-G scheme. Further, considering GRSE's expertise in constructing and delivering specialized vessels such as Corvettes, Survey Vessels, Fast Patrol Vessels etc., GRSE has also recommended placement of orders on GRSE for additional P17A ships, Next Generation Corvettes, Next Generation Survey Vessels, Water Jet Fast Attack Crafts for the Indian Navy and Fast Patrol Vessels for the Indian Coast Guard.

**GSL:** The order book position of GSL as on 31<sup>st</sup> Jan 2023 is Rs 14,413 Cr (provisional). GSL has emerged the lowest bidder for seven Next Generation Offshore Patrol Vessels (NGOPVs) for the Indian Navy (IN) with expected contract value of Rs 6,000 Cr. (approx). CNC has been concluded and CCS approval is being processed. Contract along with build specification is expected to be signed by end of March 2023. Post signing, the total order book position will be approx. Rs 20,000 Cr. With the above order book, the utilization of production facilities and other resources will be optimal till FY 2026-27 for Steel & Aluminum line of production. However, with regards to GRP/FRP line of production, the optimum utilization of state-of-the-art GRP Complex developed under Goa Shipyard Modernization Plan has been a challenge since 2019, due to non finalization of MCMV Project for which GSL has been selected as production agency by MoD/IN.

GSL is putting up concerted efforts to ensure a healthy order book position for maintaining financial viability of the Company and therefore, responding to various RFIs/RFPs of IN and Indian Coast Guard. GSL, leveraging its in-house design capability and shipbuilding skills, has always been exploring export markets by offering customized solutions to potential customers meeting their specific requirements.

**HSL:** The Shipbuilding order book value of HSL is about Rs 1818 Cr as on 01 Feb 2023 and it comprises of projects viz. construction of 2 Nos Diving Support Vessels and 1 No Floating Dock for Indian Navy. These projects are scheduled to be completed by Aug 2024. With a view to improve order book position, HSL has been nominated by MoD for construction of 5 Nos Fleet Support Ships (FSS) for Indian Navy. The contract negotiations were concluded with the Contract Negotiation Committee (CNC) on September 28, 2022. The contract is expected to be signed with Indian Navy post approval of Cabinet Committee on Security (CCS). Timely placement of this order will help HSL strengthen its financial viability. Further, HSL is vigorously participating in all competitive tenders issued by Indian Navy, Coast Guard, other Govt/Private organizations in order to secure more contracts and thereby improve declining order book position.

### Recommendation (Para No. 23)

On examination of the financial performance of the DPSUs in 2020-21, the Committee observe that except HSL which incurred loss off 14 crore due to lack of submarine refit orders and COVID pandemic, all DPSUs have registered profit in the said Financial Year. Amongst the profit making DPSUs, the low profit i.e. Rs74.8 crore was made by BEML in Financial Year 2020-21. With regard to profitability of BEML Mysuru Plant, the Chairman & Managing Director of BEML candidly admitted during evidence that margin of profits were less due to competitive environment, especially in the mining and construction field. The Committee also note from the submission of a representative of the Ministry that albeit the number of employees is considerable in DPSUs, there is an increasing trend in the DPSUs to move towards outsourcing and becoming system integrators. The Committee are of the considered view that focus of the DPSUs should be on increasing and improving Research & Development so that *avant-garde* technologies and platforms can be developed and offered to our Armed Forces and friendly countries, in the form of exports. This will ensure that the DPSUs remain relevant, profitable and combative amongst the current globally competitive environment. Therefore, the Committee recommend that along with vigorous efforts to promote Research & Development in the DPSUs, an exercise for pruning unproductive expenditure and rationalisation of manpower should be undertaken by the Ministry for each DPSU. Further, the Committee desire that a statement reflecting each DPSU's annual turnover, profit after tax, dividend paid in the last three years and the sanctioned versus held manpower and manpower deployed in core and non-core activities may be furnished to the Committee within three months of the presentation of this Report.

### Reply of the Government

**HAL:** The required information pertaining to HAL is as follows:

a) Financial Parameter (Rupees in Crores)

SN	Particulars	2019-20	2020-21	2021-22
1	Annual Turnover	21228	22369	12852
2	Profit After Tax	2842	3233	1985
3	Dividend paid	1112	1003	468

b) Sanctioned vs. Manpower Strength:

Particulars	Overall Manpower Sanctioned Strength (2017-18)	Total Strength (As on 31.03.22)
Officers	9270	7783
Direct Labour	14438	11284
Indirect Labour	9125	6345
Total	32833	25412

- c) Manpower deployed in core activities (Regular including Tenure based Personnel): As on 31.3.2021
- i. Officers = 7783
  - ii. Workmen =17629 (Direct =11284 and Indirect = 6345)
- d) Manpower deployed in non-core activities: ( As on 28.2.2022)
- i. Contract Labour =10658
  - ii. Casual Labour = 191

It is further submitted that HAL is taking all out efforts in Research & Development and to reduce unproductive expenditure.

**BEL:** BEL has been preparing long term Strategic Growth Plans aligning with Perspective Plans (like Technology Perspective Capability Roadmap-TPCR) of Indian Defence Forces/DRDO labs. BEL operates on 3 year R&D Plan and Technology Roadmaps have been drawn aligning to TPCR with the objective of developing futuristic products/systems that are best in class comparable to international standards.

As regards pruning of expenditure and rationalization of manpower, BEL has been undertaking Cost Reduction and Austerity Measures under various avenues as an on-going process with annual targets. The progress is reviewed periodically by the 'Corporate Cost Reduction cum Indigenization Review Committee'.

With reference to rationalization of manpower, it is pertinent to mention here that, BEL is an R&D focused organization and provide enhanced thrust on indigenous design & development of futuristic technologies/products that caters primarily to Indian Defence Forces, thus contributing to the Defence Preparedness. Around 50% of the company's manpower are engaged in R&D activities. Adequate thrust is provided for indigenization towards self-reliance and only optimum no of staffs are engaged in other activities including Production, Quality, Marketing & Customer Support, Materials Management, Information Systems etc.

➤ The desired details are tabulated below:

Year	2017-18	2018-19	2019-20	2020-21	2021-22
Turnover	10085	12608	13818	14212	14816
PAT	1927	1794	2065	2231	2407
Dividend Paid	828.44	682.24	974.64	1003.4	1104.2
Manpower (Nos.): Core & Non-core Activities					
Sanctioned	9726	9612	9279	9279	9201
Deployed	9726	9612	9279	9279	9201

Rs. Cr

**BEML:** BEML is operating under highly competitive environment and 74% of sales is achieved on competition basis.

Under Mining & Construction segment, the Company competes with global companies viz. Caterpillar, Komatsu, etc. and holds over 50% market share in Dozer & Dumper market.

Also, BEML is the only Indian PSU manufacturing State-of-the-Art Metro Cars competing with Global Players viz. Alstom, CRRC, etc. and has market share of over 45% in Metro segment.

With the ever-increasing competition in the retail market, competitive pricing is fast becoming one of the most sought-after pricing strategies.

BEML is participating in the tenders which are finalized and orders are placed on BEML only by virtue of being lowest bidder. As such, the quotes are always competitive and the margins are wafer thin that are charged on items and vary from case-to-case depending on competition.

BEML has its own world-class composite R&D establishment for Design & Development of products. The R&D establishment has CAD Centre, Fluid-power, Powerline, Structural Engineering & Material Science laboratories and is continuously engaged in New Product Development and Upgradation of existing products to meet customer requirements. More than 69% of Company's Sales Turnover is through in-house developed R&D products. The average R&D expenditure is more than 3% of its turnover.

- The statement / table showing Turnover, PAT and Dividend paid in last three years is as follows:

Rs.in Crores			
<b>Particulars</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Turnover	3028.82	3557.21	3602.1
PAT	68.38	74.80	76.30
Dividend	24.99	24.99	24.99

- Details of sanctioned versus held manpower and manpower deployed in core and non-core activities are as follows:

Table: 1 Executive (Group A & B)

<b>Category</b>	<b>Operational Sanction</b>	<b>Positions (as on 31.03.22)</b>
Technical	1712	1655
Non-Technical	327	245
Total	2039	1900

Table : 2 Employees (Group C & D)

Category	Operational Sanctions	Positions (as on 31.03.22)
Direct (Technical areas)	2294	2268
Indirect (Technical support areas and Non-Technical areas)	1562	1423
Total	3856	3691

\* Direct activities correspond to core activities of the Company in terms of Manufacturing, Fabrication and Assembly of products. Indirect activities correspond to various support functional activities towards manufacturing of products.

- The Company follows a practice for fixing the operational manpower strength of Executives and Employees, on yearly basis, based on the following factors:
- Business and Production Plan
  - Manpower attritions because of superannuation and resignations.
  - Load vis-à-vis Capacity calculations and Sub-contract / outsourcing (for direct labour category)
  - Productivity increases through incentive schemes, optimum utilization of manpower through multi-machine manning, multi skilling development, process improvement, ERP, Business Intelligence Management software (SCM, SRM etc).
  - Operational improvements through process improvements, Quality improvements, technology leveraging such as; adopting online mode of operation for various manual processes, online file approval system etc., benchmarking the best practices, outsourcing possibilities etc.
  - Engagement of temporary manpower linking to fluctuations in the work load.

**BDL:** BDL is a profit making Defence PSU and the performance of the company is as follows-  
(Amount in Cr.)

Sl. No	Particulars	2021-22	2020-21	2019-20
1	Annual Turnover	2817.40	1913.76	3104.87
2	Profit after Tax	499.92	257.77	534.90
3	Dividend Paid	145.71	169.53	145.16
3a	Interim dividend of current year	133.80	122.80	114.55
3b	Final Dividend of previous years	11.91	46.73	30.61

- Details of Sanctioned versus held manpower and manpower deployed in Core (Technical) and Non-Core (Non-Technical) pertaining to Bharat Dynamics Limited (BDL) is furnished hereunder:

Category	Sanctioned Strength	Manpower deployed as on 31.03.2022			Total Vacancies as on date, Notification issued and recruitment under progress
		Total	Technical	Non-Technical	
Executives	882	820	699	121	62
Non-Executives	1845	1838	1400	438	07
Total	2727	2658	2099	559	69

Note: Board of Directors of the Company approved overall sanctioned strength is 1200 Executives (Below Board Level) and 3000 Non-Executives (Workmen). However, based on the Company's Business requirement, the above figured Sanctioned Strength is being operated with the approval of CMD/BDL.

e) **MIDHANI:** Financial data in respect of MIDHANI is as under:

(Rupees in Crores)

Particulars	2021-22	2020-21	2019-20
Turnover	53619.92	81,323.08	71,287.50
PAT	9531.96	16,629.15	15,973.38
Dividend paid for the year	2960.03	5,170.61	2,828.83
Dividend paid to Govt. (74%)	2,190.42	3,826.25	2,093.33

Sanctioned Vs Actual Manpower data:

Manpower as on	Sanctioned Strength	Actual Strength
01.04.2019	1456	789
01.04.2020		782
01.04.2021		760
31.12.2021		755

**MDL:**

**Research and Development (R&D):** MDL is actively involved in developing innovative technologies through R&D using in-house resources and collaboration with academic institutions. Since 2017, MDL is recognized as an In-house R&D center by Department of Scientific and Industrial Research (DSIR). MDL is having an in-house R&D team of dedicated personnel with specific targets in pursuit of quality R & D work with a view to bridge gaps in engineering and technology. A dedicated section has also been formed in the Submarine Division for business development and innovation. MDL is putting efforts for increasing and improving research and development.



## **R&D plan – Current status:**

- (i) MDL has broadly identified the avenues for R&D initiatives as below:
- Product Improvement
  - Improvement of processes and/or services in shipbuilding
  - Improvement of operating procedures
  - Improvement of efficiency in various spheres of MDL's operation
  - Performance improvement techniques
  - Quality improvement initiatives for processes and/or services
  - Cost reduction measures
  - Customized solutions to generic and specific problems
  - Studies for improvement of Project Timelines
  - Development of new hull forms of ships
  - Efficiency improvement
  - Performance improvement

### **(a) Strategy and status of collaboration with Industry/Academia for R&D:**

MDL has entered into Memorandum of Understanding (MoUs) with the institutions with an active participation of MDL executives designated for various functional domains and the academia.

MDL, in association with IIT Madras incubated start-ups has carried out the development of three Artificial Intelligence(AI) projects as follows:

- Artificial Intelligence enabled Robotic Weld Inspection tool using Phased Array Technique to replace Manual Radiography.
- Artificial Intelligence enabled Robotic Weld Inspection tool using Phased Array Technique to replace Computerized Radiography.
- Artificial Intelligence enabled Remotely Operated Vehicle (ROV)

The R&D initiatives taken up by MDL is expected to contribute to accelerate development and growth in the indigenous warship building capabilities and also will continue to be a major contributor in nation's journey for technological self-reliance.

**Pruning unproductive expenditure:** There is NIL unproductive/wasteful expenditure pertaining to MDL. Further, in order to reduce overheads, MDL has implemented cost reduction measures in the following areas:

- a) Optimization of expenses on major events like launching, commissioning, etc.
- b) Overtime allowances /Honorarium.
- c) Hiring of vehicles
- d) Office expenses
- e) Foreign Travels
- f) Sponsorships etc.

**Rationalization of Manpower:** MDL being a project based organization, has adopted a lean structure of manpower comprising a mix of employees on permanent, fixed term and outsourcing basis to avoid having long term liability. In addition to employees on permanent rolls, MDL has employees on fixed term basis for a period of 3 years which can be extended by 2 more years based on the project requirement. MDL has also identified the Non-Core trades/activities and has outsourced these trades/activities viz. housekeeping, canteen, guest house, data entry operators, messengers etc. MDL recruits/inducts employees in the core areas in the permanent rolls of the company from time to time to maintain continuity of talent pool and skill sets for manufacturing of Ships and Submarines. At present MDL has 4943 employees on its rolls against sanctioned strength of 9972.

- **Revenue from operations, Profit after tax and dividend paid by MDL during the last three years is as under:**

	(Rs. In Cr)		
	2021-22	2020-21	2019-20 (Restated)
Revenue from Operations	4327.10	4047.82	4904.84
PAT	512.78	479.57	408.48
Dividend paid during the year (Excl DDT)	174.12	155.28	217.16

- **Manpower details pertaining to MDL are tabulated as below:**

- a) Sanctioned vs. held manpower:

Category	Sanction	Borne		
		Permanent	Fixed Term	Total
Executive	1271	963	0	963
Staff	819	220	114	334
Operative	7882	2156	1490	3646
Total	9972	3339	1604	4943

- b) Manpower deployed in core and non-core activities

Category	Borne		
	Permanent	Fixed Term	Total
Core (Prod/Tech)	3248	1604	4852
Non-Core (Non Prod/Non Tech)	91	0	91
Total	3339	1604	4943

**GRSE:** GRSE's R&D policy was adopted in 2012 with the objectives of Technology Development, Product & Process Development, Value Engineering, Cost reduction, improvement

in Quality, Efficiency and Performance, Import Substitution for strategic reasons and providing solutions to generic problems. Dept. of Scientific & Industrial Research (DSIR), Ministry of Science & Technology, Govt has conferred recognition to “61 Park Unit” of GRSE as its ‘In-house R&D Unit’ vide letter dt. 18<sup>th</sup> Jan 2019 which is valid upto 31 March 2024.

The expenditure on R&D incurred by company in last 05 years is as follows: -

Financial Year	Rs. (In Lakhs)
2016-17	1318.66
2017-18	1118.60
2018-19	1172.00
2019-20	1536.00
2020-21	1328.00

#### Recent R&D Initiatives-

- (i) Hull Form development of Inland Ferry Catamaran Type Electric Propulsion
- (ii) Basic Design of Cargo cum Pax Ferry for operation in South America coast area
- (iii) Hovercraft Design Acquisition from EPS Corporation, USA
- (iv) Hull Form development of New Generation Corvette Vessel by CFD & Model Test
- (v) Design & Development of New Modular Steel Bridge with carriageway width 5.3 M (Model GBB-9000)

**Pruning unproductive expenses:** Efforts and steps being adopted to rationalize and cut-off unproductive expenses incurred in company's premises-

- i. Expenses like electricity charges, transportation and travelling, advertisement and publicity are rationalised by adopting several measures like maximising solar energy, using electric vehicles and using websites for advertisements etc.
- ii. Maximisation of IT software has been developed for record keeping to minimise the expenses of stationery and printing.
- iii. Other unproductive expenses are also under identification and necessary measures are under implementation to eliminate such expenses.

#### ➤ Financial Figures for last 3 years-

(Rs. In Crores.)

Particulars	Financial Year		
	2021-22	2020-21	2019-20
Annual Turnover	1748.35	1132.76	1424.70
Profit After Tax	189.53	153.47	163.48
Total Dividend paid*	69.87	60.13	149.70

\* Dividend paid consists total dividend paid during the financial year, which includes Final dividend of previous year and interim dividend of current year.

- Manpower : Requirement of manpower is subject to review from time to time keeping in view the dynamic business scenario. GRSE conducted manpower study by an outside Agency. As a part of optimum utilization of manpower, the skilled category work force is engaged in core and high technology areas. The Company has resorted to outsourcing of various noncore, low and medium technology areas to meet the manpower requirement in unskilled and semiskilled category of work force. In addition to the above initiatives, automation and IT technology like ERP, Biometric Attendance, Digital payments, Data Management System, Business Intelligence solutions, etc. have been introduced. Sanctioned strength vs held and manpower deployed in core & non-core activities are as follows: -

Category (Below Board level Employees)	Overall Sanctioned Strength (Under permanent Category)	Actual strength of employees as on 01.04.2022 (Under permanent Category)			No. of temporary/ Contractual Employees as on 01.04.2022 (Fixed term Contract)		
		Core	Non-core	Total	Core	Non-core	Total
Executive	540	279	198	477	1	3	4
Non-Executive	1783	896	372	1268	28	11	39
Total	2323	1175	570	1745	29	14	43

**GSL:** The details of annual turnover, profit after tax and dividend paid in the last three years of GSL are furnished below:

(Rs. in Cr)				
Sl. No.	Particulars	FY 2019-20	FY 2020-21	FY 2021-22
1	Value of Production (Turnover)	902.94	827.39	703.70
2	Profit After Tax	197.77	127.91	101.09
3	Dividend Paid*:-			
(a)	Total Dividend excluding DDT	66.35	55.29	49.47
(b)	Government Share @ 51.09%	33.90	28.25	25.27

\* Dividend amounting to Rs 49.47 Cr includes Final Dividend for FY 2020-21 of Rs 11.64 Cr paid during FY 2021-22 on 04.10.2021 and Interim Dividend for FY 2021-22 amounting to Rs 37.83 Cr paid on 31.12.2021.

