

**3**

**STANDING COMMITTEE ON DEFENCE  
(2024-25)**

**(EIGHTEENTH LOK SABHA)**

**MINISTRY OF DEFENCE**

**DEMANDS FOR GRANTS (2024-25)**

**CAPITAL OUTLAY ON DEFENCE SERVICES, PROCUREMENT POLICY AND  
DEFENCE PLANNING**

**(DEMAND NO. 21)**

**THIRD REPORT**



**LOK SABHA SECRETARIAT**

**NEW DELHI**

**December, 2024 / Agrahayana 1946 (Saka)**



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## COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (2024-25)

**SHRI RADHA MOHAN SINGH**

-

**CHAIRPERSON**

### **Lok Sabha**

2	Dr. Rajeev Bharadwaj
3	Shri Karti P Chidambaram
4	Shri Adhikari Deepak Dev
5	Shri Ranjit Dutta
6	Captain Viriato Fernandes
7	Shri Rahul Gandhi
8	Shri Mohmad Haneefa
9	Shri S. Jagathratchakan
10	Ms. S. Jothimani
11	Shri Ravindra Shukla Alias Ravi Kishan
12	Shri Shashank Mani
13	Shri Lumba Ram
14	Shri Bishnu Pada Ray
15	Shri Jagannath Sarkar
16	Shri Jagadish Shettar
17	Shri Virendra Singh
18	Shri Kesineni Sivanath
19	Dr. Thirumaavalavan Tholkappiyan
20	Com. Selvaraj V.
21	Shri Richard Vanlalhmangaiha

### **Rajya Sabha**

22	Shri Naresh Bansal
23	Shri N. Chandrasegharan
24	Shri Shaktisinh Gohil
25	Shri Prem Chand Gupta
26	Shri Naveen Jain
27	Shri Muzibulla Khan
28	Shri Praful Patel
29	Shri Dhairyashil Mohan Patil
30	Shri Sanjay Singh
31	Dr. Sudhanshu Trivedi

## **SECRETARIAT**

1. Dr. Sanjeev Sharma - Joint Secretary
2. Shri Tirthankar Das - Director
3. Shri Vikas Kumar - Under Secretary

## INTRODUCTION

I, the Chairperson of the Standing Committee on Defence (2024-25), having been authorised by the Committee, present this Third Report (18<sup>th</sup> Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 2024-25 on 'Capital Outlay on Defence Services, Procurement Policy and Defence Planning (Demand No. 21)'.

2. The Demands for Grants of the Ministry of Defence were laid on 2<sup>nd</sup> August, 2024 in Lok Sabha. The Committee took evidence of the representatives of the Ministry of Defence on 21 and 26 November, 2024. The draft Report was considered and adopted by the Committee at their Sitting held on 12<sup>th</sup> December, 2024.

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

4. The Committee wish to express their thanks to the officers of the Ministry of Defence and representatives of the Services/Organisations for appearing before the Committee and furnishing the material and information which the Committee desired in connection with examination of the Demands for Grants.

5. The Committee also place on record their appreciation of the assistance rendered to them by the Committee Secretariat.

**New Delhi;**  
**17 December, 2024**  
**26 Agrahayana, 1946 (Saka)**

**RADHA MOHAN SINGH**  
**Chairperson**  
**Standing Committee on Defence**

# REPORT

## CHAPTER I

### CAPITAL OUTLAY ON DEFENCE SERVICES

#### Introductory

The Committee have learnt that Demand No. 21 of the Ministry of Defence viz., Capital Outlay on Defence Services, caters for the acquisition of platforms / equipment / weapons and expenditure on Land and Capital works of the Defence Services and other associated Organizations viz DRDO & DoO (C&S) (erstwhile Ordnance Factories). While Revenue expenditure (Demand No. 20) includes expenditure on pay & allowances, transportation, revenue stores (like ordnance stores, rations, petrol, oil and lubricants, spares, maintenance of various platforms / equipments etc), revenue works (which include maintenance of buildings, water and electricity charges, rents, rates and taxes, etc) and other miscellaneous expenditure; Capital expenditure includes expenditure on land, construction works, plant and machinery, equipment, heavy and medium vehicles, Naval Vessels, Aircraft and Aero engines, Dockyards, etc. Re-structuring of Capital budget has been done with effect from FY 2024-25 wherein budgetary allocation of the three Services under common minor heads has been clubbed under the newly introduced Sub Major Head 09 i.e Defence services. Allocation under other minor heads which are not common to the Services has been kept as it is.

#### **Capital Outlay on Defence Services 2024-25**

1.2 During examination of Demands for Grants of the Ministry of Defence for 2024-25, the Committee have learnt that the total allocated budget for the Ministry of Defence for Financial Year 2024-25 is ₹ 6,21,940.85 crore. Out of this amount, the largest share of 73.12 percent, i.e. ₹ 4,54,772.67 crore has been allocated for Defence Services Estimates (Grant Number 20 and 21). An amount of ₹ 2,82,772.67 crore has been allocated to Defence Services Revenue (Grant Number 20). The Capital Outlay on Defence Services (Grant number 21) has been allocated an amount of ₹ 1,72,000 crore. The Committee have also learnt that in BE 2024-25, 62.18 % and 37.82 % of Defence Services Estimates (DSE) have been allocated to Revenue expenditure and Capital Acquisition/Modernisation, respectively.

1.3 The breakup of Capital Expenditure, as furnished by the Ministry of Defence, is given below:

(₹ in crore)

	BE 2023-24	RE 2023-24	BE 2024-25
Capital Acquisition	1,32,301.27	1,29,528.26	1,40,691.24
Capital ( other than Acquisition)			
Land & Works of 3 Services (including Married Accommodation Projects)	16,113.73	13,436.59	16,581.76
DRDO, DGOF and Other Defence Departments	14,185.00	14,263.35	14,727.00
Total Capital	1,62,600.00	1,57,228.20	1,72,000.00



1.4 The Committee infer from the above data that out of the amount of ₹ 1,72,000 Crore allocated for Capital Outlay on Defence Services for the Services/ Organisations covered under Defence Services Estimates, ₹ 1,40,691.24 Crore is allocated for Capital Acquisition (Modernisation) Head of the three Services viz. Army, Navy(including Joint Staff) and Air Force.

1.5 The Ministry of Defence, through Power Point Presentation, informed the Committee of the fund allocation to the Services and various Organisations/Departments covered under DSE, under Capital Outlay on Defence Services as under:

(₹ in crore)

Service	2023-24 (BE)			2024-25 (BE)		
	Capital Acquisition	Other than Capital Acquisition	Total Capital	Capital Acquisition (%age increase)	Other than Capital Acquisition (%age increase)	Total Capital (%age increase)
Army	30,163.00	7,178.54	<b>37,341.54</b>	27,421.33 (-9.09)	8,243.62 (14.84)	<b>35,664.95</b> (-4.49)
Navy	47,515.00	3,451.00	<b>50,966.00</b>	57,950.00 (21.96)	3,243.00 (-6.03)	<b>61,193.00</b> (20.07)
Jt. Staff	598.90	1,239.85	<b>1,838.75</b>	750.00 (25.23)	602.98 (-51.37)	<b>1,352.98</b> (-26.42)
Air Force	54,024.37	4,244.34	<b>58,268.71</b>	54,569.91 (1.01)	4,492.16 (5.84)	<b>59,062.07</b> (1.36)
DoO(C&S)	-	1,315.00	<b>1,315.00</b>	-	1,499.00 (13.99)	<b>1,499.00</b> (13.99)
DRDO	-	12,850.00	<b>12,850.00</b>	-	13,208.00 (2.79)	<b>13,208.00</b> (2.79)

DGQA	-	20.00	20.00	-	20.00	-
Total	1,32,301.27	30,298.73	1,62,600	1,40,691.24	31,308.76	1,72,000
			(6.34)		(3.33)	(5.79)

**Projections made by the three Services and allocations made by the Ministry of Finance under Capital Head of the three Services**

1.6 Details, as provided to the Committee, regarding the projections, allocations made at BE, RE, and actual expenditure incurred under Capital heads during the last five Financial Years and BE 2024-25 for the three Services are as follows:

(₹ in Crore)

Year	Service	BE		RE		Expenditure
		Projected	Allocated	Projected	Allocated	
2019-20	Army	44,660.57	29,511.25	46,032.00	29,666.90	29,000.88
	Navy	37,220.98	23,156.43	40,123.18	26,156.43	27,446.68
	Air Force	74,894.56	39,347.19	81,301.99	44,947.19	45,104.23
2020-21	Army	50,373.60	32,462.38	39,019.17	33,283.28	26,320.93
	Navy	45,268.31	26,688.28	51,769.28	37,542.88	41,666.76
	Air Force	66,207.2	43,281.9	72,955.1	55,083.9	58,207.95

		9	1	8	1	
2021-22	Army	51,492.1	36,531.9	38,344.9	25,377.0	25,130.94
	Navy	0	0	0	9	45,028.64
	Air Force	70,920.7	33,253.5	50,011.3	46,021.5	53,217.19
		8	5	8	4	
		77,140.5	53,214.7	71,176.3	53,214.7	
		6	7	9	7	
2022-23	Army	46,844.3	32,115.2	32,598.4	32,598.4	36,616.19
	Navy	7	6	9	9	46,091.48
	Air Force	67,622.9	47,590.9	47,727.0	47,727.0	44,917.78
		6	9	3	3	
		85,322.6	56,851.5	56,264.5	53,871.1	
		0	5	4	7	
2023-24	Army	37,341.5	37,341.5	33,412.1	33,412.1	
	Navy	4	4	6	6	28,613.45
	Air Force	52,804.7	52,804.7	51,283.9	51,052.1	50,762.62
		5	5	8	8	
		58,808.4	58,268.7	58,268.7	58,500.5	60,757.63
		8	1	1	1	
2024-25	Army	35,664.9	35,664.9			
	Navy	5	5			
	Air Force	62,545.9	62,545.9			
		8	8			
		59,062.0	59,062.0			
		7	7			

Note:- Navy includes Joint Staff

1.7 The data regarding Capital allocation to Joint Staff, Directorate of Ordnance (Coordination & Services) {erstwhile DGOF}, Research & Development from 2019-20 to 2024-25, as furnished by the Ministry of Defence, is given below:

<b>Service</b>	<b>BE Projection</b>	<b>BE Allocation</b>	<b>RE Projection</b>	<b>RE Allocation</b>	<b>Actual Expenditure</b>
<b>2019-20</b>					
<b>Jt. Staff</b>	1,507.14	928.90	1,191.65	928.90	2,852.45
<b>DGOF</b>	907.00	884.05	884.05	884.05	834.22
<b>R&amp;D</b>	13,192.55	10,484.43	10,925.59	8,723.78	8,693.10
<b>2020-21</b>					
<b>Jt. Staff</b>	1,560.83	1,021.79	1,052.31	762.21	583.52
<b>DGOF</b>	756.50	756.50	630.00	630.00	376.89
<b>R&amp;D</b>	13,076.36	10,532.87	10,820.59	7,957.87	7,724.30
<b>2021-22</b>					
<b>Jt. Staff</b>	1,832.73	1,203.53	971.52	971.52	572.38
<b>DGOF</b>	665.00	665.00	3,847.00	4,347.00	4,339.59
<b>R&amp;D</b>	13,522.61	11,375.50	11,375.50	9,875.50	10,263.44
<b>2022-23</b>					
<b>Jt. Staff</b>	1,511.45	1,267.68	1,403.72	1,403.72	869.02
<b>DOO(C&amp;S)</b>	3,810.00	3,810.00	3,811.50	3,811.50	3,810.00
<b>R&amp;D</b>	12,375.50	11,981.81	12,628.00	11,981.81	11,497.72
<b>2023-24</b>					
<b>Jt. Staff</b>	1,838.75	1,838.75	1,627.98	1,396.18	903.62

<b>DOO(C&amp;S)</b>	1,315.00	1,315.00	1,310.50	1,310.50	1,394.00
<b>R&amp;D</b>	12,850.00	12,850.00	12,942.85	12,942.85	12,723.84
<b>2024-25</b>					
<b>Jt. Staff</b>	1,352.98	1,352.98	-	-	-
<b>DOO(C&amp;S)</b>	1,499.00	1,499.00	-	-	-
<b>R&amp;D</b>	13,208.00	13,208.00	-	-	-

1.8 When enquired about mismatch between the projections and allocations in BE 2024-25 in Capital Budget and the projects/ procurements, if any, which may consequently be affected because of lesser allocations, the Ministry of Defence submitted as under:–

“In BE 2024-25, an amount of ₹ 1,72,000 Crore (i.e. 100% of the projections made in BE 2024-25) has been allocated by M/o Finance in Capital Head under Defence Services Estimates. Further, based on expenditure during the year and pending committed liabilities, if required, additional funds will be sought at Supplementary/RE stage. The allocated funds will be optimally utilized towards operational activities and it will be ensured that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services.”