Details of the manpower deployed in GSL are as follows:

Manpower as on 30.03.2022		
	Group A & B	Group C & D
Sanctioned Strength (including FTEs)	287	1630

Borne Strength as on 30.03.2022 (including FTEs)	255	1046
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<b>Department wise Manpower as on 30.03.2022</b>	
<b>Department</b>	<b>Manpower</b>
CMD & Director's Sectt.	9
Ship Repairs	33
Commercial & Outsourcing	104
Planning	28
Production	688
Technical Services	91
General Engineering Services	52
Quality Assurance & Reliability	36
Modernisation cell	33
Information Technology	16
Finance	39
HR & Admin.	126
Secretariat & Legal	9
Safety Health & Environment	16
Forward Project Group	16
Vigilance	5
<b>TOTAL</b>	<b>1301</b>

**Pruning unproductive expenditure:**

There is NIL unproductive expenditure pertaining to GSL. Further, in order to reduce overheads, GSL has implemented cost reduction measures in the following areas:

- (a) Optimisation of expenditure on major events like Launching, Commissioning etc;
- (b) Curtailing Overtime;
- (c) Travelling Expenses;
- (d) Hiring of Vehicles;
- (e) Foreign Travel;
- (f) Advertisement & Publicity;
- (g) Office Expenses;
- (h) Reduction in expenditure towards Technical /Commercial/Price negotiation meetings by conducting virtual meetings wherever feasible;
- (i) Savings in Advertisement and Publicity cost of tender enquiries by publishing advertisements in GSL website or NIC portal for e-procurement or GeM portal;
- (j) Saving in tender enquiry printing and postage cost by resorting procurements through e-tendering through NIC portal & GeM portal;

- (k) Provision made for resorting to Repeat Order or including Option Clause in tender enquiries thereby reducing processing cost in case of additional requirement arising at a later stage within allowable time.

**HSL:** The details of Turnover, Profit After Tax, Dividend paid in respect of Hindustan Shipyard Ltd (HSL) in the last three years is tabulated below:-

<b>Financial Year</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Turnover (Rs Cr)	594.91	573.54	477.95	489.21
Profit After Tax (Rs Cr)	36.23	13.03	(-)14	8
Dividend ***	Nil	Nil	Nil	Nil
<i>*** As per third proviso of Section 123(1) of Companies Act 2013 as amended vide Companies (Amendment) Act 2015, the Company is not eligible for declaration of dividend due to its accumulated losses and unabsorbed depreciation.</i>				

2. Details of sanctioned versus held manpower and manpower deployed in core and non-core activities are as below:-

<b>Category</b>	<b>Sanctioned Manpower</b>	<b>Held Manpower as on date</b>	<b>Deployed in Core Activities</b>	<b>Deployed in Non-Core Activities</b>
<b>Permanent Employees</b>				
Officers	350*	335	335	--
Staff	904**	124	124	--
Workmen	1275**	332	331	01
<b>Fixed Term Employees</b>				
Officers	--	40	40	--
Staff	--	79	79	--
Workmen	--	304	304	--

\* Rationalized strength of Officers informed to the Board in its 408<sup>th</sup> Board Meeting held on 04 Mar 2020.

\*\* Strength of Staff & Workmen freezed by the Board in its 356<sup>th</sup> Board Meeting held on 16 Nov 2010.

3. HSL has implemented strict expenditure control and cost cutting measures during the past few years with a view to economize on the expenditure to the maximum extent feasible. The expenditure control measures implemented in HSL are as below:-

(a) Manpower Capitalization Cost. Strength of permanent employees and fixed term contract employees have been rationalized which has led to reduction in manpower cost. No major recruitment has been done in staff and workmen category in last five years. Presently, recruitment is being done only to meet urgent requirements in order to meet the production targets.

(b) Employee related benefits. Following employee benefits have been curtailed during the past few years:

- (i) Holiday working allowance has been withdrawn totally for Officers working on Holidays.
- (ii) Reduction of Overtime expenditure and no Overtime is allowed unless it is production exigencies

(c) Other expenditure control measures. Some of the various other cost cutting measures adopted by the shipyard are listed below:-

- (i) Reduction in expenditure towards transportation by conducting virtual meetings.
- (ii) Reduction in expenditure towards stationary by implementing the online software module of File Lifecycle Management (FLM) system.
- (iii) Savings in Advertisement & Publicity expenses by resorting procurements through e-tendering, GeM portal.
- (iv) Savings in energy cost through installation of 03 MW Rooftop Power System and adoption of efficient energy conservation measures

#### **Recommendation (Para No. 24)**

From written submission of the Ministry, the Committee understand that a visioning exercise on devising a 'Business cum Growth Model' for each. DPSU is under way under the supervision of Department of Defence Production. The vision exercise will come with the long term perspective planning for the DPSUs so as to make them financially viable, making their products globally competitive and gain business opportunities. In this connection, the Committee recommend that the visioning exercise may be completed expeditiously and the findings thereof may be intimated to the Committee accordingly.

#### **Reply of the Government**

The visioning exercises of the DPSUs are in various stages of completion. The findings and recommendations of these visioning exercises shall be shared with the Committee separately.

#### **Recommendation (Para No. 25)**

The Committee find that several challenges are being faced by the DPSUs which inter alia' include shortage of semi-conductor chips, delayed clearances by stakeholders in Turnkey projects, retention of talent, procurement through Government e-Marketplace (GeM), supporting platforms for a long duration which involves high cost, extensive testing and economy of scale, competition from long term established players in export market, idling of facilities and resources, delay in projected timelines due to COVID-19, volatility in price of imported input raw material volatile & limited availability, pending permission from Foreign Original Equipment Manufacturer (FOEMs) to export missiles. The Committee recommend that urgent and intensive focused efforts from the Ministry and the DPSUs are required in order to ensure that the DPSUs, besides

fulfilling the requirements of the Armed forces, are able to achieve their targeted level of production and profits. The Committee desire that concrete measures be initiated/ taken by the Ministry and the DPSUs to address and resolve each of the said bottlenecks being faced by the DPSUs and the outcome thereof may be apprised to them within three months of the presentation of this Report.

### **Reply of the Government**

**HAL:**Major challenges faced by HAL are given below:

#### **a. Shortage of Semiconductor chips**

<b>S No.</b>	<b>Issue</b>	<b>Action Taken / Planned</b>
1	Demand of semi-conductor chips surges due to pandemic. HAL has faced shortage of semi-conductor chips in some cases due to non-receipt of items.	HAL has rigorously followed-up with OEMs and identification of alternate, which resulted in minimisation of impact in procurement of semi-conductor chips used in manufacturing.

#### **b. Retention of talent**

The attrition rate of HAL during the year 2020-21 is 0.23%. The measures / initiatives taken by HAL to address the challenge of Retention of Talent are as below:

- i. The Company has a Policy for Sponsorship for Higher Studies and grant of Study Leave upto a maximum period of 2 years. Sponsorship / Study Leave is granted for pursuing
  - (a) Courses in the Technical Disciplines at IITs, IISc, Cranfield University, UK; and
  - (b) Courses in Non - Technical Disciplines at premier Management Institutes like XLRI, IIM- Bangalore etc.
- ii. The Company also has a Policy for Sponsoring Officers for PhD Programmes (in both Technical & Non - Technical Disciplines) at various Institutes of repute.
- iii. The Company has a Sabbatical Scheme applicable to all Executives in Grades I to X. HAL Sabbatical Scheme provides Executives to avail Sabbatical leave for the duration of minimum 6 months and upto a maximum cumulative period of 2 years, and can be availed upto a maximum of two spells. The Sabbatical leave helps Executives to avail leave / break for self-renewal, enhancement of expertise / knowledge; to pursue hobbies, literary / artistic / multi-disciplinary interests; to discharge various familial / social obligations etc.
- iv. Through Training Facilities at HMA, programmes that cater to develop functional, operational, technical, managerial and leadership competencies are provided to Executives.
- v. Job Rotations / Transfers are effected annually in order to provide varied work experience to Employees.



**c. Procurement through Govt e-Marketplace**

HAL is registered as a Buyer in GeM Portal and is taking up procurement of items which are available in GeM Portal. HAL is also procuring several items which are not available in GeM Portal utilizing Custom Bid Module/BoQ Module extensively. Through this method large set of domestic vendors are given opportunities in our procurement process.

**d. Supporting platforms for a long duration which involves high cost**

S. No.	Issue	Action Taken / Planned
1	<ul style="list-style-type: none"> <li>• HAL supports platforms for longer durations of more than 40 to 50 years. Due to short lifecycle of electronics technology, spares and components, various obsolescence issue arise which is a serious challenge for long-term platform support. Maintenance of old platforms involves very high cost, extensive testing (in case of substitutions) and also very difficult to justify economies of scale.</li> <li>• Dependency on imports for materials is another issue of concern which poses great challenge in volatile international economic, social and unpredictable situations.</li> </ul>	<p>Life cycle support is being included in all upcoming platforms/projects. Obsolescence management is being done through OEMs help or through indigenous development of spares to the extent possible.</p> <p>HAL also takes up midlife upgrade of platforms with or without the support of the OEMs which apart from increasing the lethal capabilities of existing platforms also help in obsolescence management.</p> <p>Strategic electronic manufacturing units for manufacture of Semiconductors and defence electronic materials need to be developed in country to support defence manufacturing. This will reduce imports and also greatly reduce supply chain lead times.</p>

**e. Extensive testing and economies of scale**

- Economy of scale is being achieved through parallel production and ROH activities, Process improvements, IT process integration etc. Focus on core technical area including final integration/ extensive testing through outsourcing of non-core activities.
- Quantity requirements for orders are not so attractive and occasional and hence scope of indigenisation is very limited and in most of the cases suppliers are not coming forward for such programs.
- Economy of scale is required to increase the indigenization content for manufacturing of parts within India for which firm projections by customer for future volumes is a must.

**f. Competition from long term established players in export market.**

<b>S. No.</b>	<b>Issue</b>	<b>Action Taken / Planned</b>
1	Export market is dominated by the existing OEMs.	<p>Various marketing initiatives/efforts are being taken in HAL to enhance export and cater to the competition from established players, e.g. continuous interaction with existing and probable customers globally as well as pan India, participation in various global events like Defexpo, Aero India, Wings India etc and various awards. Many Customers are also being interacted through Ministry and various State Govts to increase the customer base. Continuous feedback on our Products and Services is being taken from existing Customers to enhance the satisfaction level.</p> <p>HAL is also undertaking various measures to increase its products cost competitiveness, technological enhancement, and after sales supports etc.</p>
2	Products and components manufactured under ToT are restricted by ToT agreements signed with OEM for supply products /services to export customers.	To explore such opportunity, HAL seek approval from OEMs on case to case basis.

**g. Idling of facilities and resources**

HAL is optimally utilising its facilities & resources to execute the available workload. In addition, specific test facilities (like environmental facilities, vibration facilities etc) are also being offered to Indian companies and listing of facilities are available on HAL website.

**h. Delay in projected timelines due to COVID-19.**

Domestic as well as Global Supply chains are constrained and disrupted due to COVID 19. Primary effects have been higher inflations, material shortages, labour problems, facility closures (temporary & permanent) and logistics issues. Following measures are taken to address these issues:

- Issues with domestic suppliers:
  - Interim in-house measures to address short term disruptions and hand holding of suppliers to overcome such short term disruptions

- Implementation of Govt policies like Bid security declaration (in lieu of EMD), reduction in Performance Bank guarantee etc
- Faster payment process to address their liquidity issues
- Widening of Supplier base
- Issues with Foreign OEMs:
  - Price Negotiations
  - Priority based Indigenization
  - Defining Alternate parts and sources
  - Pro-active Forecasting, Provisioning & Risk mitigation measures
  - Pro-active procurement of Raw Materials required for Indigenization
  - Close coordination with suppliers, other supply chain partners and rigorous follow up
- General measures:
  - Shift operations were implemented to ensure minimum contact while full utilization of capacity thus avoiding delays to the extent possible.
  - Close monitoring and all out efforts to enable timely completion of projected targets
  - Proactive procurements considering factor of uncertainties
  - Extensive use of online mode for coordination, Price negotiations, inspections (to the extent feasible), audits and enforcement of Covid appropriate behaviour
  - Business process re-engineering wherever required to overcome issues.

**i. Volatility in price of imported input Raw Material and limited availability**

<b>S. No.</b>	<b>Issue</b>	<b>Action Taken / Planned</b>
1	HAL has faced difficulty in procurement of raw material due to non-availability or due to high price.	<ul style="list-style-type: none"> <li>• HAL has explored procurement of raw material from Indian suppliers viz. MIDHANI, Star Wire etc.</li> <li>• Volatility in price of imported input raw material is being catered through LTBA/LTRA arrangements with various vendors.</li> <li>• Multiple Vendor development is being progressed in the Division to reduce the dependency on single vendor.</li> <li>• Optimised utilisation of raw materials</li> </ul>

**BEL:**

- (a) **Shortage of semi-conductor chips** is certainly delaying completion of the projects as per the delivery terms however rigorously followed-up with OEMs and identification of alternate, which resulted in minimisation of impact in procurement of semi-conductor chips used in manufacturing.

**(b) Delayed clearances by stakeholders in Turnkey projects:** The following additional measures are initiated to address the product support obligation during the life of the product/system/platform:

- Long term arrangement with supply chain/technology partners, where ever feasible
- In-house Redesign in form and fit
- To leverage indigenous design and manufacturing capability of MSMEs/start up etc., for in service equipment through MAKE II in BEL
- Policy changes being facilitated by DDP through DPePP2021 Policy with regard to testing infrastructure.

**(c) Retention to talent:** BEL has been focusing on retention & sustained development of its employees, both at the individual & at the team level through various human resources development initiatives.

- In order to address Competency development across levels, various management development, technology, quality & employee well-being programmes are organized both internally and through premier institutions.
- Employee skills are continuously upgraded with latest technologies relevant to the business. Towards this, 'BEL Academy for Excellence', was setup to focus on developing personnel in Leadership, Technology & Quality domains. Training programs various technology areas are conducted.
- Executives are also sponsored for M.Tech programmes offered by Defence Institute of Advanced Technology, IIT-Madras, BITS-Pilani, IIM-Kozhikode etc., which help the Engineers to manage various defence projects better from "concept" to "commissioning" stage. These programs up skill the competencies for addressing Customer requirements.
- On the Quality front, ASQ certifications are conducted for executives in CRE, CMQ/OE, CQE, CMQ/OE, CSQE courses and PMP- PMI, USA Certifications.
- BEL is having well defined policy for career progression which helps to:
  - To attract & retain best talent in disciplines appropriate to BEL's requirements and to maintain a competitive edge through effective development of executive potential.
  - To provide for effective succession to top managerial posts.
  - To ensure fair & equitable career opportunities to Executives consistent with their performance, potential and needs of the Company.
- BEL has a robust Performance Management System (PMS) that is integrated to BEL behavioral competency model. PMS enable a continuous dialogue on performance and identify measures to improve it. The process is focused on measurable objectives that

individual are trying to achieve which in turn provide critical inputs for development, promotion, job rotation and placement of Executives.

- BEL has various welfare measures including adequate canteens, recreation facilities, medical facilities, arrangements for travel to & from place of work, accommodation and amenities & facilities, including social security measures.
- BEL has been promoting health & well-being programs for all employees. Such programs not only have a positive impact on employee wellness, they also lead to significant increase in productivity, overall engagement & cohesiveness of workforce.
- BEL has introduced scheme BESAFE (Bharat Electronics Scheme for Assistance to the Family of deceased Employees) in order to support the families by providing relief to mitigate the hardship and to cope with the adverse circumstances due to the unfortunate demise of the Employee. The benefits are applicable in case of deaths (either due to COVID or Non-COVID) occurred on or after 01.04.2021 viz., Ex-Gratia Payment, Medical Assistance, Education Assistance, Skill Development Assistance & Extension of Stay in Company Quarters

**(d)** Procurement through Government e-Marketplace (GeM): BEL has adopted GeM for procurement of all Capital & non-production items. However, for production related items like Electronic Modules, ICs, PCB Assemblies, Power Supply Units, Microwave parts, Transistors, Capacitors, Resistors, cables, components that are specific in nature depending on the project are to be sourced from the approved sources only for which there is no option in GeM. Also the items being supplied by the vendors in GeM are not OEM and reliability of the items are not satisfactory. The prices in GeM compared to other sources are also high and GeM transaction fee being levied by GeM is also additional cost that impacts the company.

**(e)** Competition from long term established players in export market:

- To overcome competition from long-term established players to enhance exports business, BEL is focussing on potential markets that can be tapped with medium-low technology products having low-medium price in South-east Asia, South America, Middle East and other developing countries having very price sensitive, state of low level warfare, not capable of maintaining sophisticated US or European defence equipment. In this direction, BEL has established Overseas Marketing Offices in Vietnam, Myanmar, Sri Lanka, Oman, Singapore, New York and further planning to establish in Nigeria, Armenia, Kazakhstan & Brazil. BEL has identified and appointed prospective local companies/representatives for partnering with BEL in getting the exports from these targeted countries to enhance export business.
- Naval Segment business is one of the core competencies of BEL. Indian Shipyard manufacture Platform and BEL deliver & integrates the on-board Sensors & Weapon System to cater to the market in the Indian Ocean Region countries.