1.9 During oral evidence of the representatives of the Ministry of Defence in connection with examination of Demands for Grants 2024-25, the Committee observed that the capital allocation for Army decreased in comparison with BE 2023-24 whereas the Navy’s capital allocation registered an increase over that in BE 2023-24. The Defence Secretary furnished the reasons for this difference as under:

“जहां तक आर्मी, नेवी और एयरफोर्स के बीच में थोड़ा डिफरेंस है, आर्मी का जो इम्विपमेंट्स होता है, वह उतना महंगा नहीं होता है। नेवी और एयरफोर्स के जो प्लेटफार्म्स हैं, वह कहीं ज्यादा एक्सपेंसिव होते हैं। इसलिए नेवी का ज्यादा दिख रहा है। यह भी बात है कि कई केसेस में नेवी के जो बड़े ऑर्डर्स हैं, जैसे प्रीडेटरड्रॉन्स का एक बड़ा ऑर्डर आया, कभी-कभी लम्पी एक्सपेंडिचर एकसाथ आ जाता है, इसलिए

एक जम्प दिख रहा है। आर्मी के लिए हमारा विश्वास है कि यह जो एमाउंट है, यह काफी होगा।”

### **Highlights of Capital Outlay Budget 2024-25**

1.10 During examination of Demands for Grants of the Ministry of Defence for the year 2024-25, the Committee have been apprised that highlights of the Defence Budget 2024-25 as under:

- i. The total outlay for the Ministry of Defence for BE 2024-25 is ₹ 6,21,940.85 crore and amounts to approx. 12.90% of Budgetary Estimate of Union of India, which is highest among the Ministries. The allocation to MoD for FY 2024-25 is 4.79% more than BE allocation of FY 2023-24.
- ii. Out of the total outlay for the Ministry of Defence for BE 2024-25, a share of 27.66% goes to capital; 14.82% for revenue expenditure on sustenance and operational preparedness; 30.66% for Pay and Allowances; 22.70% for Defence Pensions, and 4.17% for civil organizations under MoD.
- iii. The total Capital allocation to the Ministry of Defence is ₹ 1,82,240.85 crore, which is 16.40% of Central Government Capital expenditure. Capital Allocation of Defence Services has been increased to ₹ 1,72,000 crore and the projected requirement has been fully met.
- iv. 75 % of Defence Modernization budget has been earmarked for domestic industry in FY 2024-25.

### **Growth of Indian Capital Budget in comparison to Central Budget and Gross Domestic Product (GDP)**

1.11 When enquired about the data of growth of Indian Capital Budget in comparison to Central Budget and GDP in both absolute and relative terms for the last five years, the Ministry submitted as under:—

“The total Defence Budget (including MoD (Civil) and Defence Pensions) is ₹ 6,21,940.85 Crore for the year 2024-25, which is 12.90% of total Central Government Expenditure and 1.91% of GDP for the year 2024-25. Also, Capital Budget {including Capital portion of MoD(Civil)} of Ministry of Defence for 2024-25 is approximately 16.40% of the total capital expenditure of the Central Government Expenditure. It may not be relevant here to compare Defence budget as a %age of GDP as India’s expenditure on Defence is the largest amongst the Central Ministries and it has been growing consistently since 2014-15 onwards. Defence preparedness is the result of the capabilities acquired over the years and not merely on budget allocation of a particular year. Allocation made for defence is adequate to sustain the desired level of defence preparedness. Further, based on expenditure during the year, pending committed liabilities and critical/operational requirements, threat perception etc., additional funds, if required, are sought at Supplementary/RE stage. The progress of expenditure is reviewed from time to time to ensure that the allocated funds are optimally utilized towards operational activities so that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services.

Data on growth of Indian Capital Budget in comparison to Central Government Expenditure (CGE) and GDP, in absolute and relative terms, for the last five years and 2023-24 (BE) is given below:

(₹ in Crore)

<b>Year</b>	<b>Indian Capital Expenditure</b>	<b>Total CGE</b>	<b>Indian Cap. Exp as % of CGE</b>	<b>GDP</b>	<b>Indian Cap. Exp as % of GDP</b>
<b>2019-20(Actual)</b>	3,35,726	26,86,330	12.50	2,01,03,593	1.67
<b>2020-</b>	4,26,317	35,09,836	12.15	1,98,54,096	2.15

<b>21(Actual)</b>					
<b>2021-22 (Actual)</b>	5,92,874	37,93,801	15.63	2,35,97,399	2.51
<b>2022-23 (Actual)</b>	7,40,025	41,93,157	17.65	2,69,49,646 (1 <sup>st</sup> RE)	2.75
<b>2023-24 (Provisional Actual)</b>	9,48,506	44,42,542	21.35	2,95,35,667 (PE)	3.21
<b>2024-25 (BE)</b>	11,11,111	48,20,512	23.05	3,26,36,912 (estimated)	3.40

Note: GDP figures from FY 2019-20 to 2023-24 are as per Economic Survey 2023-24 – Table 1.6-Components of GDP at Current Prices and for FY 2024-25 are from Budget at a Glance (2024-25).

CGE figures for Actuals from FY 2019-20 to 2023-24 and 2024-25(BE) are as per Budget at a Glance of FY 2021-22 to 2024-25.

BE= Budget Estimates, RE=Revised Estimates, PE = Provisional Estimates”

1.12 As regards information sought on comparative data of the Capital Budget of neighbouring countries as well as developed/ advanced countries with their central budget and GDP, it was submitted by the Ministry of Defence that the said information is not readily available in the Ministry. In the past also, a like to like comparison of the data on defence spending vis-à-vis that of other countries was difficult to compile due to lack of uniformity in treatment of different components of expenditure and non-availability of reliable published data. However, based on inputs from Stockholm International Peace Research Institute (SIPRI) Military Expenditure Database, data on defence budget in respect of some neighbouring/ advanced countries, including defence spending as percentage of their GDP and share of government spending was being provided. The SIPRI website does not contain Capital Budget of any country.