- (f) Majority of the BEL products are evolved & developed for the end-use of Indian Defence Forces. As part of the NOC proceedings for export of the products & systems, BEL is directed by the Indian stakeholders (Army, Navy, AIAF, DRDO, MEA) to change the frequency/algorithm & dilute the specifications which in turn results a Non-World Class Products and often the time available to derive alternate products is very limited.
- (g) Idling of facilities & resources: BEL's current order book stands at around Rs.57000 Cr as on date. The deliveries are spread over next few years in a phased manner as per the time-lines of customer contract. Considering the current order book, BEL Utilization of capacity/Production facilities by all Units/SBUs is to the maximum thus avoiding idling of facilities & resources. It is pertinent to mention here that, besides optimum utilization of available capacity/resources/facilities, BEL also provides its test facilities to Indian Private Industries including MSMEs with the objective of handholding its supply chain partners.
- (h) Delay in projected timelines due to COVID-19: The Pandemic had created minor hardships initially during the beginning of FY. The issues related to logistics have been impacting the timely delivery of input material by the supply chain thus affecting BEL's production. However, the company has been taking remedial measures through proactive approaches in order to ensure timely delivery to customers, especially Defence Forces.
- (i) Volatility in price of imported input raw material volatile & limited availability: Shortage of semi-conductor chips is creating delays in completion of the projects as per the delivery terms. All contracts signed between BEL & MoD are fixed price contracts and are based on negotiated prices firmed up prior to signing of contract. Any delay in completion of projects does not lead to cost escalation unlike Cost Plus contracts. Though similar terms are applied to vendors who supply input material, the global crisis due to Pandemic is expected to significantly impact the raw material price in the days to come.
- (j) Pending permission from Foreign Original Equipment Manufacturers (FOEM) to export Missiles: BEL has received In-principle approval (NOC) from MoD for exports of Akash Missile system to countries shown interest.

**BEML:** BEML is striving to address and resolve the challenges being faced in the industry due to presence of globally established players for exports, volatility in prices, clearances from stakeholders etc. by actively engaging in discussions with the various stakeholders (end user / customer / vendors) and having suitable tie-ups / MoUs with global market leaders to address the upcoming opportunities.

- ❖ Retention of talent is the main challenge which BEML Limited is facing today. With MNCs' presence in Indian market, Talent attraction & Retention, especially for technology & Engineering Talent, has become extremely challenging to match with the compensation offered by the MNCs. Also, young Talent seeks to work with latest global standard technology with an opportunity to have exposure in the overseas setup. Today's talent seeks to have faster career growth, early responsibilities, meritocracy, camaraderie in place of Authoritative and Bureaucratic work culture.

However, with above challenges, notably the compensation issue, BEML has placed the various actions to attract, engage and retain Talent viz.

- Company has been maintaining excellent townships with school, cultural, medical, sports facilities for the family members, whereby creating a conducive atmosphere for healthy, happy and balanced life styles towards better engagement and retention of talent.
  - BEML has several forward-looking People Practices including welfare & health measures, people development, career progression, job rotation, Succession Planning systems which supports talent retention.
  - Despite stiff competition from global giants in all three Business verticals, BEML has developed its internal capabilities (through R&D, creativity and continuous improvement process) to design & manufacture world-class heavy engineering products whereby the talents apply their knowledge, skills and creativity thereby providing immense job satisfaction resulting in long-term retention.
  - BEML has been maintaining an open culture and informal environment (with discipline) whereby talent across level and age groups can approach senior Management with new ideas, observation & issues.
  - Company provides significant importance to training & development, mentoring & coaching, diversity and inclusion, Community Development.
  - Focused efforts are being given to streamline key result areas (under PMS system) to provide challenging role, more accountability and scope for building up skills and knowledge to take up higher responsibility at a younger age and in a flatter organisation structure.
  - To strengthen Learning culture in today's constantly changing business world, BEML has been providing impetus to various training initiatives including developing internal training capability (both Technical & Behavioural training) through certified programmes, adopting 'Action Learning' process to solve business issues through training, leveraging the Centres of Excellence (COE) to impart latest technical training etc.,
  - Two way, Open & Fast communication, dissemination of information and interactions are in place to meet the requirements of external & internal stakeholders at a speedy manner.
- ❖ Towards, procurement through GeM, BEML is continuously increasing procurement through GeM portal and the year wise details is as follow.

SI. No.	Year	Procurement (in Rs Crores)
1.	2019 - 20	1.37
2.	2020 - 21	106
3.	2021 - 22	329

However, in order to achieve 25% of local Procurement thru GeM, some of the following major challenges are being faced by BEML:

- Items like proprietary, buyer nominated & OEMs could not be procured through as sellers informed that their prices will be known to their other customers and their competitors.
- 0.5% of the order value is being taken as GeM charges which the sellers were not ready to accept as their margins are getting reduced. **(other than CPSE to CPSE suppliers)**

- Major items of project items are of Proprietary, Limited tender in nature as quality and other parameters have to established which cannot be floated open tender.

**BDL: Shortage of Semiconductor chips:** The semiconductor-based items (like Switch Transistor, Ceramic Capacitor, Power transistors, Relays, DC/DC convertors, Isolators, Crystal Oscillator, Opto Coupler, A/D Convertors, Micro Controllers, Micro Processors, FPGAs, Memory Devices) are required in the critical sub-assemblies of all BDL products and also on R&D products.

To overcome these problems, BDL is closely following up with the vendors on daily basis and trying to prepone the deliveries as per the timelines of BDL products.

**Procurement through GeM:** Bharat Dynamics Limited is a Defence Public Sector Undertaking involved in manufacturing of missiles and allied defence equipment. The annual procurement consists of project related components, subsystems, systems. These are high technology-oriented and critical/sensitive in nature. The project related items are procured through developed vendors after critical evaluation and validation for quality and reliability. DRDO / Designer develops the vendors for specific item / sub-system/ system of each project, which required prolonged validation. So all production components are procured from out-side GeM. Other standard / common goods & services are procuring from GeM.

Extensive testing and economy of Scale: BDL indents are small in quantity. Any development required critical evaluation and validation for quality and reliability. Limited Vendors are coming forward to develop the item indigenously. Some defence items required extensive testing for validity of the indigenized item. The testing procedure may take lot of time. Manufacturing of complex components requires technology and Investment. Domestic manufacturing of such components in small quantities are not feasible economically.

**Idling of facilities and resources:** BDL presently have only Konkurs-M orders in hand for next four years. Invar is completing in 1st Qtr of 2022-23 and total manpower is idle after words. Akash manpower also idle as no full load to meet the established capacity and existing order will be completed by 2023-24.

**Delay in Project timelines due to Covid-19:** The Corona pandemic had impacted on supply chain management as a result the supplies got affected in first Qtr. Most of the Vendors could not supply due to this pandemic situation. BDL has taken initiative and approached all the vendors by taking all necessary precautions to stabilize the supply chain management. Most of the vendors were also encouraged to take vaccination doses. Now, slowly the impact is coming down and BDL is making efforts to achieve the targets. All out efforts have been made to identify alternative vendor for the material which are being delayed from vendors and the same are being validated.

**Volatility in price of imported input raw material & limited availability:** Raw material cost volatility impacts cost forecasting. There is no provision for price adjustment with the customer (Armed forces), in case of change in foreign exchange etc. In some ToT contract BDL is bound to procure raw material from the OEMs as per the contract.



## **MIDHANI:**

- (i) Procurement through Government e-market place (GeM): The challenges being faced are:
- a. Few suppliers are backing out after releasing the PO
  - b. Few suppliers are quoting higher prices in GeM mentioning that they have to pay transaction charges to GeM
  - c. Non-availability of certain functionalities in GeM like procurement from foreign sources, job works, repeat order etc.

MIDHANI is taking up these issues with GeM authorities for earlier resolution of the same. In view of these challenges, it is difficult to target 25% of procurement through GeM as per MoU mandate. MIDHANI has represented multiple times to DPE through MoD to relax MoU targets. The same was not considered by DPE & the target is now part of compliance parameter for MoU FY 21-22 for MIDHANI

(ii) Volatility in Price of imported input raw material and limited availability: MIDHANI is releasing tenders on annual basis for major raw materials to overcome price volatility challenges. There are no production losses due to non availability of raw materials.

(iii) Retention of talent: The attrition rate in MIDHANI is around 2%.

(iv) Export challenges:

- a) DFARS (Defence Federal Acquisition Regulation Supplement) - USA procures raw materials only from DFARS countries. Currently around 20 countries are part of DFARS. Currently India is not in DFARS country list. Due to which we are not able to export materials to USA for DRAFS required applications. There is a huge demand for special metals and alloys in USA which can be met by India in the event of adding under DFARS countries.
- b) SCOMET (Export restriction on Titanium alloys & Maraging Steels) - Due to export restriction on Titanium alloys & Maraging steels under SCOMET, we are unable to export Titanium alloys & Maraging Steels. Export restriction needs to be exempted for the mentioned alloys.
- c) Export Incentives - Major products of MIDHANI are special steels (HSN Chapter 72), Titanium alloys (HSN Chapter 81) and Super alloys (HSN Chapter 75). Special steels are not included as a part of RoDTEP (Refund of Duties and Taxes on Exported Products) due to which no export incentives is offered. Incentives for Super alloys and Titanium alloys are also very less (around 0.1%). By providing more incentives (upto 5%), India will be better equipped to compete with global suppliers. Thus enabling an increase in export revenue and helping to meet our export targets of 5 billion USD by 2025.

(v) Project challenges: Ongoing capital projects like wide plate mill, reheating furnaces of forging facility, tempering furnace for wide plates, furnaces & equipment of spring manufacturing facility, 8 T capacity vacuum inducting melting facility, skull melting facility, armour manufacturing facility and different civil works, etc were affected due to Covid-19 pandemic.

Actions taken for mitigation are :

- a) Providing support for transportation of equipment from port to the project site during lock down on request of the supplier
- b) Following Covid-19 guidelines to resume work immediately after relaxation of lock down
- c) Sensitization at project site and offices were done as per guideline & requirement
- d) Maintaining social distancing
- e) Sent request letter to embassy for consideration of visa for foreign experts arrival where their presence were essential for some OEM
- f) Organising video conferencing for technical matters to reduce travelling
- g) Allowing access for remote login to expedite certain activities of programmers, etc.

**MDL:** Following are the measures initiated/taken by MDL to address and resolve the bottlenecks:

**1. Retention of Talent-** MDL recruits/inducts employees in the core areas in the permanent rolls of the company from time to time to maintain continuity of talent pool and skill sets for manufacturing of Ships and Submarines. The attrition rate at MDL is 0.51% during the current FY and has been less than 1% in the last 5 years. MDL is strategically located in the city of Mumbai having best in class facilities in education, healthcare, social life etc. which helps in the retention of employees.

**2. Competition from long term established players in export market:** On the export front, some of the challenges faced by Indian Ship building Industry/MDL are enumerated below:

- (a) Competition with Chinese companies in terms of Pricing and Build period
- (b) Non-competitive pricing on account of high import content in Indian built project.
- (c) Absence of a strong local Ancillary Industry
- (d) Govt. subsidy is lower in India as compared to China.
- (e) Being Govt owned enterprise; PSU shipyard has limited operational and financial decision-making powers and financial autonomy is restricted.
- (f) Funding options are limited for countries having export potential, especially African Countries.
- (g) Local/Domestic preference during bidding in International tenders.
- (h) Mandatory to have JV with Local Shipyard /Partner in International tenders.

MDL is putting all efforts for achieving the Annual Defence Exports target of Rs. 4500 Crore by 2024-25. MDL has initiated effort for exports and has been carrying out promotional activities in various geographical location. Agents have been appointed overseas to bring export orders for ship building. Market study being undertaken with in-house expertise and with help of external sources to win competitive bids. MDL efforts are on for pursuing exports with various

countries following both the G2G route wherein the Govt have opened Lines of Credit with funding typically extended by EXIM bank as well as the B2B route with sovereign guarantee of the recipient nation.

### **3. Idling of facilities and resources:**

- a) The human skill sets are unique and specialized, developed through training programs designed for the respective job areas and experience gained over the years on the job and also MDL has successfully developed and nurtured a large number of subcontractors in and around Mumbai for such a highly complex submarine construction project. These vendors were specifically developed, trained and qualified for stringent construction norms of submarines. The skill sets and facilities with vendors can be best utilised only with continued orders on MDL for submarine construction.
- b) To overcome idling/underutilization of infrastructure capacity, MDL is in process of exploring other markets such as refits & repairs of Warships, Submarines, Merchant vessels and other heavy engineering orders. Accordingly, MoUs are being signed with suitable vendors for taking orders.
- c) MDL is actively preparing to bag the order for construction of six submarines under P75(I) program for which RFP has been issued to shortlisted strategic partners. Discussion with OEMs for bid preparation is in process.

### **4. Delay in projected timelines due to COVID-19:** Due to COVID-19 lockdown, apart from various restrictions on travel and deputation of manpower, challenges like non-availability of OEMs from Europe, delay of material from foreign OEMs have been a cause of concern and have impacted progress of the project.

Notwithstanding above, following measures have been taken by MDL to minimize project delays, expedite delivery of ships and for efficient execution of orders:

- a) Outsourced all non-core activities
- b) Parallel hull construction at multiple locations through Mega Block outsourcing
- c) Shaft Loading undertaken in Dry Dock with innovative shafting methodology to advance the readiness of GTAs
- d) Structural work for shafting being undertaken on slipway itself to reduce Dry Dock duration and Overall production timeline
- e) Preliminary Inspection (PI) work commenced on slipway itself to get higher compartment readiness

In spite of challenges, MDL is confident that advance planning and close monitoring shall prove that productivity targets are fully met.

### **GRSE:**

**Semiconductor Chips-** GRSE is not directly importing semiconductor chips and semiconductor devices from abroad for its various projects. However, our different OEMs like M/s BEL, M/s L3

etc. have dependence on semiconductor chips and semiconductor devices for a multitude of ship systems and Deck Machinery items. Therefore, indirect impact on the supply chain is apprehended which may have a bearing on delivery time lines of the ongoing projects of the shipyard. However, close coordination with the suppliers is being ensured to arrest slippages in the delivery schedule of the equipment.

**Delayed clearances by stakeholders-** The Technical specifications for procurement of customer nominated main equipment are required to be approved by the customer and customer representative to be present during TNCs with the OEMs/Vendors. In majority of the cases delays are occurring for approval of technical specifications and conclusion of Technical Negotiation Committees (TNCs), resulting in delay in order placement. This delay results in late availability of binding data required for detailed design and delayed equipment delivery resulting in project delay. Efforts have been made to address the issue by finalizing the technical specifications & TNC through collegiate meeting attended by all stake holders. Discussions have been held with stakeholders of end customer (IN & ICG) to ensure faster approval of drawing/documents and conclusion of technical negotiations.

**Retention of talent-** To retain the talent within the organization, GRSE focus on nurturing and developing a well-balanced workforce who can contribute towards enhancing organization's growth trajectory. In order to attract and retain talents, various measures have been undertaken by the Company. Some of such initiatives are,

- Comprehensive structured induction programme for the new recruits.
- A structured mentorship scheme for new joiners joining at the rank of Assistant Managers (E-1).
- Various training and development programs are conducted to impart necessary knowledge and skill upgradation of the employees
- Number of Reward Schemes are in place for recognizing the meritorious performance of the employees.
- Employee Engagement programmes are conducted to boost up employee morale.
- A robust and transparent online Performance Management System for officers and Supervisors has been implemented.
- The Promotion Policies and career upgradation schemes for Officers and non-officers encourage First Track Promotion for deserving candidates who have demonstrated outstanding performance.
- The pay, allowances and other facilities provided to employees at par with other Private and Public Sector Undertakings.

With all the above measures the Company is successful in retaining the talents and attrition rate in GRSE is very low.

**Challenges on GeM procurement** - Being a catalogue-based procurement model, it is not feasible to onboard all the requirements on GeM. However, in compliance with the Ministry directive to onboard all procurement on GeM, a parallel initiative of system upgradation is being undertaken with inclusion of new functionalities.

**Supporting platforms for a long duration-** Almost all the warships and auxiliary vessels of the Indian Navy (IN) and Indian Coast Guard (ICG) have been built by the DPSU shipyards. GRSE itself has delivered 105 warships to IN and ICG. As the integrators of these platforms, the shipbuilders have the technical knowhow, captive network of equipment suppliers and the infrastructure & facilities to provide seamless life cycle support to the ships built by them. Towards this, the first step would be to formally recognize the shipbuilder as OEM and for their own ships, they need to be accorded PAC status.

**Economy of Scale-** The volume of production plays a vital role in the reduction in build period and arresting cost overrun of shipbuilding Projects. The standardisation achieved for design, procurement and production processes will be phenomenal for a shipbuilder producing a particular class of warship in large numbers which will result in drastic reduction in build period. This level of standardisation that leads to faster production rate cannot be achieved with low volume of production. In addition, the higher numbers of similar platforms help in greater visibility of orders and hence the scale of items/materials which strengthens the ship building eco system.

### **Competition from long term established players in the Export market**

- i. GRSE is the first Indian shipyard to export a warship, an Offshore Patrol Vessel to Mauritius in 2014. GRSE's initiatives to export Naval ships to the friendly foreign countries has borne fruit with the award of Export order worth approximately Rs. 100 Crores for supply & Maintenance support of 01 No. Fast patrol Vessel for the Govt. of Seychelles, signed on 03 Feb 2021. The Ship 'SCG PS Zoroaster' was delivered by GRSE to the Govt. of Seychelles on 15 Feb 2021. GRSE also succeeded in bagging the Export order of 12.73 Million USD for supply of one Ocean Going Passenger & Cargo Ferry Vessel to Republic of Guyana. The Contract was signed on 13 Jan 2021. In FY 21-22, GRSE won the contract for construction and delivery of six Patrol Boats for Govt. of Bangladesh. This is the first export order from Bangladesh through global competitive bidding, with participants of other shipyards, including from Netherland, South Korea, Finland and UAE. The contract value stands at around 1.82 M USD.
- ii. The focus areas for exports are SAARC, ASEAN, African & Latin American countries. The MoD has allocated six countries namely Bangladesh, Philippines, Oman, UAE, Saudi Arabia and Seychelles for export promotion of maritime platforms on behalf of MoD as areas of focus. Export opportunities are also being explored with aggressive marketing initiatives in allocated as well as other countries like Vietnam, Myanmar, Egypt, Maldives, Mauritius etc. Some of these requirements are covered under DLOC, more favourable Terms & Conditions would result in faster acceptance by recipient country. GRSE has also signed MoUs with reputed Foreign Shipbuilders towards collaboration in Shipbuilding.
- iii. Government Support- Coordinated effort by Ministry of External Affairs for concerted Export campaign across the friendly nations to secure export orders is essential. A corpus may be created at the MoD to provide financial support/incentivise exports in line with the "Shipbuilding Financial Assistance Policy (2016-2026)" formulated by the Ministry of Shipping. Policy initiatives, like incentives in terms of taxes / duties and subsidies to ancillary industries supporting the export initiatives may be considered to target reduction in

input cost. All these measures will be instrumental in winning orders promoting Defence export.

### **Idling of Facilities and Resources**

Currently GRSE has an executable order book of Rs. 28,864.21 Crs (as on 31.12.2022), and the Shipyard has capacity to build 20 ships (08 large & 12 small) concurrently with the state-of-the-art infrastructure spread over 3 shipbuilding units namely Main Works, Fitting Out Jetty and Raja Bagan Dockyard.

### **Delay in Projected timelines due to Covid-19**

Mitigation Measures. The following measures were undertaken by the Shipyard to mitigate the impact of Covid -19

- (aa) Implementation of shift system with reduced timings and work from home for balance employees (*in applicable areas of operation*).
- (bb) Arranging Covid vaccination for all employees, their families and contract workers to reduce probability of Covid infections and to ensure minimum impact on production work due to direct Covid infection or quarantine period of the employees
- (cc) Arranging transport facility for workers including contract workers when public transport was stopped by local Govt
- (dd) Arranging accommodation inside shipyard premises for workers for progressing very critical works.
- (ee) Conduct of TNCs/ PNCs with OEMs and other vendors through virtual mode.
- (ff) Schedules reworked and catch-up plans prepared to reduce impact of disruptions.

**Volatility in price of imported raw material-** Minimal impact for GRSE as major import orders have been placed under fixed price contracts for ongoing projects.

### **GSL: Challenges encountered by GSL are as follows:**

- (i) **Retention of talent:** Talent retention is the key challenge in GSL owing to the fact that GSL being a Defence PSU the compensation level are fixed and to retain the talent, GSL has look beyond compensation to other initiatives which will attract and retain talent. The HR initiatives listed below have helped to create a environment of growth of internal employees which has in turn helped in talent retention.

Following are the talent retention initiatives being implemented at GSL:

- (a) **Learning & Development Opportunities:** Investing in human capital learning and education raises motivation of the human resource thereby increasing the organizational belongingness in them. As a part of talent retention and with a view to develop middle and junior management, initiative of sponsoring executives to pursue higher studies in M.Tech from Defence Institute of Advance Technology has been

started from 2015. Further, there is a scheme for reimbursement of 100% tuition fees for executives to undergo higher education. Apart from this, GSL has also framed a Study Leave Scheme in line with sabbatical policy for pursuing higher studies in India and abroad.

- (b) **Mentorship Development Programme:** Every new inductee is assigned a mentor for the initial 52 weeks for professional guidance, initial hand-holding & grooming and exposure to organization culture with the periodic assessment. This mentorship development program helps the new inductee to be an integral part of GSL family thus increasing the job satisfaction level.
- (c) **Standardization of Job Specification & Job Description through Role Profiling:** Any employee will give his best only when the expectations from his job are clearly defined. Hence, with an aim to standardize the job description and job specification of each and every existing role as well as any future positions that may arise in GSL, the role profiling study was undertaken. This study was conducted with the co-operation and efforts of the entire Shipyard wherein each & every person was involved to define the role being performed. Hence, they can now better connect with the report. Role profiling has inter-alia aided in streamlining the job requirements of each role avoiding redundancy and further bringing clarity to the individual regarding his role in the organization & his accountability at work.
- (d) **Job Rotation:** GSL believes in multi skill development wherein the individuals are rotated within the organization periodically to aid in his/her professional growth in a helical manner. A Job Rotation policy has been implemented with an objective to provide opportunities to the executives for lateral/horizontal movements to fully develop their talents in other areas of activities rather than adhering to one line. This has helped in overall development and fulfillment of career aspirations of executives.
- (e) **Transparent & Robust Performance Management System:** Increased satisfaction level among executives due to Online Performance Management System which is based on Management by objectives, principle and is robust & transparent. The system aids the individual to prepare his/her targets at the beginning of the year and monitor its progress throughout the year. The targets which are defined need to follow the SMART principle: Specific, Measurable, Achievable, Relevant and Timely, thus empowering the individual to achieve what is predefined and rate him accordingly. Also, GSL has introduced the Disclosure of Performance Appraisal Report, so as the individual gets a fair chance to know what he has been rated for his performance and also an opportunity is provided to make an appeal against the ratings. Thereby, leading to a high satisfaction and trust by the employees.
- (f) **Succession Planning:** Succession planning for key leadership and operational position at senior management level has been executed in GSL which mainly focuses on identifying and developing internal people with the potential to fill key business leadership positions in the Company. Every year there is review over the Succession Plan.

- (ii) **Procurement through Government e-Marketplace (GeM):** To attend to supply chain side delays following measures have been / are being taken:
- Management reviews are being conducted on regular basis for project related items and services.
  - Cargo handling system has been introduced to attend to delays on account of logistics. Also close co-ordination with the shippers and freight forwarder for timely availability of vessels for shipment of import items based on FOB delivery schedule.
  - Penal provisions are inbuilt in purchase order as a safeguard.
  - Requirement to submit monthly progress report/bar chart along with photographs incorporated in contract/purchase order.
  - Close monitoring for the firms where the purchase orders are placed for the first time by reviewing progress through bar charts, co-ordination with class surveyor for timely approval of drawings and inspection of equipment at the vendors premises.
  - Hand holding of vendors in terms of technical support, knowledge sharing sessions, classification society support, GeM training.
  - Deputation of GSL Reps to OEM site, wherever required, to monitor & expedite supply.
- (iii) **Delay in projected timelines due to COVID-19:** GSL has put concerted efforts and successfully delivered 05 CGOPV Project within the schedule timelines in line with the delivery extension of 6.5 months (4+2.5 months) provided by GoI under Force Majeure Clause vide Itr No.4 (4)/D(Acq)/20 dated 12 Jun 2020 and 02 Sep 2021 due to COVID-19. Other projects at GSL which include P11356 Frigates and Pollution Control Vessels are under construction and efforts are in hand to minimize the effects of COVID-19.

Notwithstanding the above, GSL is undertaking concrete measures and intensive focused efforts to address, resolve and overcome the above challenges to ensure timely delivery to Armed forces and achievement of targeted level of production and profits.

**HSL:** The initiatives / remedial measures taken by HSL to overcome the various challenges faced are as below:-

Sl. No.	Challenge	Initiatives / Remedial Measures
1	<b><u>Shortage of semiconductor chips.</u></b> Shortage of semiconductors has literally wrecked entire parts of the global supply chain including defence industry, it does not end soon. This has impacted key systems like MB/SRE, Fin stabilisers, Steering gear, STCOM and equipment's ordered on BEL are expected to be delayed.	HSL has advised its vendors to look for alternate solutions viz. conduct of testing by using PLC and then replacing at the later part.
2	<b><u>Delayed clearances by stake holders in Turnkey Projects.</u></b> Ship building is a turnkey project and most	HSL has prepared check lists & list of



Sl. No.	Challenge	Initiatives / Remedial Measures
	of the orders placed on HSL are getting executed in concurrent design and construction. Multiple agencies are involved in vetting design proposals and in some cases, there are being done in a sequential manner. Delays in getting approvals/clearances has got a cascading effect on the projects including cost and time overruns.	pre-requisites for key activities and engaged approving agencies through VCs to clarify their quarries to reduce the time of standard communication.
3	<p><b><u>Retention of talent.</u></b>  Shipbuilding is labour intensive industry in India and its processes cannot be fully automated as the number of orders are in single digits. At the same time mass production of projects/orders is not possible in view of change in designs, product mix &amp; user operational requirements. Series of orders will engage yard personal and there by talent &amp; skill transfer is ensured.</p>	<p>Various measures have been taken by HSL towards retention of talented manpower. HSL is in the frontrunner in HR policies to ensure that the employees are well motivated and towards this Promotion Policy has been revised to give more chances to officers to perform and recruitment reforms have been undertaken which resulted in drawing the best available talent in the market. A rotational transfer policy has been promulgated in order to ensure right person in right job and for the overall development of officers. Mid-Career Refresher Training Programme has been introduced for executives. The training consists of class room lectures, PPTs, Behavioural Science in management topics by eminent external faculties, Vigilance Capsule and industrial visits (Peer Learning). The mentorship programme has been introduced for improving the skill set and providing the new inductees with a Mentor who would act as philosopher and guide. MoU has been signed with IIM, Vizag for conducting Capacity Development Programs for executives. In addition, regular training programs are also being conducted with internal faculties as per the training calendar for improving the skill set of the employees.</p>
4	<p><b><u>Procurement through GeM.</u></b>  HSL has started to float tenders in GeM</p>	All efforts are being made by the

Sl. No.	Challenge	Initiatives / Remedial Measures
	(preference to Make in India concept), however most of the OEMs are not interested to participate tenders in GeM portal since the sellers are required to pay transaction charges on clocking the threshold value of Rs. 20 lakhs in each financial year as per the revenue policy of GeM. These charges are based on the order value and range from 0.2% to 0.5% which are added cumulatively to the transaction / order value. The transaction charges have an unappealing effect on the sellers. This is especially in single vendor nomination cases where price discovery through competitive bidding over the GeM platform is not feasible. As some material are specific in nature, domestic vendors are not available to participate in tender for concurrent design project case.	shipyard to mitigate the delays due to continuous monitoring with OEMs and by conducting vendor awareness programs & conducting pre-bid meeting. Frequent visits are made to OEMs locations for motivating and to participate through GeM portal.
5	<b><u>Supporting platforms for a long duration which involves high cost.</u></b> Present market uncertainties are due to many factors like Globalisation, rapid growth in technology, difficulties to retain talent, lack of vendor base for alternate solutions, frequent changes in import policies & non-availability of specific spares due to low economy of scale. Most of critical components are customer made and not readily available.	HSL has established service contracts for extended periods with major OEMs for uninterrupted Supply of critical parts and also developed indigenous solutions for certain items by creating awareness among vendors.
6	<b><u>Extensive testing &amp; economy of scale.</u></b> Majority of the shipbuilding projects at HSL are concurrent design and construction which necessities for extensive testing during Factory trials. Adaption of new technology demands changes to proven design which limits shipbuilder for going mass production. Very few domestic vendors have got the capability & infrastructure to produce equipment & material with in the time frames.	HSL is trying to standardise key machinery & components irrespective of platform requirements so that extensive testing is not required.
7	<b><u>Competition from long term established players in export market.</u></b> Shipbuilding is known as one of the oldest, most open and highly competitive markets	Shipyard is trying to partner with renowned design houses for design optimisation by using widely available products of Indian market and

Sl. No.	Challenge	Initiatives / Remedial Measures
	<p>in the world. Though there is highly favourable climate for export, there is relatively negative climate for domestic construction of ships for Indian owners. DPSU Shipyards have to take prior approval from Ministry before import. These additional burdens on DPSU shipyards make them uncompetitive in the bidding process. The Indian shipbuilding industry is dependent on government support for Tax resume. More over India is not having wide spread of vendors in all equipment's. DPSU shipyards have to procure material from Buyer nominated Vendors.</p>	<p>encouraging vendors for innovation &amp; alternate solutions.</p>
8	<p><b><u>Idling of facilities and resources.</u></b>  Shipbuilding is technology driven, skill and material intensive assembly operation. Being a labour-intensive industry, the cost of labour plays an important determinant in a country's competitive position. If new technology adopts for different classified projects, personnel engaged on that project to be trained and to be perform their jobs according to Industry standards. If the mass production is not happened as per that skill set, automatically resources will be idle it leads to drain budget.</p>	<p>Presently, the yard is engaging the trained labour from ship building division to ship repairs division based on the need basis. Offering yard resources to vendors &amp; other industry partners to use the facilities like slip ways, jetties, workshops and certain part of factory lands.</p>
9	<p><b><u>Delay in projected timelines due to Covid-19</u></b>  Construction activities in all fronts of 04 x 50T BP tugs &amp; 02 x DSVs have been delayed primarily due to uncertainty caused by the Covid-19 Pandemic. There is a severe outbreak of Covid-19 since Mid Mar 20 and like any other organization, HSL has also been severely affected by this virus outbreak and its cascading effects viz., lockdown/curfew in AP and other states, exodus of the contract workmen, non-availability of industrial oxygen and necessary material for production, strict government rules iro quarantine, isolation, containment zones etc. All these factors</p>	<p>Implemented staggered working timings, improved working conditions by provisioning of ventilation, clean ship, hygiene, vaccinated workforce, Micro scheduling activities, daily monitoring, engaged vendors, inspection agencies, workforce through social media for better communication &amp; updates. Modified payment terms for part payment &amp; part supply to facilitate case flow to vendors. Motivated work force through commendations and promotions. Conducted VCs with vendors for resolutions of problems and to provide</p>

Sl. No.	Challenge	Initiatives / Remedial Measures
	have led to complete disruption of the supply chain. Several vendors, including major nominated OEMs / Vendors were delayed the material delivery as per the committed timelines during Covid-19. Disruption of works and supply chain network due to Covid-19 constrained HSL to claim force majeure on Tugs & DSVs.	clarity on specifications & requirements for timely receipt of material.

Other initiatives taken by HSL to utilize the idling submarine refit facilities, improve the order book position, generate alternate source of revenue, reducing delivery timelines and construction cost of the projects are as below:-

(a) Idling of Submarine refit facilities. HSL has requisite capability, infrastructure & spare capacity for executing EKM class submarine refits. The Normal Refit of INS Sindhuvir has been completed by HSL on 31 Jan 2020 ahead of the contractual schedule. Post completion of Normal Refit of INS Sindhuvir, infrastructure and human capital at HSL and amongst MSMEs for EKM submarines has been lying idle. HSL is expecting that Normal Refit (NR) of INS Sindhukirti for a duration of 24 months would be outsourced by Indian Navy to HSL based on successful completion of Sindhuvir.

(b) Order Book Position. HSL has been nominated by MoD for construction of 5 Nos Fleet Support Ships (FSS) for Indian Navy to improve the order book position of the Shipyard. Towards this project, HSL has signed a collaborator contract with M/s Anadolu Shipyard on 20 Mar 2020 for Design, Supply & installation of Key Machinery Equipment. Build specifications have been formulated and submitted to IHQ MoD (N)/DSP on 21 Sep 2020 and got them approved in 4 months. Price bid for this largest ever contract was prepared and submitted to MoD on schedule i.e 30 Mar 21.

(c) Alternate Sources of Revenue Generation. To diversify the business and generate alternate sources of revenue, HSL is also undertaking short activities such as berthing facilities for Over Dimensioned Consignments of L&T and heavy weight consignments of SBC, Indian Navy. HSL has signed MoUs with Defence Shipyards, BEL, BHEL, L&T, Naval Group for mutual cooperation for tapping domestic & export market, both in defence and non-defence sectors. To enhance the Ship Repair business, HSL has signed MoUs with SCI & DCI and entered a Rate contract with Naval Dockyard, Visakhapatnam to undertake partial refits of Naval Vessels including dry-docking. A tripartite agreement has been signed between HSL, M/s L&T Hydrocarbon Engineering and M/s Penta Energy Services for utilisation of Shipyard facilities for 12 months. The total value of the agreement would be approx. Rs.69 Cr.

(d) Efforts for reduction in delivery timelines & construction cost of the projects. Various SOPs / orders have been promulgated viz. Reduction of Build Period and Production Cost (RBPPC) to ensure quality and efficiency. Committee has been constituted for Evaluation and approval of Tender Specification (CEATS) for bridging the time delays in procurement. Integrated Project Teams have been constituted for monitoring Shipbuilding projects for improving delivery timelines. In order to control costs, an environment of creating cost consciousness and concept of real time monitoring of project cost has been introduced and is being followed diligently.

### **Recommendation (Para No.26)**

The Committee note that Government is following the policy of disinvestment of minority stake without transfer of management control, for priority sector PSUs including Defence CPSUs to unlock their value, promote public ownership, meet the minimum public shareholding norms of Securities and Exchange Board of India (SEBI) and for ensuring higher degree of accountability. For non-priority sector PSUs where competitive markets have come of age, the policy of strategic disinvestment is being followed. Further, the decision to decrease shareholding in DPSUs is taken by the Department of Investment and Public Asset Management (DIPAM) in consultation with the administrative Ministry. The Committee learn that BEML is in final stage of disinvestment. The committee note that since DPSUs are investing considerable amount in Research & Development, possess both core and non-core assets and many of them are registering profits over the last few years, besides laying emphasis on DPSUs' product expansion, investment in cutting edge technologies and increasing competitiveness in terms of cost and quality. They recommend that while pursuing the policy of strategic disinvestment, justified concerns pertaining to protection of national interest, DPSUs future, comparison of disinvestment proceeds vis-à-vis profitability of the DPSU and employee welfare may be suitability addressed by the Ministry of Defence.