### Ratio for Capital and Revenue outlay

1.13 Details of Revenue and Capital expenditure in respect of Army, Navy and Air Forces as well as total outlay and corresponding ratio for the last five years, as provided to the Committee by the MoD, are given below:

₹ in Crore)

Year	Service	Outlay		Ratio	
		Revenue	Capital	Revenue	Capital
2019-20	Army	1,42,529.38	29,000.88	83	17
	Navy	22,387.31	27,446.68	45	55
	Air Force	30,124.31	45,104.23	40	60
	<b>Total Outlay</b>	<b>1,95,041.00</b>	<b>1,01,551.79</b>	<b>66</b>	<b>34</b>
2020-21	Army	1,39,903.33	26,320.93	84	16
	Navy	23,166.05	41,666.76	36	64
	Air Force	32,825.23	58,207.95	36	64
	<b>Total Outlay</b>	<b>1,95,894.61</b>	<b>1,26,195.64</b>	<b>61</b>	<b>39</b>
2021-22	Army	1,57,092.05	25,130.94	86	14
	Navy	23,834.99	45,028.64	35	65
	Air Force	34,375.46	53,217.19	39	61
	<b>Total Outlay</b>	<b>2,15,302.50</b>	<b>1,23,376.77</b>	<b>64</b>	<b>36</b>
2022-23	Army	1,70,019.87	36,616.19	82	18
	Navy	30,042.41	46,091.48	39	61
	Air Force	45,667.15	44,917.78	50	50

	<b>Total Outlay</b>	<b>2,45,729.43</b>	<b>1,27,625.45</b>	<b>66</b>	<b>34</b>
2023-24	Army	1,91,602.05	28,613.45	87	13
	Navy	34,261.53	50,762.62	40	60
	Air Force	53,024.91	60,757.63	47	53
	<b>Total Outlay</b>	<b>2,78,888.49</b>	<b>1,40,133.70</b>	<b>67</b>	<b>33</b>

### **Modernization of Defence Forces**

1.14 When asked to elaborate on the various steps taken for further modernization of Defence Forces keeping in view contemporary external and internal security challenges, the Ministry through a written reply furnished as under:

“Modernisation involves the acquisition of new state-of-the-art platforms, technologies and weapon systems to upgrade and augment defence capabilities. Modernisation of Defence Forces is a continuous process based on threat perception, operational challenges and technological changes to keep the Armed Forces in a state of readiness to meet the entire spectrum of security challenges. Government attaches the highest priority to ensure that the Armed Forces are sufficiently equipped to meet any operational requirement. This is achieved through induction of new equipment and technological upgradation of capabilities. The equipment requirements of the Armed Forces are planned and progressed through a detailed process which includes 15 Year Long Term Integrated Perspective Plan (LTIPP), a five year Service-wise Capability Acquisition Plan, a two year roll-on Annual Acquisition Plan and deliberations by the Defence Acquisition Council chaired by the Raksha Mantri.

Government is taking measures for modernization of the Armed Forces, through procurement of new equipment and upgrading of existing equipment and systems. The modernization projects are being progressed as per the approved Capital Acquisition Plans and in terms of the extant Defence Procurement Procedure.

Since the launch of 'Make in India' in September, 2014 and 'Atmanirbhar Bharat' in May, 2020, several measures have been taken by the Government to promote indigenous design, development and manufacture of defence & aerospace equipment in the country under 'Make in India' by harnessing the capabilities of the public and private sector.

Modernisation of Defence Forces is funded through Capital segment of the Defence budget.”

### **Committed Liabilities and New Schemes**

1.15 The Committee have also learnt that Committed Liability refers to payments anticipated during a financial year in respect of contracts concluded in previous years. New Schemes include new projects/proposals which are at various stages of approval and are likely to be approved and contracts concluded during the year. In the Defence Services Estimates (DSE), there is no separate allocation of funds for Committed Liabilities (CL) and New Schemes (NS) and these are catered through Capital Acquisition (Modernization) budget. Committed Liabilities constitute a significant element in respect of the capital acquisition segment, since one project may span several financial years. As such, it is important to track the element of Committed Liabilities which holds first charge on the budget allocation. In the current financial year, an amount of ₹ 1,40,691.24 Crore is allocated in BE 2024-25 under Capital Acquisition (Modernisation) Head.

1.16 When asked about projected and allocated budget for Committed Liabilities and New Schemes in Defence Budget in 2024-25, the Ministry submitted as under:

“In the Defence Services Estimates (DSE), there is no separate allocation of funds for Committed Liabilities (CL) and New Schemes (NS) and these are catered through the Capital Acquisition (Modernization) budget. The projected and allocated funds for the three Services under Capital Acquisition in BE 2024-25 are as follows:-

(₹ in Crore)

<b>SERVICE</b>	<b>Projection BE 2024-25</b>	<b>Allocation BE 2024-25</b>
<b>Army</b>	27,421.33	27,421.33
<b>Navy (excluding Jt. Staff)</b>	57,950.00	57,950.00
<b>Air Force</b>	54,569.91	54,569.91

The allocated funds will be optimally utilized towards operational activities and it will be ensured that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services.”

## CHAPTER II

### PROCUREMENT POLICY FOR DEFENCE SERVICES

#### Defence Procurement Policy

The policy for procurement of Defence equipment for the Armed Forces aims to ensure timely procurement of military equipment, systems and platforms as required by the Armed Forces in terms of performance capabilities and quality standards, through optimum utilisation of allocated budgetary resources. The aim of the Defence Acquisition Policy is to ensure timely procurement of defence equipment to meet operational requirement through optimum utilisation of budgetary resources, observing highest degree of probity, public accountability, transparency, fair competition and level-playing field and simultaneously to achieve self-reliance in defence equipment production with ultimate aim to develop India as a global defence manufacturing hub. The policy is implemented through the mechanism of Defence Procurement Procedure (DPP).