### **Reply of the Government**

1. Disinvestment in Public Sector Enterprises (PSEs) is under taken as per the extant disinvestment policy of the Government on 'Strategic Disinvestment/ privatization and minority stake sale'. Strategic Disinvestment/ privatization implies sale of entire or substantial Government shareholding of PSEs along with transfer of management control. Disinvestment of minority stake of PSEs, where Government continues to retain control, is made to increase public participation and for greater accountability through various SEBI – approved methods such as Initial Public Offer (IPO), Offer for Sale (OFS), Buyback of share etc. from time to time, depending on market condition and investors' interest. Profitability is not a relevant criterion for disinvestment.
2. Till January, 2021, NITI Aayog identified CPSEs for strategic disinvestment, which are not in 'priority sector', based on the criteria of (i) National Security; (ii) Sovereign function at arm's length; and (iii) Market imperfections and Public Purpose. Based on the recommendation of the NITI Aayog, CCEA accorded in principle approval for strategic disinvestment of BEML Ltd. in October 2016.
3. In February 2021, Government notified New PSE Policy for Atmanirbhar Bharat which lays down a broad roadmap for PSEs. The policy delineated four broad Strategic Sectors, which included Defence Sector, based on the criteria of national security, energy security, critical infrastructure, provision of financial services and availability of important minerals. In strategic sectors bare minimum presence of the existing public sector commercial enterprises at Holding Company level will be retained under Government control. The remaining enterprises in a strategic sector will be considered for privatization or merger/subsidization with another PSE or for closure.
4. The timing for specific transactions will be contingent on the considerations such as appropriate sequencing, sectoral trends, administrative feasibility and investors' interest.

5. Strategic Disinvestment intends to ensure to optimize the growth, productivity, competitiveness and job creation potential of the enterprises. The resources unlocked can be used to finance various social sector/development programmes of the Government in public interest.

6. The terms and conditions of the strategic disinvestment suitably addresses employees' concern in the employee protection clauses in the Share Purchase Agreement (SPA)/ Share Holders Agreement (SHA) to be signed by the Government with the strategic buyer.

### **Recommendation (Para No.27)**

The Committee learn that the value of Indian Defence Exports has increased to almost six times from Rs.1500 crore to Rs.9000 crore in the last five years. Further, as per Report of SIPRI 2020, India stands in the list of Top 25 countries in the Defence Exports. The participation of private sector in the exports currently stands at 90 percent. The Committee, after gleaning through the data furnished by the Ministry, observe that while value of exports by Mazagon Dock Shipbuilders Limited (MDL), Goa Shipyard Limited (GSL) and Hindustan Shipyard Limited (HSL) was 'Nil' for Financial Year 2020-21, the value of exports in Financial Year 2020-21 in case of BEL, HAL, BEML, GRSE, BDL and MIDHANI stood at Rs.376.46 crore, Rs 194 crore, Rs.463 crore (including deemed exports), Rs.87.49 crore, Rs.145 crore and Rs.19.42 crore, respectively. In their presentation, the DPSUs had apprised the Committee about various export orders received/in pipeline. The Committee, taking cognizance of the fact that Defence exports bring valuable foreign exchange and render the indigenous Defence industry more competitive, urge upon the Ministry to help DPSUs in increasing their exports. The Committee express the hope that BrahMos deal, which is the first major defence system export deal, between India and Philippines will prove to be a harbinger in the Defence exports. They, therefore, recommend that development of state-of-the-art equipment and platforms besides timely completion and delivery, superlative quality of the Products / platforms / equipment should be ensured and followed by DPSUs so that they establish and emerge as very competitive and reliable destination of Defence products. In this regard, feasibility of creation of a separate wing in each DPSU, solely dedicated for realization of these objectives, may be mulled upon by the Ministry and the DPSUs.

### **Reply of the Government**

Department of Defence Production has taken following steps to enhance Defence Exports of DPSUs:

1. Export Promotion cell under DDP, MoD is formed to co-ordinate and follow-up on export related action including enquiries received from various countries and facilitate private sector and public sector companies for export promotion.
2. Defence Attaches have been mandated for export promotion of Indigenous defence products of both public and private sector. Also a scheme for Export promotion of Indian Defence Equipment Manufactured in India by Indian Defence Attache is in place wherein Defence Attachés are provided financial support of approx. Rs 2 Crs per annum to promote export of indigenous defence equipment including the indigenous platforms from DPSUs.

3. Subject to strategic considerations, domestically manufactured defence products are being promoted through Lines of Credit/Funding. Defence Lines of Credit (LOCs) are extended to sovereign governments to enable buyers in those countries to import goods and services from India on attractive credit terms.
4. Two export booklets i.e. "Indian Defence Industry a Global reach" and "Catalogue Indian Defence Industry 2022" for promotion of Indigenous Defence products from both Public and Private sector have been released during the month of March 2022. Soft copies of both the e-booklets have been shared with Indian Defence Attaches posted at Indian Missions abroad and also available on the websites <http://defenceexim.gov.in> and <http://ddpmod.gov.in>. Hard copies of the booklets will be shared with Foreign delegation visiting India vis-à-vis Indian Delegation visiting foreign countries.
5. An online portal has been created through which export leads received from various stakeholders are being disseminated directly to the Indian Defence Exporters including all DPSUs who are registered on the portal.
6. In order to boost defence exports, webinars are being organized with Friendly Foreign Countries (FFCs) under the aegis of DDP, MoD through Industry Associations with active participation from all the DPSUs. Total 24 webinars have been organised since Sept'2020.
7. Geographical countries/regions have been allocated to DPSUs/OFB for focused export promotion of Indigenous Defence Platforms/equipment in their countries of allocation.
8. Powers have been delegated to DRDO and CMDs of DPSUs for exploring export opportunities and participation in global tenders.
9. A completely end-to-end online portal for receiving and processing export authorisation permissions has been developed. The applications submitted on this portal are digitally signed and the authorisations are also issued digitally, at faster pace.
10. Regular review meetings are being held with all DPSUs at the level of Joint Secretary (DIP)/Addl. Secretary (DP)/Secretary (DP)/Defence Secretary with the objective of enhancing defence exports of indigenous Defence Platform.
11. As per directions of Ministry of Defence (MoD), all DPSUs are having their separate Marketing departments dedicated for exploring the Global market for enhancing Defence exports.

Further, Defence PUSs-wise effort to enhance Defence Export are as under:

HAL: HAL has a dedicated Marketing Department, which looks after the all the export opportunities for realisation.

The Exportable platforms of HAL, presently are as follows:

- a) Advanced Light Helicopter (ALH) variants
- b) HAL Do-228 aircraft
- c) Light Combat Aircraft (LCA)
- d) Light Combat Helicopter (LCH)

HAL during the current FY 2021-22 concluded supply contracts with Mauritius Police Force for supply of one Passenger Variant Do-228 (PVD) aircraft and one ALH Mk.III wheel variant helicopter under Gol supported EXIM Bank Line of Credit. Further, HAL has already delivered this Do-228 PVD for Mauritius within a record time six months of contract conclusion, way ahead of contractual delivery commitment.

HAL is aggressively & proactively participating in the Global Tenders offering HAL platforms to Friendly Foreign Countries (FFCs). Towards this, HAL has offered indigenously designed, developed Light Combat Helicopter (LCH) to Countries namely, Australia, Philippines etc.

Similarly, the Light Combat Aircraft (LCA) as Lead in Fighter Trainer (LIFT) configuration has been offered to countries namely, Malaysia, Australia, Philippines, Argentina etc., and LCA in Naval twin seat trainer configuration was offered to US-Navy in response to their global RFI for Undergraduate Jet Training System which requires a land based jet trainer aircraft for carrier landing practice and carrier touch-and-go event.

Early induction of HAL built platform by Indian Defence Forces and exploitation/operation in field environment will lead to greater awareness and acceptance by foreign customers.

Additionally following actions have been initiated to improve the export order position of the HAL:

(i) Friendly Countries operating Sukhoi aircraft:

- HAL has supplied indigenised spares to M/s ATSC Malaysia through HAL-Nasik. Further we have submitted quotations for indigenised spares and being followed up for order acquisition.
- Proposal w.r.t Spares / ROH of Su30 Series aircraft has been submitted to Malaysia, Indonesia & Vietnam.

(ii) Discussion with HAL Authorised Agents and Defence Attache :

- Discussion and regular interaction with HAL Authorised Agents (13 countries) for Business association with HAL. Capability of HAL shared with authorized agent.
- HAL's Capability list shared also with Defence Attache of Countries operating Su30 / MiG-21 aircraft for supply of HAL range of product and services.

(iii) Mirage-2000 LRUs servicing:

HAL has signed LoA as IOP with Dassault Aviation (DA). HAL has also signed an NDA with DA. A Technical proposal of HAL capabilities for Mirage-2000 LRUs servicing was forwarded to DA. Further, DA has forwarded an audit questionnaire to access the HAL capabilities. HAL Response to DA audit questionnaire has been submitted to DA. Under discussion through corporate office.

(iv) HAL is regularly interacting with existing customer such as (IAI, Mauritius AF, Namibian AF, Suriname AF, etc.) either directly or Through Platform division for service related requirement i.e. accessories pertaining to our supply range for ROH / Float requirement.

**BEL:** With regard to development of state-of-the-art equipment, BEL has been preparing long term Strategic Growth Plans aligning with Perspective Plans (like Technology Perspective Capability Roadmap-TPCR) of Indian Defence Forces/DRDO labs. BEL operates on 3 year R&D Plan and Technology Roadmaps have been drawn aligning to TPCR with the objective of developing futuristic products/systems that are best in class comparable to international standards.

Quality: BEL has set stringent quality norms to eliminate equipment faults during the manufacturing phase itself. The product is tested at different stages as per the approved Test Specification provided by the customer and are subjected to various quality assurance tests like Bump & Vibration, Rain Test, Salt Spray Test, Mould growth, EMI/EMC, Altitude Test, Environmental Test, Climatic Test etc. The products/systems are tested in presence of the resident customers who are positioned in the company by the Quality wings of the Armed Forces



before dispatch to customers. This process ensures supply of reliable/quality products. The complaints related to post-delivery, if any, are being handled on top priority through structured product support mechanism.

**On-time Delivery:** Meeting the delivery requirements of our customers, primarily the Indian Armed Forces is of paramount importance to BEL. With the usage of state-of-the-art Project Management tools, all efforts are made to ensure timely delivery to customers as per contract. As part of our continuous improvement of on-time delivery, the root cause for delay in delivery of some of the projects is analyzed and necessary corrective/preventive measures are taken to minimize/zero down the same. The On-time delivery during last 5 years is around 80%. However, it is re-iterated that though BEL provides thrust on timely delivery, it is inevitable that some of the large complex projects get delayed due to Concurrent Engineering, accord of Bulk Production Clearance, Change in user requirement, Specifications to incorporate additional features, Site/platform Readiness etc. All these measures and improvement processes are expected to further enhance the on-time delivery.

**BEML:** BEML has received a formal Purchase Order from M/s BrahMos Aerospace Pvt. Ltd. (BAPL) towards the supply of 15 Nos of HMV. BEML will supply the above HMV equipment to BAPL Hyderabad. BEML is part of the subject export deal and advance efforts are being made to meet the delivery requirements of M/s. BrahMos. On export front, BEML's International Business Division at New Delhi, is coordinating for all the requirements pertaining to Defence exports. Accordingly, the division coordinates with the R&D division and manufacturing units for timely completion and delivery of quality products.

**BDL:** BDL has established an export cell in the Business Development Division for exploring the export potential of its product, identifying the potential markets & pursue for export obtaining leads for the export. The products offered by BDL are state-of-the-art products, fully indigenous in design, competitive in pricing and which are not dependent significantly on any foreign OEMs. BDL is already ready to meet the export demands in addition to the domestic market requirement with its existing facility available. The company has leads from various countries for export of its product like Akash Weapon System, ATGMs, Refurbishment of vintage missiles, Air to Air Missile (Astra) etc. which are being actively pursued.

**MIDHANI:** MIDHANI has taken various pro-active measures by creating a dedicative export team to promote exports. Further new equipments like wide plate mill, 8 Ton Vacuum Melting Furnace and New Titanium Facility, Heavy weight Titanium casting facilities are under commissioning. These initiatives are expected to increase the export sales in the coming years.

**MDL:** In order to be globally competitive, MDL is actively involved in developing innovative technologies through R&D for development of technologically advanced designs with suitable collaborations to cater for the market demand for environmentally friendly ships, unmanned surface vessels, unmanned underwater vehicles, hybrid propulsion and incorporation of digital twin concepts for manufacturing and improved life cycle maintenance with improved prediction for breakdown maintenance. These measures, if instituted, are likely, to not only make the commercial shipbuilding industry more competitive, but also create strategically beneficial options for meeting India's defence requirements.

MDL is also participating in various Defence Exhibitions like Defexpo, Aero India etc. for marketing the products constructed by MDL for exploring the opportunities to increase the exports. In addition, MDL is also working on diversification of products which would enhance

exports. A dedicated section has also been formed in the Submarine Division for business development and providing private competitive bids to customers.

**GRSE:** Business Development and Marketing department of GRSE is primarily associated in export promotion. The Department is headed by one General Manager who reports to Director (Personnel). GRSE's recent achievements with respect to export are indicated below-

The Company is pursuing various leads from SAARC, ASEAN, African & Latin American countries for exporting ships.

The company continues to regularly supply Bailey Bridges and its components to the Neighbouring countries such as Nepal & Bhutan. Efforts are on to further enhance the export of Bailey Bridges & their components to other friendly foreign countries including Bangladesh (Through DLoC route) as well.

**GSL:**

- (i) In line with the GoI/MoD thrust on exports, GSL has been consistently seeking export opportunities globally. All out efforts are being put in by GSL for export of its products and services to countries in South East Asia, Middle East, Africa and Latin America. Strategies adopted to promote and enhance GSL's export business include brand building & visibility through participation in exhibitions, conferences etc., contacting potential clients overseas, seeking assistance from Indian Embassies / High Commissions for promoting GSL products and exploring export opportunities, appointing Marketing Reps in overseas countries, utilising EXIM Bank opportunities through LoC, etc.
- (ii) GSL has pro-actively taken up the development of specialized vessels for export such as Multi-purpose Vessels, High Value Weapon Intensive Vessels, Hydrographic Survey Vessels, Landing Ship Tanks, Diving Vessels and Interceptor Crafts and is pursuing the prospects of supplying its range of products to friendly countries. Products of GSL are cost competitive in comparison to the product in the same segment worldwide. Besides this, GSL is known for its quality products and meeting contractual delivery schedules, which has been proved in the earlier exports to countries such as Sri Lanka, Mauritius, Myanmar, etc.
- (iii) A separate section is established in GSL which is entrusted with the job of exploring overseas business opportunities and promotion of its products in other countries to facilitate exports.

**HSL:**

An exclusive Business Development department (BDD) has been formed in HSL for market survey and submission of bids in competitive tenders. As a result of this, HSL has turned around in securing orders in the competitive bidding process. During the past few years, HSL has emerged as the lowest bidder (L1) for the shipbuilding projects viz. construction of 2 Nos Diving Support Vessels, 04 Nos 50 Ton Bollard Pull Tugs and 1 No Semi-submersible pontoons for Indian Navy. All these contracts have been secured amidst stiff competition from sister public sector shipyards and Private shipyards.

### **Indigenization efforts and self-reliance in Defence Sector**

#### **Recommendation (Para No.28)**

The Committee note various steps being taken for realization of goal of self-reliance in Defence sector. These inter alia include notification of two Positive lists of indigenization of

weapons and platforms, preference to 'Buy Indian Indigenously Designed Developed and Manufactured (IDDM)' in procurement and launching of SRIJAN portal for facilitation of private industry to become part of indigenization drive. Further, process has been initiated for identification of major Line Replaceable Units (LRUs) and Subsystems for industry led- design and development. The Committee appreciate that various measures are being taken for major transformation in the entire Defence ecosystem so as to encourage maximum indigenization and visible results are also being seen in this regard, for instance, pursuant to notification of positive lists of indigenization of DPSUs of assemblies/sub-assemblies, 2500 items have already been indigenized and 351 items are to be indigenized in 3 years, resulting in expected savings of Rs3000 crore per year. The Committee find that some of the critical components are not being produced in the country and this resulted in decrease in the indigenous content in various equipment /platforms made by the DPSUs. The Committee, in order to gauge the contribution of the DPSUs in indigenization efforts, desire that a detailed note on the indigenous content vis-a-vis import content being used in manufacturing and production by the DPSUs may be furnished. The note should also contain the critical components which are not indigenously produced and the efforts being made by the Ministry and the DPSUs for local production of the same. The Committee, while understanding the need for import content, which is unavoidable in some cases so as to cater to various critical requirements of our Armed Forces, recommend that stringent and synergized efforts be taken by all stakeholders i.e. Ministry, DPSUs, Research and Development Institutions, academia etc; for realization of objective of 'Aatmanirbhar Bharat' in Defence sector.

### **Reply of the Government**

1. Synergised efforts are being taken for realization of objective of 'Aatmanirbhar Bharat' in Defence Sectors which have already been informed to the Committee. In addition, recent efforts undertaken are as under:-

(a) The Department of Defence Production has notified 'Policy for Indigenization of components and spares used in Defence platforms for DPSUs on 08<sup>th</sup> March, 2019. The objective of the Policy is "to create an industry ecosystem which is able to indigenize the imported components (including alloys & special materials) and sub-assemblies for defence equipment and platform manufactured in India and to leverage the said capability to create export market.

(b) SRIJAN portal ([srijandefence.gov.in](http://srijandefence.gov.in)) to promote indigenization was launched on 14 Aug 2020. As on date i.e 07.04.2022, 19595 items, which were earlier imported by DPSUs/SHOs, have been displayed on the portal. The Indian industry has shown interest for 4162 displayed items so far. DPSUs/SHOs are interacting with these industries for indigenization of the items as per extant procedures.

(c) In continuous pursuit of self-reliance in defence manufacturing under 'Aatmanirbhar Bharat Abhiyan' and to minimize import by DPSUs, Ministry of Defence has notified a Positive Indigenisation list of sub-systems/ assemblies/ sub-assemblies/ components on 27<sup>th</sup> Dec 2021. The list contains 2500 items, which are already indigenized, and another 351 items which will be procured from Indian Industry after the timelines indicated in the list.

(d) On 28<sup>th</sup> March 2022, Ministry of Defence has notified 2<sup>nd</sup> Positive Indigenisation list of 107 Line Replacement Units (LRUs)/ sub-systems for indigenisation of Defence Public Sector Undertakings (DPSUs), for which there would be an embargo on the import beyond the timelines indicated against them.

(e) In a significant boost to Hon'ble Prime Minister's vision on 'Aatmanirbhar Bharat Abhiyan', and in sync with the announcement in the Union Budget 2022-23 that allocated 25% of Defence R & D Budget for industry led R & D, 18 major platforms have been announced by the Ministry of Defence on 11<sup>th</sup> March 2022, for industry led Design & Development under various routes.

(f) Make-II category (Industry funded), introduced in DPP 2016 to encourage indigenous development and manufacture of defence equipment has number of industry friendly provisions such as relaxation of eligibility criterion, minimal documentation, provision for considering proposals suggested by industry/individual etc. So far 72 projects relating to Army, Navy & Air Force, have been accorded 'Approval in Principle', valuing about Rs 30,000 Crores.

(g) In order to promote Indigenous manufacturing, though not designed / developed indigenously, import substitution for product support of weapon system/equipment held in the inventory of the services, a new 'Make-III' procedure have been introduced in DAP 2020 so that Indian firms may manufacture these either in collaboration or with ToT from foreign OEMs.

(h) An innovation ecosystem for Defence titled Innovations for Defence Excellence (iDEX) has been launched in April, 2018. iDEX is aimed at creation of an ecosystem to foster innovation and technology development in Defence and Aerospace by engaging Industries including MSMEs, Start-ups, Individual Innovators, R&D institutes and Academia and provide them grants/funding and other support to carry out R&D which has potential for future adoption for Indian defence and aerospace needs. The procurement of the final product will be processed under the 'Buy (Indian-IDDM)' category. So far, 130+ Start-ups have been engaged and 71 contracts have been signed. One procurement order has been placed by Navy.

(i) To give a major boost to development of innovative defence technologies and support the growing Start-up base in the country, Ministry of Defence has also approved a new scheme worth Rs 498.80 Crores during 2021-22, which would support about 300 new Start-ups and 20 incubators during the next 05 years.

(j) DAC has recently cleared the procurement of 14 items worth Rs 380.43 Crore from the innovations for Defence Excellence (iDEX) startups/MSMEs. The DAC also has approved the new simplified procedure for procurement from iDEX startups/MSMEs. This would fast-track the procurement from the startups/MSMEs. The procurement cycle for iDEX from the AoN to contract signing will be around 22 weeks as per the new procedure and similar provisions are included for Make-II Procedure and time taken from issue of PSO to signing of contracts has been reduced from existing 122-180 weeks to 101-119 weeks. The fund disbursement under iDEX has been recently further liberalised so that it does not become an impediment for startups who are technically progressing well for prototype development.

(k) Government of India has established Technology Development Fund (TDF) Scheme under 'Make in India' initiative to create an eco-system for enhancing cutting edge technology capability by inculcating R&D culture in Industry for building indigenous state-of-art systems for

defence applications and import substitution. The scheme has been established to promote self-reliance in Defence Technology as part of the 'Make in India' initiative by encouraging participation of public / private industries especially MSMEs including Start-ups. The procurement will be made under the 'Buy(Indian-IDDM)' Category.

(m) Reforms in Offset policy have been included in DAP 2020, with thrust on attracting investment and Transfer of Technology for Defence manufacturing. Higher multipliers have been assigned to offset discharge in case of development of MSMEs, manufacturing in India, Transfer of Technology etc. Value of Offset discharge so far is worth 3565 Million USD.

(n) Government has notified the 'Strategic Partnership (SP)' Model in May 2017, which envisages establishment of long-term strategic partnerships with Indian entities through a transparent and competitive process, wherein they would tie up with global Original Equipment Manufacturers (OEMs) to seek technology transfers to set up domestic manufacturing infrastructure and supply chains.

2. Indigenous Content viz-a-viz import content being used in manufacturing and production with respect to Value of Production (VoP)" received from DPSUs/OFB (Now Department of Ordnance (C&S) and Seven Defence Companies for last three years are as under.

(Value in Rs. Crore)

Year	Import Material	Indigenous Material	Total (VoP)
2018-19	8459.79 (22.43%)	29263.86 (77.57%)	37723.65
2019-20	14551.51(25.81%)	41830.78 (74.19%)	56382.29
2020-21	13534.96 (23.83%)	43267.52 (76.17%)	56802.48

3. Data of Controller General of Defence Accounts (CGDA) on procurement of defence equipment by the three Services (Army, Navy and Air Force) in the last three years, brings out that increasing reliance has been laid on procurement from domestic sources and the expenditure on procurement from foreign sources has shown significant reduction in percentage terms.

Year	Expenditure on Procurement (both capital and revenue) from Domestic sources		Expenditure on Procurement (both capital and revenue) from Foreign sources		Total expenditure on Procurement (both capital and revenue)
	Value (In Rs. Crore)	Percentage	Value (In Rs. Crore)	Percentage	
2018-19	50500	54.0	42974	46.0	93474
2019-20	63722	58.8	44618	41.2	108340
2020-21	88631	63.6	50709	36.4	139340

4. The details of FDI/JV proposals which have been approved in the Defence sector in the past five calendar years is as below:-

<u>Name of JV</u>	<u>Activity</u>
2017	
M/s Ideaforge Technology Pvt Ltd	Manufacture of unmanned aerial systems used in Defence sector.
M/s Alpha-Elsec Defence and Aerospace Systems Pvt Ltd	Manufacture of optical goods and equipment and optical instruments.
2018	
Indo Russian Helicopters Ltd	To manufacture, supply, maintain and service Helicopters to the Indian Defence Forces.
2019	
M/s Indo Russian Rifles Pvt Ltd	Design, Development and Production of Kalashnikov Series Rifle.
2020	
M/s Omnidyne Systems Pvt Ltd	Research, Development and Manufacturing of advanced, state of the art, unmanned vehicle systems and related technologies.
M/s Elbit Systems Ltd	Primarily undertaking research and development in the defence sector in India, executing design and development programs and also for engaging in upcoming defence programs in the Indian defence sector as well as in the international market by providing services as a sub-contractor in compliance with applicable law including Defence Procurement Procedure issued by the Government of India, as amended from time to time. Further, the applicant has stated that it will undertake research and development in the Indian defence sector, execute design and development programs, as well as undertake manufacturing of products that do not require industrial license.
2021	
M/s Everchem Asia Pvt Ltd	Engage exclusively in holding indirect investment in M/s Calimara Matters Pvt Ltd, subject to 74% acquisition of M/s Calimara Matter Ltd by M/s Calibre Chemicals.

5. There are some critical components that are not indigenously produced for various unavoidable reasons such as uncertainty that the indigenised items would be used in designated shipbuilding projects during construction & operational life of the ship/platform, lack of volume of order for the developer/indigenising vendor, unavailability of qualifying technical documents from the collaborator is considered for indigenisation under various routes. Further few major platforms have been identified by the Ministry of Defence for Industry led design & development under

various routes which is in sync with the announcement in the Union Budget 2022-23 that allocates 25% of Defence R&D Budget for Industry led R&D. The list is as follows:-

<u>Ser No.</u>	<u>Equipment Description</u>
	<u>Make-I</u>
1	Hypersonic Glide Vehicle
2	Directed Energy Weapons (300 KW and more) [High Powered Electromagnetic Devices and High Powered Laser Devices]
3	Naval Ship Borne Unmanned Aerial System (NSUAS)
4	Light Weight Tank
5	Self-Healing Mine Fields
6	Unmanned Autonomous AI Based Land Robot
7	127 mm Naval Gun
8	127 mm Guided Projectile
9	Electric Propulsion(Engines) for Ships
10	Standoff Airborne Jammer
11	Li-ion Cells/Li-Sulphur Cells [Portable High Capacity Energy Systems replacing the Conventional Hydrocarbons]
12	Communication System (AFNET System Switches, routers, Encryptors& VOIP phones)
13	Electro Optical (EO) Pod (with subsequent upgrade to EO/IR) with high resolution sensing
14	'Plug and Play' Housing/Infrastructure for soldiers posted at extreme altitudes.
	<u>Special Purpose Vehicle (SPV) Model</u>
15	Long Range Unmanned Aerial Vehicles (UAVs)[ High Altitude Long Endurance (HALE)]
16	Indian Multi Role Helicopter (IMRH)
	<u>iDEX</u>
17	Low Orbit Pseudo Satellites
	<u>Make-II</u>
18	Anti-Jamming Systems for Multiple Platforms

6. Efforts are also being made to take up indigenisation of equipment for future projects under 'Aatmanirbhar Bharat' and 'Make in India' programs. A separate indigenisation cell in DPSUs have also been constituted to give thrust to indigenisation of equipment/item at DPSUs level. These items are planned to be indigenised in-house Make-I, Make-II and DRDO route. Further, DPSUs have been able to successfully indigenise some of the critical equipment/items required for warships and submarines. The list is attached as Annexure I.

7. DPSUs are also outsourcing some of the activities like hull fabrication and equipment outfitting to domestic vendors to encourage public/private partnership in indigenous warship building. The list is attached as Annexure II.

8. "Offset portal" has been created in May 2019 to ensure Greater transparency, efficiency and accountability in the process. Reforms in Offset policy have been included in DAP 2020, with

thrust on attracting investment and Technology for Defence manufacturing. The new Offset Policy is expected to encourage investment for Transfer of Technology / Critical Technologies to Indian Industry in Defence Sector. Higher preference has given for purchase of defence products as compared to components, as under:

(a) Multiplier:

- (i) For products / systems (x 1.0)
- (ii) For components (x 0.5)
- (iii) For MSME (x 1.5)

(b) Investments incentivized through higher multipliers:

- (i) In Defence Manufacturing (x 1.5)
- (ii) In Defence Industrial Corridors (x 2.0)
- (iii) For Transfer of Technology to Indian Enterprises (x 2.0)
- (iv) For Transfer of Technology to OFB / DPSUs (x 3.0)
- (v) Higher Multiplier for Critical Technology (x 4.0)



CRITICAL COMPONENTS WHICH ARE BEING IMPORTED AND EFFORTS BEING MADE TO  
LOCALLY PRODUCE THEM

S. No.	Nomenclature	Methodology
1	BLOCK PL	PSO issued to 3 firms in Jan'21 & Mar'21. One of the firms has supplied the sample and the same is under evaluation
2	MOTOR DPR	PSO issued to 1 firm on 04/01/2021. Firm has supplied the sample, which is under evaluation.
3	TRANSFORMER AL5.720.031	PSO issued to 1 firm on 04/01/2021. Firm has supplied the sample, which is under evaluation.
4	TRANSFORMER IUMK6.71121.007	PSO issued to 1 firm on 17/02/2021.
5	GYRO STABILIZER	PSO issued to 3 firms on 21/01/2022. Samples yet to be received.
6	AIMING DEVICE	PSO issued to 5 firms on 21/01/2022. Samples yet to be received.
7	POSITION SENSOR	PSO issued to 2 firms in Feb'21 & Mar'21.
8	HEAD UNIT	PSO issued to 3 firms on 18/03/2021. One of the firms has supplied the sample. The sample has been evaluated and modifications needed are being carried out.
9	GUN POSITION SENDING UNIT	PSO issued to 4 firms on 04/01/2021. One of the firms has supplied the sample.
10	CONTROL MECHANISM	PSO issued to 5 firms on 21/01/2022. Samples yet to be received.
11	LASER UNIT	PSO issued to 3 firms on 21/01/2022. Samples yet to be received.
12	GYRO CHASSIS	PSO issued to 3 firms on 21/01/2022. Samples yet to be received.
13	05 PCBs OF BG29	PSO issued to 2 firms on 17/02/2021. One of the firms has supplied the samples of all 5 PCBs and has been found to be functionally OK as per ATP. Remaining tests are being carried out.
14	Ballistic Computer of 1A-43 system of Tank T90	India Optel Limited (IOL) has undertaken an R&D project for development of Ballistic Computer. In this regards CARS project has been sanctioned to IIT Kanpur. Preliminary design has been completed and prototyping is under progress.

15	Micro Electric Detonator (Filled)	Eol under Evaluation
16	30 mm Proximity Fuze (Empty)	Eol under Evaluation
17	155 mm Proximity Fuze	Eol to be issued
18	VT Fuze for Pinaka	Eol to be issued
19	Chaff Pay Load for MR CR	Eol under Evaluation
20	Chaff Pay Load for SR CR	Eol under Evaluation
21	Chaff Pay Load for LR CR	Eol under Evaluation
22	HE Grenade VOG25 Ammn	Order Placed
23	Semi Combustible Cartridge Case for 125mm	Indigenization under Srijan
24	Shell / Warhead Filled for 84mm HEDP	
25	Shell Filled for 84 mm HEAT 751	
26	Rocket Motor Charge for 84 mm HEAT 751	
27	Double Base Propellant for 125mm Tank ammn.	
28	Penetrator Assembly for 125 mm FSAPDS Mango	
29	Shell Filled for 84 mm Smoke	
30	Single Base Propellant for 125 mm Tank ammn.	
31	PN 300 High Pressure Globe Valve PN 300 High Pressure Check Valve PN 300 High Pressure Safety Relief Valve PN 300 High Pressure Reducing Valves	Import Substitution
32	Pneumatic Quick Closing Valves	Import Substitution
33	Hydrostatic Level Transmitters Float Level Switches Smoke/Heat/Flame Detectors	Make-II
34	Stern gear polymer bearings At sea, Fuel replenishment and transfer Hoses with probes	Make-I
35	Cargo transfer pumps of different capacities for replenishment at sea	Make-I
35	Magazine Fire Fighting System (MFFS)	Supply Order placed and indigenisation under progress
36	Degaussing System	Supply Order placed and indigenisation under progress

SUCCESSFULLY INDIGENISED EQUIPMENT

<u>Ser No.</u>	<u>Equipment Description</u>
1	Battery Loading Trolley
2	Air Conditioning Plants
3	Sacrificial Zinc Anode flanges
4	Non-HLES Electrode & filler Wire
5	Self-Adhesive E-Glass Fibre Cloth
6	NBR O-Ring
7	Annealed Copper Gasket
8	Sonar Dome
9	SICADS
10	Bridge Window Glass
11	MCT-Glands
12	Remote Controlled Valves
13	Helo Landing Grid
14	Honeycomb filters
15	Pressure Reducing Station
16	NBC filters
17	High Temperature Gasket
18	Flame/Control/Smoke Dampers for HVAC System
19	Chladon Gas for Magazine Fire Fighting System (MFFS) for Ships
20	Asbestos Free Gaskets
21	Ventilation Valves
22	MFFS(Magazine Fire Fighting System)
23	Multi Cable transit without EMI/EMC
24	2W Control Panel for MCPS
25	Ring laser Gyro
26	Hydraulic filters
27	Anti-Fouling Paints
28	Oil filter element
29	CO2 fixed fire fighting equipment (4 Nos)
30	2MW Diesel Alternator Set (6 Nos)
31	3MW Diesel Alternator Set (4 Nos)
32	RO Plant 2 x 25 TPD
33	5.2 MW Gear Box
34	High Pressure reducing Valve 200 Bar
35	High Pressure globe Valve PN 200
36	High Pressure Check Valve PN 200
37	High Pressure Safety relief valve PN 200
38	Marine Incinerator
39	HVAC
40	WT/GT Fire class door

41	Flight Data recorder
42	STP
43	CAP 437 Heli Deck

### **Recommendation (Para No.29)**

The Committee note that with a view to support the growth of the Defence sector and enhance their manufacturing capacity, the Government has set up two Defence Industrial Corridors in Uttar Pradesh and Tamil Nadu. They also note that against the targeted investment of ₹ 10,000 crore by 2024-25 in both the Defence Industrial Corridors (DIC), the investment, as on date, in UP and Tamil Nadu DIC stood at ₹ 1553 crore and ₹ 2252 crore, respectively. Further, 62 Memorandum of Understanding (MoUs) worth ₹ 8639 crore have been signed in respect of UP DIC. Similarly, an investment of ₹ 1153 crore is anticipated in Tamil Nadu DIC through 40 industries by way of MoUs and other arrangements. While expressing their satisfaction over the progress being achieved in establishment of the two Defence Industrial Corridors, the committee at this stage recommend that alongwith Defence infrastructure, development of allied infrastructure such as proper road/rail/air connectivity may be ensured wherever required. Further, regular interactions with all the stakeholders such as the DPSUs, private investors etc. may be held to remove the bottlenecks, if any, being faced in timely completion of the projects.

### **Reply of the Government**

In Uttar Pradesh Defence Industrial Corridor (UPDIC) and Tamil Nadu Defence Industrial Corridor (TNDIC), Infrastructure like Roads, Electricity, Water supply and sewage system is being provided by respective State Governments. Defence Industrial Corridors (DICs) are integral part of the Prime Minister's "Gati Shakti", the National Master Plan (NMP) to improve connectivity and make Indian businesses more competitive. To attract private investment in the defence manufacturing sector particularly in Defence Industrial Corridors, Government of Uttar Pradesh and Tamil Nadu has come up with Aerospace and Defence Policy.

In State of Uttar Pradesh, the Uttar Pradesh Defence and Aerospace Units and Employment Promotion Policy is promoting Defence & Aerospace Parks, Incentives on purchase of land in the notified area, Rebate on Transportation Charges, Subsidy for setting up Effluent Treatment Plant (ETP), setting up R&D and testing facility in the notified areas, mobilisation of the Start-up Fund created under UP Start up Policy 2017, providing promotional incentive exemption for the establishment of a Common Facility Centre, Single Window system for all desired approvals and clearances, Infrastructure facilities like 132 KVA level power supply system, Provision of Water Supply, Road connectivity and land demarcation by pillars in each node, and providing safe and fear-free industrial environment by deployment of dedicated police force in the industrial cluster / area.

In Tamil Nadu Aerospace and Defence Industrial Policy, there is provision to create an end-to-end ecosystem for Aerospace and Defence manufacturing. The policy is promoting establishment of Aerospace and Defence (A&D) parks, support for building partnership and marketing through summits, exhibitions and meetings, facilitate in setting up A&D research facilities, providing financial support to A&D industries to obtain necessary certification, providing various subsidies like subsidies to big ticket investments, Skill development, land allotment, Aircraft maintenance, repair and overhaul (MRO) facilities, Environment protection infrastructure, Special funding in the form of equity for Joint venture to manufacture and assembly of

civil/military aircrafts, Main battle tanks and other platforms, Single window clearance mechanism.