2.2 It was further submitted by the Ministry that Defence Capital acquisition is carried out in accordance with the Defence Procurement Procedure (DPP)/Defence Acquisition Procedure(DAP) and undertaken through Ten years Integrated Capability Development Plan(ICDP), Five Years Defence Capability Acquisition Plan (DCAP) and Annual Acquisition Plan (AAP).The cases listed in the approved Annual Acquisition Plan (AAP) are progressed as per the DPP/DAP provisions and funds allocated and budgeted under the capital Acquisitions heads of concerned Service for the given financial year.

2.3 When asked about the Budget Estimates (BE), Revised Estimates (RE) and Actual Expenditure on Modernisation for capital acquisition for the last five financial years and current year, the Ministry forwarded the following statement:

*(₹ in Crore)*

Year	BE	RE	Actual
2019-20	80,959.08	90,179.14	91,053.15
2020-21	90,047.80	1,14,320.30	1,18,966.44

2021-22	1,11,463.21	1,13,717.59	1,13,781.27
2022-23	1,24,408.64	1,22,690.98	1,17,330.19
2023-24	1,32,301.27	1,29,528.26	1,29,184.84
2024-25 (Upto Sep,2024)	1,40,691.24	-	44,424.39

2.4 Regarding the revision and simplifying of the Defence Procurement Manual (DPM), a representative of the Ministry replied to the Committee as under:

“The evolution of this defence procurement policy has come from 2002 when the first time defence acquisition process was started and even since it has been revised nine times. With every revision, there are new features which have been added to make the plicy more robust and aligned to the current government policies.”

2.5 The Committee have also been informed that the objectives of the Defence Procurement Policy are to achieve substantive self-reliance in the design, development and production of equipment/ weapon systems/ platforms required for Defence in as early a time frame as possible; to create conditions conducive for the private industry to take an active role in this endeavour; to enhance potential of SMEs in indigenization and to broaden the Defence R&D base of the country.

2.6 When the Committee desired to know about the impact of ‘Make in India’ on the existing production policy of the Ministry of Defence, the Ministry stated as under:

“The Policy was updated in 2020. Many initiatives have been taken to promote ‘Make in India’ in the Defence sector and achieved substitute self-reliance in design, development and manufacture of defence equipment/platform. Few such initiatives are mentioned below:

(a) In order to promote indigenous design and development of defence equipment ‘Buy {Indian-IDD (Indigenously Designed, Developed and Manufactured)}’ category which was introduced in 2016 and was accorded top most priority for procurement of capital equipment, has been retained in

DAP 2020.

(b) Department of Military Affairs (DMA), Ministry of Defence, has notified Five Positive Indigenisation Lists (PILs):-

- i. 1<sup>st</sup> Positive Indigenisation list of 101 items on 21<sup>st</sup> Aug'20,
- ii. 2<sup>nd</sup> Positive Indigenisation list of 108 items on 31<sup>st</sup> May'21,
- iii. 3<sup>rd</sup> Positive Indigenisation List of 101 items on 7<sup>th</sup> Apr'22 and
- iv. 4<sup>th</sup> Positive Indigenisation List of 101 items on 19th Oct'22
- v. 5<sup>th</sup> Positive Indigenisation List of 98 items on 4<sup>th</sup> Oct'23

The timelines beyond which the items will be procured from domestic industry, has also been given in these lists. These lists include some high technology weapon systems like artillery guns, assault rifles, corvettes, sonar systems, transport aircrafts, light combat helicopters (LCHs), radars, wheeled armoured platform, rockets, bombs, armoured command post vehicle, armoured dozer and many other items to fulfil the needs of our Defence Services.

(c) In continuous pursuit of self-reliance in defence manufacturing and to minimize import by DPSUs, DDP/MoD has notified Five Positive Indigenisation list of total 5012 major LRUs/sub-systems/ assemblies/ sub-assemblies/ spares & components:-

1<sup>st</sup> Positive Indigenisation list contains 2500 items, which are already indigenized, and 351 items which will be indigenized in 3 years (Dec-22, Dec-23 & Dec-24).

ii. 2<sup>nd</sup> Positive Indigenisation list consists of 107 strategic important Line replacement units/major sub-assemblies.

iii. 3<sup>rd</sup> Positive Indigenisation list consists of 780 strategically important Line Replacement Units (LRUs)/Sub-systems/Components with the indigenisation timeline of Dec'23 to Dec'28.

iv. 4<sup>th</sup> Positive Indigenisation list of 928 items on 12<sup>th</sup> May'23.

v. 5<sup>th</sup> Positive Indigenisation list of 346 items on 25<sup>th</sup> Jun'24.

The details of these items are available on SRIJAN portal for Industry to show their interest. As on **01.10.2024**, **2991** items out of 5012 have been indigenised.

(d) The 'Make' Procedure of capital procurement is for greater participation of Indian Defence Industry including private sector, through the following procedures:-

(i) 'Make-I' category (Government Funded): There is a provision for funding upto 70% of development cost by the Government to Indian industry. In addition, there are specific reservations for MSMEs under the 'Make' procedure. So far, 44 projects relating to Army, Navy & Air Force have been accorded 'Approval in Principle'.

(ii) 'Make-II' category (Industry funded): Design and development and innovative solutions by Indian vendor, for which no Government funding will be provided. Number of industry friendly provisions such as relaxation of eligibility criteria, minimal documentation, provision for considering proposals suggested by industry. So far, 102 projects relating to Army, Navy & Air Force have been accorded 'Approval in Principle'.

(iii) Make-III (Manufactured in India through ToT from FOEMs): 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, so that Indian firms may manufacture these either in collaboration or with ToT from foreign OEMs. So far, 05 projects relating to Army, Navy & Air Force have been accorded 'Approval in Principle'.



(e) 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. A Grant of Rs 498.78 Cr. has already been sanctioned for Scheme for iDEX for the period 2021-22 to 2025-26 (five years). Recently, another scheme under iDEX, named ADITI (Acing Development of Innovative Technologies with iDEX) with a budgetary support of Rs. 750 Cr. for the period 2023-24 to 2025-26 (three years), has also been launched to provide support with grants of up to Rs. 25 Crore, targeting development of cutting edge, critical and strategic technologies. Two editions of ADITI challenges have already been launched.

(f) 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-IDDMM)' Category. Funding under TDF scheme was enhanced from Rs 10 Cr to Rs 50 Cr per project.”

### **Capital Procurement and Annual Acquisition Plan**

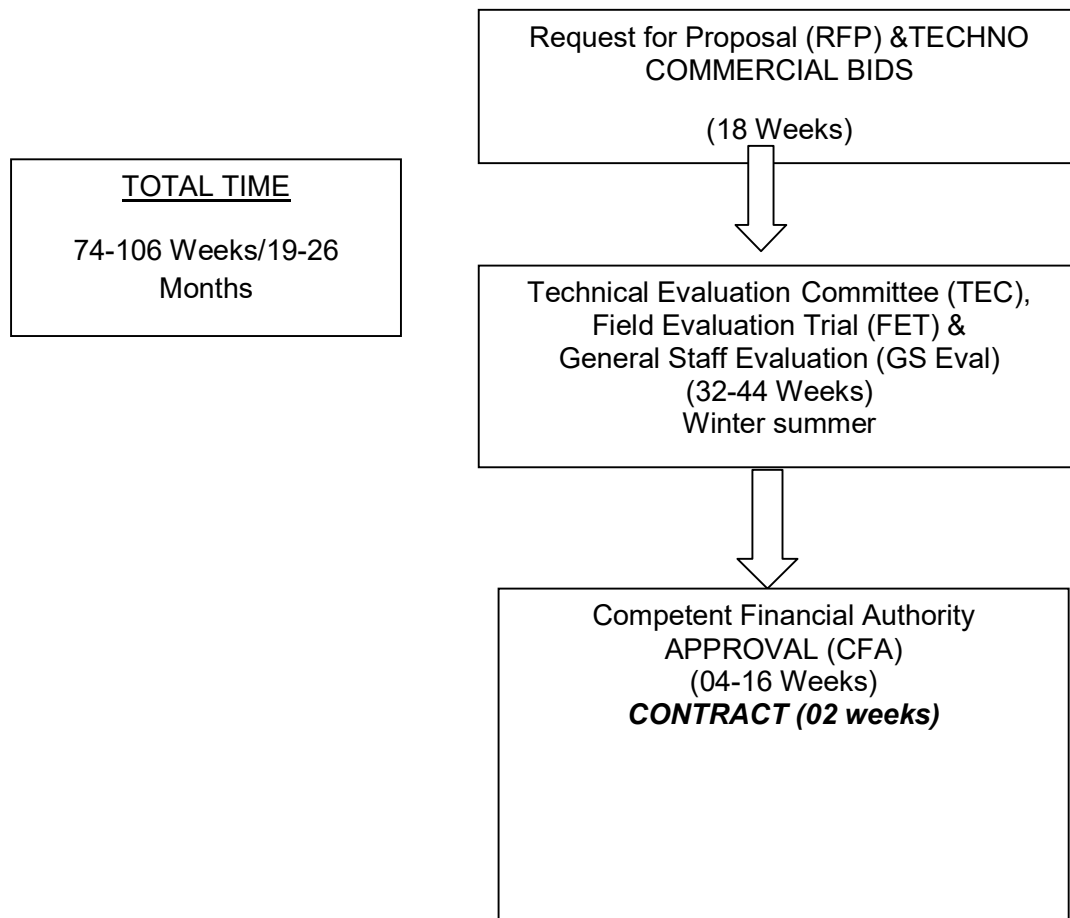
2.7 The Committee have been informed that Capital procurement cases are taken up by MoD based on Annual Acquisition plans and is being processed as per delegation of financial powers. Three Joint Secretary cum Acquisition Managers are the nodal points for capital procurements for each Service respectively. Capital procurement cases upto to ₹300 Cr. are delegated to Services HQs and cases above ₹300 Cr are processed by Ministry of Defence.

2.8 Giving a detailed overview of the multi-layered acquisition process of defence equipment/arms, the representative of the Ministry deposed before the Committee as under:–

“it is classified in two basic categories. One is pre-AoN, the pre-acceptance of necessity and thereafter after getting the acceptance of necessity. It is like any other public procurement. The request for information is floated. The inputs from the vendors are then assimilated and thereafter qualitative requirements are formulated and approved. The scaling and quantity vetting of the equipment is then carried out. The case is then moved to the Services Procurement Board, Defence Procurement Board or the Defence Acquisition Council based on the value, and acceptance of necessity and the categorization which I showed you on the last slide is allocated to that. Once that is done, the case is matured to be processed for acquisition. Post AoN, the tender is floated, that is the request for proposal is floated. Based on the bids received, the technical and commercial bids are received, the technical bids are put through technical evaluation and all the vendors which qualify the technical evaluation, their equipment is sought and put through a field evaluation trial. The trial report is then put through the staff evaluation. A Technical Oversight Committee is established in case the cases are more than Rs. 300 crore or there are certain complaints but it is not a mandatory step. Thereafter, a Contract Negotiation Committee is informed which opens the bid and carries out contract negotiation with the L1 vendor. Thereafter, the case is moved for the CFA approval. There are various CFAs based on the financial outgo of that. And finally, once the CFA approves the case, thereafter we go in for a contract. So, this is how the broad acquisition process takes place.”

2.9 When asked information about procurement timeline being followed by the Ministry in acquiring defence equipment the Ministry in a power-point presentation gave the following flowchart about current acquisition timeline:-

## ACQUISITION TIMELINES



### **Accountability and Transparency in Defence Procurement**

2.10 Following information was forwarded to the Committee by the Ministry on the measures instituted for ensuring accountability and transparency in Defence Procurement cases:

- Visibility of Capability Development Plan to Indian Defence Ecosystem – Technology Perspective & Capability Roadmap
- Hosting of policy changes, AoNs, RFI, etc on MoD website
- Interactive policy reviews with Indian defence industry /associations
- Use of Certification, Simulation etc.

2.11 On being asked about the steps taken by the Ministry to ensure higher transparency and providing enabling environment to the domestic manufacturers, the Ministry stated as below:–

“An attempt has been made to increase transparency in the defence acquisition process wherein maximum possible things are put on the internet. As I had mentioned, there is a technology perspective and capability roadmap plan which is uploaded on the internet. This is unclassified portion of the ICDP which gives the visibility to the vendors for the next five to 10 years as to what are the armed forces looking at, like capability, quantity etc. All the AONs and RFIs are hosted on the Ministry of Defence website as well as the respective service website. There have been recent policy reviews and all of them have been carried out in interaction with the industry so that they get the update of the aspects and it is also conducive to them. To reduce the time in trials and testing, a lot of certification and simulation is being accepted in case the certificates are from NABL accredited labs. To ensure level playing field for private industry, several steps have been taken. Firstly, there are enhanced opportunities through D&D categories for private industry which early used to be reserved for DPSUs. After corporatisation of OFBs, all these 41 factories have come at par with private industries. There is parity in securities and payment terms between DPSUs and private industries.”