Regular interaction with all stakeholders such as DPSUs and Private investors is being carried out by respective State and Union Government to understand the challenges and address issues of the investors.

## **CANTEEN STORES DEPARTMENT (CSD)**

### **Budgetary Allocations**

#### **Recommendation (Para No.30)**

The Committee understand that Canteen Stores Department (CSD), attached office of the Ministry of Defence, is committed to the welfare of troops of the Army, Navy and Air Force and their families, through easy access to quality Products of daily use at less than market prices. The Committee note that as against the projected amount of Rs. 26,868.55 crore in Budget Estimates 2022-23, an amount of Rs. 19,802.09 crore has been allocated to CSD, resulting in a shortfall of Rs. 7,066.46, crore. The Committee also note that the next phase of implementation of E-commerce platform of CSD for home delivery of the non-Against Firm Demand (AFD) items (groceries, general stores etc.) to the beneficiaries is under progress. Thus, admittedly, increased budgetary support is needed not only for liquidation of past committed liabilities and contractual but also for modernization of existing warehouses, hiring/outsourcing of technically qualified manpower, smooth operation of AFD portal and commencement of e-commerce platform for non-AFD items. Further, the Committee have been given to understand that Canteen Trade Surplus earned at the end of the financial year is distributed equally between Government and the Service Headquarters for welfare of troops as per the MoD guidelines. The Committee are of the commencement view that modernization of CSD proper working of AFD portal and commencement of e-commerce activities, alongwith betterment of the services for the beneficiaries would greatly enhance the trade surplus of the Government which in turn would lead to additional revenue generation for the Department. In light of these facts, the Committee recommend that funds allocated to Canteen Stores Department may suitably be enhanced at the Revised Estimates/Modified Appropriations Stage and the Committee be apprised consequently.

#### **Reply of the Government**

This Ministry submits the requirement projected by the Departments, including Canteen Stores Department, to Ministry of Finance for favorable consideration. The Expenditure ceiling in r/o CSD is provided/fixed by Ministry of Finance. While allocating funds, Ministry of Finance analyses past absorption capacity of the Canteen Stores Department, pace of expenditure in the current Financial Year, overall resource envelope available and pressing demands from other quarters etc.

2. The committee may be assured that all efforts will be made to obtain additional funds projected by Canteen Stores Department at Supplementary/RE stage under Revenue and Capital head. Further, the allocated funds will be optimally utilized towards meeting the goals of Canteen Stores Department.

## **Provision of combat uniforms for the Forces through CSD**

### **Recommendation (Para No.31)**

The Committee learn that the new stitched combat uniforms for officers in the Army is planned to be provided/supplied through the Canteen Stores Department (CSD). During deliberations on this issue, the Quarter Master General, Army submitted that the new combat uniform will be supplied only through CSD so that it cannot be sold in the open market. As the matter is intimately connected with security of the country and dignity and stature of our Forces, the Committee recommend that proactive and foolproof measures are needed to be put in place by the Ministry for mitigation of risk of misuse of the Forces' uniform. The Committee also desire that while ensuring the availability of uniforms, their quality and proper fitting should also be ensured so that it would not affect the smart turnout and dignified appearance of the Armed Forces personnel. The action taken in this regard may be intimated to the Committee within one month of the presentation of this Report to Parliament.

### **Reply of the Government**

Classified

## **Welfare of Ex-Servicemen (ESW)**

### **Recommendation (Para No.32)**

The Committee note that for the Welfare of Ex-Servicemen as against the sum of Rs. 486.79 crore projected in 2021-22, Rs. 420 crore was allocated at RE stage. Out of this only Rs. 97.80 crore could be utilized by 19 January, 2022, which means more than three-fourths of the allocated funds are yet to be utilized within less than a quarter of the financial year 2021-2022. The Committee express their serious concern over the utilization of funds for the Welfare of Ex-Servicemen in the last quarter. As there are lots of Schemes and programmes running under the Department of Welfare of Ex-Servicemen, the Committee urge upon the Ministry to take concerted steps to fully utilize the allocated funds in 2021-22. They would like to be apprised about the steps taken by the Ministry in this regard.

### **Reply of the Government**

Only Rs.100 Crore was initially allotted in Budget Estimates (BE) in April 2021. Out of which, a sum of Rs. 97.80 Crore was expended till 19.01.2022. Nominal balance was left to meet unforeseen emergent expenses. An additional amount of Rs. 320 Crores was allotted at Revised Estimate (RE) stage on 17.01.2022 from DSE budget towards AFFDF (Armed Forces Flag Day Fund). The total allocated budget of Rs. 420.00 Crore has been fully spent during the FY 2021-22.

### **Recommendation (Para No.33)**

The Committee note from the information supplied to them that reservations do exist for Ex-Servicemen in Central Govt (10% in Group 'C' posts), PSUs/Banks (14.5% in Group 'C' &

24.5% in Group 'D' including 4.5% for disabled ESM/ dependents of servicemen killed in action), Central Police Organization/Para Military Forces (10% upto the rank of Astt Comdt., Defence Security Corps (DSC) - 100%) and also in some Corporate / Private Organizations. However, the reservation facility has not been properly implemented for Ex-Servicemen, due to which number of posts are stated to be unfilled and vacancies were reported to exist in several Government Organizations. The Committee note that under project 'Punh Sthaapan', MoUs have been signed between MoD and Ministry of Skill Development for employment of ESM. While appreciating this initiative, the Committee recommend that the Ministry should address the issue of filling up the vacancies earmarked for ESM with utmost seriousness and take appropriate steps in Government PSBs etc. in coordination with Government/ banks for sensitizing retiring Servicemen regarding availability of Government and private jobs, providing training for getting recruitment for the posts available for the Ex-Servicemen.

### **Reply of the Government**

The Government is taking several initiatives to ensure that the vacancies earmarked for Ex-Servicemen (ESM) are filled and has taken the following steps:

(a) DOP&T vide OM No. 36034/2/2017-Estt (Res) dated 31<sup>st</sup> Dec 2021 has issued guidelines on responsibilities of the Liaison Officer (LO) for ESM reservation. Approx 50 Ministries/Department have nominated their Liaison Officers and other are in-process for doing the same.

(b) First meeting with LOs was conducted under the chairmanship of Secretary, ESW on 02<sup>nd</sup> March, 2022. During the meeting the main emphasis was on filling-up the reservation quota prescribed by the Govt. The matter is being reviewed regularly in Monthly Meetings.

(c) Further, DGR has compiled a Compendium Brochure on ESM reservation and the same has been uploaded on DGR website.

(d) DGR is in receipt of reports of ESM appointments in CCS&Ps on Half-yearly basis. These reports are compiled and scrutinized, so that effective measures can be taken to enhance the employability of ESM in Govt sector.

(e) During the FY 2021-22, a total of 10,871 jobs to freshly retired ESM's have been given by DGR with the following break up:-

(i)	Security Agencies	- 5678
(ii)	PSU/Banks/State Govt.	- 4529
(iii)	Self Employment Schemes	- 631
(iv)	Corporate Sector	- 33

### **Recommendation (Para No.34)**

The Committee note that due to merger of Group 'D' and 'C' posts as well as 'B' non-gazetted posts, the vacancies reserved for ESM have remained unfilled. In this regard, the



Committee understand that the initiatives taken by Uttar Pradesh Government can help the Ministry in finding a solution to the problem. The Committee, therefore, advise the Ministry to initiate talks with the Department of Welfare of Ex-Servicemen of Uttar Pradesh Government so as to expeditiously resolve the issue.

### **Reply of the Government**

Due to merger of Gp 'C' & 'D' posts in CCS&Ps, a major portion of reservation (20% of Group 'D') was done away with. This Department, therefore, forwarded a proposal to DOP&T requesting that ESM be provided 10% reservation in Group 'B' posts and 20% reservation in Group 'C' posts for vacancies in the posts to be filled by direct recruitment in any year. The matter was examined by DOP&T, who vide communication dated 02.08.2019 informed that after careful consideration of the proposal in consultation with other Ministries/Department, DOP&T is of the view that the proposal regarding providing 10% reservation in Group 'B' posts and 20% reservation in Group 'C' posts to Ex-Servicemen for vacancies in the posts to be filled by direct recruitment, if agreed to, will not serve the desired purpose.

As regards the implementation of initiatives taken by Uttar Pradesh Govt to fill-up the ESM vacancies the same is under consideration in DGR and it will be analyzed in detail to implement later.

### **Recommendation (Para No.35)**

The Committee find that there is a total lack of uniformity regarding ex-gratia monetary benefits/compensation to the martyrs in the country, which ranges from State to State. In some of the States, Rs. 5 lakh is given to martyr's family, and in some states, Rs. 5 crore and a permanent job to a family member. The Committee are of the view that the services provided by the soldiers are common in nature and therefore recommend that the Ministry should make efforts to remove disparity in the amount of compensation. The committee desire that Department of Welfare of Ex-Servicemen should take up this issue with utmost priority and make concerted efforts to recommend uniformity in the amount of ex-gratia monetary benefits as well as in employment to the families of the martyrs in all the States of the country.

### **Reply of the Government**

Ex-gratia payment to next of Kin / family members are being paid by respective State/UT Govts. The amount varies from State to State. The issue regarding uniformity in payments of Ex-gratia amount to the dependents of Martyrs has already been raised and discussed in several meetings of Directors/ Zonal and Kendriya Sainik Board (KSB) meeting. The State Govts have not adopted a uniform method to provide Ex-gratia amount to the dependents of Martyrs. It is pertinent to mention that domiciliary restrictions and Ex-Gratia amount to the dependents of Martyrs are inter related matter.

Most of the States/UTs provide compassionate appointment to the dependents of Armed Forces personnel killed in action or disabled in action as per their education and qualification.

### **Recommendation (Para No.36)**

It has been brought to the notice of the Committee that no exemption has been given to serving Defence personnel from payment of toll tax at various toll plazas in the country and they are required to pay tax despite their work stations located in the vicinity of toll plazas. Since Defence personnel have to pass through toll plazas for commuting to their work stations, the Committee recommend the Ministry of Defence to take up the matter with Ministry of Road Transport and Highways so that relief/exemption is provided to serving Defence personnel from payment, particularly at those toll plazas which fall between Defence work station and their places of residence. It is suggested that free passes or free passage on production of identity proof may be allowed to the service personnel at these toll plazas. The Committee would like to be apprised about the steps initiated in this regard at the time of submission of action taken replies.

### **Reply of the Government**

Classified

### **DEFENCE PENSION**

### **Recommendation (Para No.37)**

The Committee note that Defence Pensions, under the Ministry of Defence provides for Pensionary charges in respect of retired Defence personnel (including Defence civilian employees) of the three services viz. Army, Navy and Air Force. It covers payment of Service pension, gratuity, family pension, disability pension, commuted value of pension, leave encashment amongst others. The Committee are informed that as on 01.04.2021, the total number of Defence pensioners in the country stood at 32,94,181 including 6,14,536 Defence Civilian Pensioners and 26,79,645 Armed Forces Pensioners. The Committee further learn that out of the total budget of Rs. 5,25,166.15 crore allocated to the Ministry of Defence in Budget Estimates (BE) 2022-23, an amount of Rs. 1,19,696 crore i.e. 23 percent of the entire Defence Budget has been earmarked for Defence Pensions. The Committee have been given to understand that additional requirement of Rs. 3846 crore for BE 2022-23 (Rs. 1,19,696 crore) over BE 2021-22 (Rs. 1,15,850 crore) is due to normal growth in pension and impact of dearness relief. The Committee, while expressing the hope that the funds allocated to the Ministry under Defence Pension Head for Budget Estimates 2022-23 would be sufficient to cover the pensionary requirements of Ex-Servicemen, and nevertheless, recommend that, after due assessment of escalation in pension amount on account of increase in number of pensioners and revised Dearness Relief, additional funds, if required, may be sought at the Revised Estimates stage.

### **Reply of the Government**

Budget Estimates for the financial year 2021-22 was approved to Rs. 1,15,850.00 crore. Taking into the account the trend of current year expenditure and normal growth in pension, a Revised Estimates 2021-22 for a sum of Rs. 1,16,878.00 crore was projected by PCDA(P), Prayagraj during the month of September-October of the current financial year under Grant No.

22-Defence Pension. A ceiling of Rs. 1,16,878.00 crore was also intimated for RE-2021-22 under Grant No. 22-Defence Pension. As per the ceiling limit of RE 2021-22, booking of expenditure is monitored. Taking into account the trend of expenditure at the end of Feb 2022, a proposal for re-appropriation was furnished during the month of March 2022 under Grant No. 22-Defence Pension. Based on the trend of current year expenditure and projected amount of RE 2021-22, Budget Estimates for the financial year 2022-23 was also projected by PCDA(P) for a sum of Rs. 1,11,19,696.00 crore and the a ceiling of Rs. 1,19,696.00 crore for BE 2022-23 has been intimated for booking of Defence Pension Expenditure for the next financial year i.e. 2022-23 has been. However, the above ceiling limit of BE 2022-23 may also be revised at RE stage during the month of September- October 2022, if required.

### **Recommendation (Para No.38)**

#### **SPARSH –SYSTEM FOR PENSION ADMINISTRATION (RAKSHA)**

The Committee were informed that a web based interactive pension disbursement system namely 'SPARSH' has been rolled out for Army, Navy, Air Force as well as 41 Defence Civilian organizations. It is stated to be the largest pension platform in Government covering 33 lakh pensioners with around 85,000 pensioners getting added each year. Under SPARSH, a total of 49,073 claims have been initiated and 36,556 sanctions have been issued till date. Migration of legacy pensioners pertaining to 7th Central Pay Commission (CPC) retirees has been done for 4,84,650 pensioners from various Pension Disbursing Agencies (PDAs). Further, migration of remaining pensioners from existing banks is also in process. The Committee note that benefits such as centralized sanction and disbursement of pension, paper less processing, verification of pensioners' data even before sanction of pension, dedicated portal accounts for each pensioner, digital processing of pensioner identification, removing requirement of multiple visits by pensioners, budget management and control through real-time expenditure tracking have been accrued/envisaged consequent to the implementation of SPARSH.

### **Reply of the Government**

Under SPARSH, a total of 69,730 claims have been initiated and 46,264 sanctions have been issued till date. Migration of legacy pensioners pertaining to 7<sup>th</sup> Central Pay Commission (CPC) retirees has been done for 4, 47,369 pensioners from various Pension Disbursing Agencies (PDAs).

### **Recommendation (Para No 39)**

The Committee appreciate the mammoth task being undertaken in implementation of SPARSH for Defence Pensioners by the Ministry of Defence as it will give further impetus in accomplishing the mission of 'Digital India'. Further, SPARSH being single application software for pension sanction, disbursement, revision, budgeting and audit, will definitely lead to reduction in the number of Pension Disbursing Agencies (PDAs) and other authorities and streamline the whole pensionary exercise in addition to saving of precious resources and time. The Committee note, from the submission made by the representatives of the Ministry, that the work regarding

migration of legacy pensioners from existing PDAs is going on in a phased manner. The Committee recommend that task of migration of the remaining pensioners should be accomplished at the earliest and inputs/feedback from the users of SPARSH be taken periodically to refine and upgrade the system. The Committee are not oblivious to the fact that a sizeable number of Defence pensioners and their Next of Kin (NoK) reside in rural and difficult terrains and do not have easy access to technological amenities. They, therefore, recommend that urgent and concrete steps be taken by the Ministry to aid such veterans and their families in migration to SPARSH and utmost care should be taken to ensure that such pensioners and their families do not suffer any financial loss due to want of technological awareness and ready access to digital facilities. Further, the feasibility of introduction of SPARSH as a mobile application may also be explored by the Ministry to enable the pensioners and their families to avail various services provided by SPARSH at their fingertips.

### **Reply of the Government**

In order to ensure last mile connectivity with the defence pensioners who are non tech-savvy, approx 4.5 Lakhs CSC\_SPV SPARSH Service Centres, 476 SBI Service Centres, 375 PNB Service Centres, 36 DIAV Service Centres, 14 Kotak Mahindra Bank Service Centres, pan India have been made functional. These SPARSH service Centres act as interface between pensioners and web based Comprehensive Pension Package for all activities relating to updation/continuance of pension/family pension and also work as information dissemination system for those pensioners who are not able to utilize the e-services of SPARSH through portal. A mobile app for SPARSH is also a part of the project and is under development by the system integrator viz.TCS.

### **Recommendation (Para No.40)**

The Committee note that One Rank One Pension (OROP) implies that uniform pension be paid to the Defence Forces Personnel retiring in the same rank with the same length of service, regardless of their date of retirement, which implies bridging the gap between the rates of pension of current and past pensioners at periodic intervals. OROP was implemented w.e.f. 01.07.2014 vide MoD order dated 07.11.2015. The Committee further note that approximately Rs. 50,000 crore have been spent @ Rs. 7,123 crore per year for over seven years on implementation of OROP and 20,60,220 Defence Forces Pensioners/ Family Pensioners have been benefitted under this scheme. The Report of the Internal Committee to examine the recommendations of One Man Judicial Committee (OMJC) on OROP is under examination in the Ministry. The Committee have also been apprised that a plea has been filled in the Court of law by a group of Ex-Servicemen contending against periodic equalization of pension every five years and a few other issues. In this regard, the Committee learn that the Supreme Court has reserved their judgement in the petition pertaining to OROP. In light of these developments, the Committee desire that judgement of the Supreme Court in the matter of OROP and the Ministry's corresponding course of action may be intimated to the Committee at the earliest but definitely at the time of submitting of Action Taken Replies. They also recommend that the examination of the report of the Internal Committee on OROP may be expedited and the Ministry take tangible and concerted steps to remove the anomalies in the pensions of the Armed forces Personnel. It is

needless to mention that the Ministry should address all justified concerns of all the stakeholders under intimation to the Committee.

### **Reply of the Government**

A Writ Petition(Civil) No. 419/2016 on One Rank One Pension (OROP) policy was filed by Indian Ex-Servicemen League & Others in the Hon'ble Supreme Court challenging the principles adopted in MoD policy letter dated 7.11.2015.

Hon'ble Supreme Court in the WP(C) No. 419/2016 vide order dated 16.3.2022 has, inter-alia, mentioned that "we find no constitutional infirmity in the OROP principle as defined by the communication dated 7 November 2015" and further directed that "a re-fixation exercise shall be carried out from 1 July 2019, upon the expiry of five years. Arrears payable to all eligible pensioners of the Armed Forces shall be computed and paid over accordingly within a period of three months". As per Hon'ble Supreme Court direction, next revision of pension under OROP Scheme w.e.f. 1.7.2019 is under process.

The One Member Judicial Committee (OMJC) submitted its Report to the Government on 26.10.2016. The issues involved in the recommendations of OMJC are quite complex and required detailed analysis. Therefore, an Internal Committee has been constituted for examining the recommendations of OMJC with regard to assessing the feasibility, impact of recommendations on other existing provisions and financial aspects in implementation of the recommendations. The Internal Committee submitted its report to this Department which is under process.

### **Military Service Pay (MSP)**

#### **Recommendation (Para No.41)**

The Committee, during deliberations on Demands for Grants, have been informed that the Defence Forces personnel, in addition to their pay, are entitled to the financial benefits pertaining to Military Service Pay (MSP) for all ranks up to and inclusive of Brigadiers and their equivalent officers. MSP is also reckoned as Basic Pay for purposes of computation of Dearness Allowance and pension. The Committee note from the deposition of the Secretary, Department of Ex-Servicemen Welfare that MSP has led to some anomalies due to which junior ranks got paid more than senior ranks. The Committee further note that the matter is being discussed with Comptroller General of Defence Accounts (CGDA) and efforts are on to resolve this issue within the timeline given by the Court. As the matter is linked with the morale of the Forces and principle of protection of rights on the basis of seniority, the Committee recommend that the Ministry adhere to the timeline given by the Court for resolution of the matter at the earliest and apprise the Committee accordingly.

### **Reply of the Government**

Classified

## Recommendation (Para No.42)

### **Welfare of the cadets boarded out of Defence Training Academies/ Institutions on Medical Grounds**

The Committee regret to note that in response to their written query in regard to the number cadets who have been declared unfit to continue in military service due to injuries during training in various defence Training academies/ Institutions such as NDA, IMA, Air Force, Naval Academies etc. and whether disability pension or any other financial support is extended to such cadets, the Ministry has submitted 'NIL' information. The Committee, therefore, recommend that detailed information as sought by them should be furnished to them for their perusal. In the event of non-maintenance of such information, the Committee recommend that the Ministry undertake such exercise and intimate the Committee accordingly.

### **Reply of the Government**

The number of cadets injured during training in defence academies and invalidated out on medical grounds is attached as Annexure-I.

**Disability Pension:** As ex-cadets do not meet the mandatory twin criteria of being ex-servicemen and pensioners through defence estimates thus, it is not feasible to award disability pension to the ex-cadets.

However, the following benefits to Ex-cadets are awarded on disablement/ death who are invalidated out of training on medical ground due to disability attributable to or aggravated by service with assessment of disability @20% or more:-

- (a) Monthly Ex-gratia amount of ₹ 9,000/- per month plus Dearness Allowance.
- (b) Ex-gratia disability award @ ₹ 16,200/- per month for 100% disability. For less disability this amount will be proportionately reduced.
- (c) Constant Attendance Allowance (CAA) of ₹ 6750/- per month for 100% disability on the recommendation of Invalidating Medical Board. No dearness on CAA.
- d) In cases of death Ex-gratia amount of ₹ 12.5 lakhs.

**AGIF Benefits.** AGIF Insurance is provided to the cadets at NDA injured & disabled due to training as per AGI letter No. A/5627/R/AG/Ins(Coord) dated 24<sup>th</sup> March, 2020 (Annexure-II), AGIF benefits for cadets at NDA are as under:-

- (i) **Insurance Cover.** Rs 15 Lakhs.
- (ii) **Disability Benefit.** Rs 15 Lakhs for 100% disability, proportionately reduced upto 20% disability.
- (iii) **Ex-gratia for less than 20% disability.** Rs 50,000 for cadets invalidated out in first two years of training & Rs. 1 Lakh if invalidated out during last year of training.

Annexure-I

Indian Army:

The academy wise summary of cadets invalidated since 2017

Sl. No.	Academy	Number of Cadets Invalidated out	
		Attributable	Not Attributable
1.	Indian Military Academy (IMA), Dehradun	06	02
2.	Officers Training Academy (OTA), Chennai	11	08
3.	OTA, Gaya	05	01
4.	Cadet Training Wings (CTW) CME, Pune	08	-
5.	CTW MCTE, Mhow	01	04
6.	CTW MCEME, Secunderabad	03	04

Number of Cadets invalidated out during training for the period 2017-21

S.No.	Academy	Year	Number of cadets Invalidated Out	
			Attributable	Not Attributable
1	NDA	2017	05	-
2		2018	07	-
3		2019	07	-
4		2020	11	-
5		2021	11	-

Indian Air Force:

The total number of cadets boarded out from training in the Indian Air Force since 1986 is 35.

Indian Navy:

Number of INA cadets boarded out of service since 2017

<u>Sl. No.</u>	<u>Year</u>	<u>No. of Cases</u>
1	2017	01
2	2018	02
3	2019	01
4	2020	03
5	2021	02
6	2022	01

**Recommendation (Para No.43)**

The Committee have been informed that during the last few years, on an average, approximately 11 to 12 cadets have been boarded out because of disabilities due to training attributable issues and accidents etc. The Ex-gratia benefits granted to the cadets on being medically boarded out include Ex-Gratia Disability Award (for 100% disability, reduced proportionately) of ₹ 16,200 per month plus Dearness Relief, monthly Ex-Gratia of ₹ 9000 plus Dearness Relief and Constant Attendance Allowance (for 100% disability only) of ₹ 6,750/- per

month. In addition, Army Group Insurance Fund (AGIF) provides certain insurance coverage for death. The Committee have been informed that proposal to increase the insurance coverage under AGIF is under examination of the Ministry. The Committee are of the considered view that non providing of adequate financial benefits and other avenues for settlement/ rehabilitation of such disabled cadets/ corps would not only discourage the youth from joining the Forces but would also add to the already existing numbers of vacancies in the Armed Forces. Exhorting the need for having a humanitarian approach towards such cadets who decided to serve the country by joining the Armed Forces but unfortunately were medically boarded out due to certain reasons, the Committee recommended that facilities of Ex-Servicemen Contributory Health Scheme (ECHS) and Canteen Stores Department (CSD) may also be extended to such cadets. The Committee also recommended that periodic review of ex-gratia amounts to the medically boarded-out cadets based on the extant cost of living and inflation should be undertaken by the Ministry and the financial aid to such cadets be enhanced suitably. Based on the degree of disability, all out efforts should be made and all avenues be looked into by the Government in providing any kind of employment including civil jobs to such candidates who had taken risks and were inadvertently injured/ harmed during training period.

### **Reply of the Government**

The Ex-gratia benefits granted to the cadets on being medically boarded out due to their disability attributable to or aggravated by military service include Ex-Gratia Disability Award (for 100% disability, reduced proportionately) of Rs. 16,200/- per month plus Dearness Relief, monthly Ex-Gratia of Rs. 9000/- plus Dearness Relief and Constant Attendance Allowance (for 100% disability only) or Rs. 6750/- per month.

#### **CSD Facilities to Medically Boarded Out Cadets**

Cadets who have been boarded out and are in receipt of disability award are already entitled to Canteen facilities through Canteen Stores Department (CSD) excluding Against Firm Demand Category-I (AFD-I) items.

In the past three years, 49 such cadets have applied for and have been issued with Canteen Smart Cards to avail the facility through Unit Run Canteens (URCs).

As per MoD (DoESW) letter 12/1/2005/D(Res) dated 05 Sep 2011, it has been clarified that the "the proposal for granting Ex-Servicemen status to ex-cadets who were boarded out on medical grounds has been examined. The Competent Authority has not approved the proposal to grant Ex-Serviceman Status to disabled cadets."

#### **ECHS facilities**

Ex-Servicemen Contributory Health Scheme (ECHS) is not entitled to ex-cadets since they do not meet the mandatory twin criteria of being ex-servicemen and pensioners through defence estimates.



### **CHAPTER – III**

#### **Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government**

##### **Recommendation (Para No. 9)**

##### **Maintenance of airports controlled by Defence Forces**

During the Committee deliberations, the Committee's attention was brought to the issue of certain shortcomings in the airports controlled by the Defence Forces in the country. The Committee desire that details of Defence airports across the country, budget allocated and expenditure towards maintenance of these airports for the last five years, additional sources of revenue being accrued to the Ministry of Defence from such airports and steps instituted/ being contemplated for maintenance and improvement of airport infrastructure be furnished to them so as to enable them to have a proper appraisal of the functioning of these Airports. The requisite information may be furnished within one month of the presentation of this Report.

##### **Reply of the Government**

1. The maintenance of airports is sub-divided into three major heads viz maintenance of Airport infrastructure, maintenance of Nav Aids and maintenance of Airport Support Vehicles (ASVs).
2. Additional revenue is generated to the Govt. from these airports as landing/ housing charges whenever civil aircraft operations are undertaken. At present 39 IAF airports and nine ALGs have been opened up for joint use by civil and military aircraft.
3. Towards maintenance and improvement of infrastructure following steps are being undertaken:-
  - (a) Special repair as and when required.
  - (b) Runway resurfacing as Special Project depending on the quality of runway and ability to undertake operations.
  - (c) Routine airfield, nav-aids and airport support vehicle maintenance activities for day to day upkeep and maintenance of the airports.
  - (d) Infrastructure upgrade at IAF airfields as part of project MAFI is being executed in two phases. MAFI Phase-I has been implemented at 30 IAF airfields. Phase-II of the project is currently under execution in 37 airports (24 IAF airports, nine Navy airports, two ARC airports and two ICG airports).

4. The details of budget allocation and expenditure towards maintenance of IAF Airfields/Runways (CH 760/04 of MH 111-Revenue Works) are given below:-

FY	MA Sanctioned (in Rs/Crores)	Actuals (CGDA Expenditure Data) (in Rs./Crores)
16-17	58.91	57.24
17-18	56.00	55.93
18-19	57.79	55.91
19-20	60.74	59.53
20-21	61.03	59.31
21-22	60.18	48.36 (as on 28.02.22)

5. Regular maintenance of Airfields is being carried out under maintenance of IAF Airfields/Runway (CH 760/04 of MH 111-Revenue Works).

6. A total of Rs. 2281.71 Cr was allotted towards maintenance of various equipment installed at Defence Airfields. The details of expenditure are as follows:-

Sl. No.	Description	Period	Capital/Revenue	Code Head	Fund Allotted	Expenditure
(a)	Cost incurred for modernization of Airfield infrastructure	2016-2019	Capital	02/919/36	Rs.1220 Cr	Rs.1220 Cr
(b)	Expenditure incurred towards Follow on Support for Maintenance of Airfield Infrastructure (18 months)	Aug 2019-Feb 2021	Revenue	741/18	Rs.24.84 Cr	Rs.24.84 Cr
(c)	Expenditure incurred towards Airfield Lighting System	May 2017-Dec 2021	Revenue	742/21	Rs.8.66 Cr	Rs.8.66 Cr
(d)	Procurement of MAFI spares	2020-2022	Revenue	742/21	Rs.135.99 Cr	Rs.135.99 Cr
(e)	AMC of CADF	2018-	Revenue	741/18	Rs.16.34 Cr	Rs.16.34 Cr

	System Qty- 36	2021					
(f)	SRE AMC (2013-2019)	2017- 2019	Revenue	741/18	Rs.544.02 Cr	Rs.544.02 Cr	
(g)	SRE AMC (2019-2024)	2019- 2022	Revenue	741/18	Rs.331.86 Cr	Rs.331.86 Cr	
				Total	Rs.2281.71 Cr	Rs.2281.71 Cr	

## **CHAPTER – IV**

**Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee**

-Nil-

## CHAPTER – V

### Observations/Recommendations in respect of which Government have furnished interim replies/replies awaited

#### Expenditure on Research & Development

##### Recommendation (Para No.4)

The Committee note that Capital segment of the MoD (Civil) Budget has seen a jump of 55.60 percent from Rs. 5,173.41 crore in FY 2021-22 to Rs. 8049.99 crore in FY 2022-23. However, the Committee, on scrutiny of the documents provided by the Ministry of Defence in connection with examination of Demands for Grants for the year 2022-23, find that the expenditure on Defence Research & Development (R&D) has been dwindling over the past few years. This is evident from the fact that the expenditure on R&D in 2019-20, 2020-21 and 2021-22 (upto December 2021) stood at Rs. 17,779.24 crore, Rs. 16,075.07 crore and Rs. 11,668.79 crore, respectively. Surprisingly, the actual expenditure has been even lesser than BE allocation since 2019-20 pointing to underutilization of funds under this head. The Committee are of the considered view that alongwith enhancement in Capital segment of the budget, requisite allocation and expenditure on Defence Research and Development is the key for realizing the Defence modernization plans of the Indian Armed Forces and many initiatives under 'Make in India'. Therefore, keeping in view the need to equip our Armed Forces with state-of-the-art equipment/platforms/weapons and enable them to respond to evolving threat perception and global security scenario, the Committee recommend that urgent steps be taken to ensure full and prudent utilization of the funds allocated for Defence Research & Development. They also desire that the figures regarding allocated amount at Revised Estimates stage and actual expenditure incurred on R&D for Financial Year 2021-22 may be intimated to the Committee at the earliest.

##### Reply of the Government

The total Budget sanctioned to the Deptt of Defence R&D at different Budgetary stages for three years along with the actual expenditure is as under:

(Rs. in cr)

Year	BE Approved	RE Approved	MA Approved	Actuals
2019-20	19021.02	17730.78	17730.78	17375.13
2020-21	19327.35	16466.29	16145.74	15706.98
2021-22	20457.44	18337.44	18520.44	Under compilation

**STANDING COMMITTEE ON DEFENCE (2022-23)**

**MINUTES OF THE ELEVENTH SITTING OF THE STANDING COMMITTEE ON  
DEFENCE (2022-23)**

The Committee sat on Wednesday, the 9<sup>th</sup> August, 2023 from 930 hrs. to 1000 hrs. in Committee Room 'D', Parliament House Annexe , New Delhi.

**PRESENT**

**Shri Jual Oram** - **Chairperson**

**MEMBERS**

**Lok Sabha**

2. Shri Annasaheb Shankar Jolle
3. Shri Suresh Kumar Kashyap
4. Prof. (Dr.) Ram Shankar Katheria
5. Shri Durai Murugan Kathir Anand
6. Kunwar Danish Ali
7. Dr. Rajashree Mallick
8. Shri Reddeppa Nallakonda Gari
9. Shri Jugal Kishore Sharma
10. Dr. Shrikant Eknath Shinde
11. Shri Prathap Simha
12. Shri Brijendra Singh
13. Shri Durga Das Uikey

**Rajya Sabha**

14. Dr. Ashok Bajpai
15. Shri Kamakhya Prasad Tasa
16. Dr. Sudhanshu Trivedi
17. Smt. P.T. Usha
18. Shri G.K. Vasani
19. Lt. Gen. (Dr.) D. P. Vats (Retd.)

**SECRETARIAT**

1. Dr. Sanjeev Sharma - Joint Secretary
2. Shri Tirthankar Das - Director

3. Shri Rahul Singh - Deputy Secretary

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them about the agenda for the Sitting. The Committee then took up for consideration the following draft Action Taken Reports:-

- i. **Action Taken by the Government on the Observations/Recommendations contained in the Twenty-sixth Report (17<sup>th</sup> Lok Sabha) of Standing Committee on Defence on Demands for Grants of the Ministry of Defence for the year 2022-23 on 'General Defence Budget, Border Roads Organisation, Indian Coast Guard, Defence Estates Organisation, Defence Public Sector Undertakings, Canteen Stores Department, Welfare of Ex-Servicemen and Defence Pension (Demand Nos. 19 and 22)'; and**
- ii. **Action Taken by the Government on the Observations/Recommendations contained in the Thirty-first Report (17<sup>th</sup> Lok Sabha) of the Standing Committee on Defence on the subject 'Assessment of Welfare Measures available to War Widows/Families in Armed Forces'.**

3. After some deliberations, the Committee adopted the above reports without any modifications. The Committee, then, authorized the Chairperson to finalise the above draft Reports and present the same to the House on a date convenient to him.

4. \*\*\*\*\*Does not pertain to the Report\*\*\*\*\*

The Committee then adjourned.

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## APPENDIX II

### ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE TWENTY-SIXTH REPORT (17<sup>TH</sup> LOK SABHA) OF STANDING COMMITTEE ON DEFENCE ON DEMANDS FOR GRANTS OF THE MINISTRY OF DEFENCE FOR THE YEAR 2022-23 ON 'GENERAL DEFENCE BUDGET, BORDER ROADS ORGANISATION, INDIAN COAST GUARD, DEFENCE ESTATES ORGANISATION, DEFENCE PUBLIC SECTOR UNDERTAKINGS, CANTEEN STORES DEPARTMENT, WELFARE OF EX-SERVICEMEN AND DEFENCE PENSION (DEMAND NOS. 19 AND 22)'

1. Total number of recommendations 43
2. Observations/Recommendations which have been accepted by the Government (please see Chapter II):  
Recommendation Para Nos. 1,2,3,5,6,7,8,10,11,12,13,14,15,16,17,18,19,20,21,22, 23,24,25,26,27,28,29,30,31,32,33, 34,35,36,37,38,39,40,41,42 and 43  
Total : 41  
Percentage: 95%
3. Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government (please see Chapter III):  
Recommendation Para No. 9  
Total : 1  
Percentage: 2.5 %
4. Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee, which require reiteration and commented upon (please see Chapter IV):  
-Nil-  
Total : 0  
Percentage: 0 %
5. Observations/Recommendations in respect of which Government have furnished interim replies/replies awaited (please see Chapter V):  
Recommendation Para No. 4  
Total : 1  
Percentage: 2.5 %