### **Increasing Dependence on Foreign Suppliers for Military Hardware**

2.12 The Ministry furnished the following information on Defence equipment/items currently being imported and details of price and country of origin of these equipment:

“During the last financial year (2023-24) and current Financial year 2024-25 (upto September, 2024), total 271 capital acquisition contracts have been signed for capital procurement of defence equipment for Armed forces, out of which 6 contracts have been signed with vendors from foreign countries (Russia and USA) for capital procurement of defence equipment. The major Defence equipment imported includes Assault Rifles, Missiles, etc.

Capital procurement of defence equipment are undertaken from various domestic as well as foreign vendors, based on threat perception, operational challenges and technological changes so as to keep the Armed Forces in a state of readiness. The equipments so

inducted are being optimally exploited for operational purposes by the Defence Services.”

2.13 Information on the expenditure on Defence equipments Service-wise, imported from foreign vendors and acquired from indigenous sources over the last ten financial years under Capital Acquisition budget, forwarded to the Committee, is as under:

Details of Budget Estimate and procurement made from Domestic and Foreign procurement from Capital Acquisition (Modernisation) Budget for the last ten years and for FY 2024-25 are as under:-

(₹ in Cr)

Year	Total Capital Procurement (Budget Estimates)	Domestic Capital Procurement	Foreign Capital Procurement	Total Procurement
<b>2014-15</b>	75,148.03	39,879.00	25,980.98	65,859.98
<b>2015-16</b>	77,406.69	39,149.63	23,192.23	62,341.86
<b>2016-17</b>	69,898.51	41,872.03	27,278.09	69,150.12
<b>2017-18</b>	69,473.41	43,696.86	29,035.42	72,732.28
<b>2018-19</b>	74,115.99	38,963.68	36,957.06	75,920.74
<b>2019-20</b>	80,959.08	52,920.70	38,156.83	91,077.53
<b>2020-21</b>	90,047.80	76,073.98	42,786.54	1,18,860.52
<b>2021-22</b>	1,13,717.58	74,130.25	39,651.02	1,13,781.27
<b>2022-23</b>	1,24,408.66	79,060.43	38,123.84	65,859.98
<b>2023-24</b>	1,32,301.27	93,376.78	35,746.70	1,29,123.48
<b>2024-25</b> (Upto Sep,2024)	1,40,691.24	39,517.93	4,906.46	44,424.39

2.14 When asked about the factors that have led to India being the largest Defence import In the world, the Ministry in its written reply submitted as under:

“There is no reliable source of information confirming that India is largest defence importer. Any imports are made based on needs of equipment for which domestic manufacturing capabilities are not available. The procurement of defence equipment from domestic and foreign sources are based on threat perception, operational challenges and technological changes so as to keep the Armed Forces in a state of readiness to meet the entire spectrum of security challenges.

Government has taken various steps to develop indigenous defence industry for reducing dependency on import of defence equipment. “DAP-2020 has been driven by the tenets of Defence Reforms announced as part of the Artmanirbhar Bharat Abhiyan of the Government of India by promoting indigenous design, development and manufacturing of defence equipment, platforms, systems and sub-systems. DAP-2020 has introduced the following aspects with focus on boosting indigenous defence capability and reduction of reliance on imports: -

- (i) Notification of lists of weapons/platforms for ban on import.
- (ii) The IC has been enhanced in all procurement categories along with simplification of IC verification methodology.
- (iii) Introduction of Make III category for self-reliance through import substitution.
- (iv) Introduction of new acquisition category Buy (Global - Manufacture in India) to encourage Foreign OEMs to set up ‘Manufacturing/maintenance entities’ through its subsidiary in India under the new FDI policy.
- (v) Simplification of Make II and iDEX Procedure.

Further, to encourage domestic defence industry, MoD had earmarked funds amounting to ₹99,223 Cr (75% of the total capital budget) for domestic Capital Procurement in 2023-24. An amount of ₹1,05,518 Cr (75% of the total capital budget) has been earmarked for the domestic Capital procurement in FY 2024-25.”

2.15 The Ministry of Defence furnished the following statements containing details of Capital Procurements through indigenous and Foreign Sources and value of imports:

1. Details of Capital Procurement through Indigenous and Foreign sources (Rs. in Crores) for the period 2021-22 to 2023-24 are appended below:-

<u>Year</u>	<u>Total Procurement</u>	<u>Procurement from Foreign Vendors</u>
<b>2021-22</b>	1,13,511.11	40,325.09
<b>2022-23</b>	1,17,015.31	38,123.84
<b>2023-24</b>	1,29,074.25	35,746.70

2.16 Further, imports for three services (Rs. in Crores) for the period 2021-22 to 2023-24 is as follows:-

<u>Services</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
<b>Army</b>	3614.25	11,696.95	1471.77
<b>Navy</b>	16,283.62	13,316.44	6373.96
<b>Air Force</b>	20,427.22	13,110.45	27,900.97
<b>Total</b>	<b>40,325.09</b>	<b>38123.84</b>	<b>35746.7</b>

### Private Sector Participation

2.17 Enumerating the steps taken by the Ministry in ensuring level playing field for private defence industry, the Ministry apprised the Committee as under:

“There are enhanced opportunities through D&D categories for private industry which early used to be reserved for DPSUs. After corporatisation of OFBs, all these 41 factories have come at par with private industries. There is parity in securities and payment terms between DPSUs and private industries.

Coming to the certain recent initiatives which have been taken, firstly there is DAP which I showed you in the beginning. It came up in 2020 and is a continuously evolving process. So far, we have carried out 103 business process re-engineering changes or the amendments to this which is making this document current and relevant as of now. There is regular interaction with the industry academia and all the policy decisions are taken based on these interactions.

There are certain initiatives which have been taken like the iDEX, TDF and Aditi which has been launched in March this year and which is sub-part of the iDEX wherein the Government support is given to the vendors for MSMEs and startups, especially DPSUs for developing niche and key technologies in the country”.

## **Offset Clause**

2.18 The Ministry apprised the Committee of the Offset Clause under Defence capital Acquisition as under:

“Offsets under Defence Capital Acquisition were introduced in the Defence Procurement Procedure (DPP) in 2005 based on the recommendation of Kelkar Committee. The Offset guidelines in DPP have been amended 6 times thereafter.

As per latest Defence Acquisition Procedure (DAP 2020), offset provisions are applicable only on “Buy Global” categories of capital acquisitions. The offset provisions apply in capital acquisition contracts which are more than ₹ 2,000 Crore. However, the offsets are not applicable to procurements under “Fast Track Procedure” and in “Option Clause” cases if the same was not envisaged in the original contract. No offsets will be applicable in all *ab-initio* Single Vendor Cases including procurements based on IGA/FMS. It is relevant to note that offset applicability on Indian companies under ‘Buy Global’ cases do not arise in case the indigenization component is 30% or more. Offset contracts are co-terminus with the main procurement contract and signed along with the main procurement contract after approval of Competent Financial Authority (CFA). The period of offset discharge can be extended on exceptional grounds by a maximum period of 02 years. The DAP stipulates eligible products/services for discharge of offset obligations which covers defence products and MRO related to helicopters and aircrafts. The responsibility



for fulfilment of offsets obligations lies with the main vendor. However, the vendor is permitted to discharge his obligations through Tier 1 sub-vendors based on their work share. In case of investment and/or transfer of technology, the offset discharge can be permitted by entities other than vendor/Tier-I Sub-vendor on a case to case basis. The vendors are free to select their Indian Offset Partners (IOP) from DPSU/DRDO/Private Industry. The Offset Policy further allows vendors to submit offset details at later stage after signing of the contract i.e. either at the time of seeking offset credits or one year prior to discharge of offset obligations.

Offset obligations can be discharged by any one or a combination of the following avenues as per Defence Acquisition Procedure (DAP) 2020:

<b>Sl. No.</b>	<b>Discharge Avenue</b>	<b>Indian Offset Partner</b>	<b>Remarks</b>
1	Direct purchase of or executing export order for eligible Products or Services	Private Sector/DPSU	Eligible product/ services Listed (Investment in civil infrastructures & training has been excluded)
2	Investment in Defence Manufacturing through FDI or direct investment or JV or through non-equity route for co-production, co-development and production or licensed production of defence products.	Private Sector/DPSU	Through FDI
3	Investment in Transfer of Technology for manufacture of eligible	Private Sector/DPSU	Through JV/non equity route

	products		
4	Acquisition of technology through ToT to Government Institutions & establishments	DRDO/DPSU	
5	Critical Technology Acquisition	DRDO	Critical technologies listed

The key objectives of the offset provisions as contained in DAP 2020 is to leverage capital acquisitions and technology to develop Indian defence industry by:-

(a)Fostering development of internationally competitive enterprises;  
and

(b)Augmenting capacity for Research, Design and Development related to defence products and services.

The offset policy mandates foreign OEM's to discharge offset obligations through a combination of permissible avenues w.r.t. eligible product & services in all procurements cases where cost of the capital acquisitions is ₹ 2000 Crores or more as per DAP 2020.

The policy also provides for “Multipliers” as incentives for offsets in targeted areas, to promote MSME and acquisition of critical technology. The following multipliers are permitted under DAP 2020:

<b>Incentive</b>	<b>Multiplier</b>
Eligible Products	1.0
Components of eligible products	0.5
Investment in defence manufacturing	1.5
Investment in Defence Industrial Corridors for defence manufacturing	2.0
<b>IOP</b>	

MSME	1.5
Private Industry (ToT)	2.0
DPSUs/DRDO (ToT)	3.0
DRDO (Critical Technology)	4.0

2.19 On being asked about the gains of the offset provisions and changes in existing provisions in the new DPP. The Ministry submitted as under:

“As on date, a total of 57 Defence Offset contracts have been signed in MoD. The contracted offset obligations due as on 11.10.2024, is US\$ 8.81 billion against which the vendors have submitted offset claims amounting to US\$ 8.44 billion. Out of the submitted claims, offset claims worth US\$ 6.71 billion have been disposed.

Offset contracts are under different stages of implementation by the foreign OEMs. Once executed, it is estimated that the respective contract shall cause generation of substantial business to Indian industries thus strengthening the defence industrial base. It shall also facilitate the Indian domestic industry to be a vital part of the supply chain of the major global defence industries reaping in more benefits. As a result of offsets, 352 Indian Offset Partners (IOPs) have been created which has contributed to the strengthening of the defence eco-system.

Learning from the experience in implementing the Offset policy over the years since DPP 2005, the Ministry has gradually fine-tuned the Offset Policy and the guidelines thereof to factor in the difficulties encountered in the implementation of the offsets to strengthen the domestic defence industrial base together with other synergic sectors including civil aerospace and internal security. This has resulted in the enlargement of the available avenues for discharge of offsets together with amplification of the products and services and specifying other measures making them more user friendly, notably-

- (a) Graduating successively from only public enterprises to include both private and public enterprises as offset partners.
- (b) Specifying and enlarging the products and services qualifying as eligible.
- (c) Equity and non-equity investments.

- (d) Investment in kind in terms of transfer of technology/ equipment to Indian enterprises, Govt. Institutions and establishments including DRDO through incentivising by higher multiplier upto 4.
- (e) Incentivizing involvement of MSMEs, by inclusion of multipliers.
- (f) Incentivizing investment in defence manufacturing in Defence Industrial Corridors notified by the Department of Defence Production, MoD.
- (g) Enabling acquisition of state – of – the – art critical technologies by DRDO.
- (h) Allowing discharge of obligations through entities other than vendor/Tier-I sub-vendor for investment and/or ToT on a case to case basis.
- (i) Extension of the discharge timeframe.
- (j) Enhancing the reporting cycle to real time submission of offset claims through online portal (earlier as per DPP 2016 it was on 6 monthly basis).

2.20 When asked about the challenges, if any, being faced by the Ministry of Defence in executing the offset contracts, the Ministry stated as under:

“Earlier, the vendors were required to give details of Indian Offset Partners, products and work share along with supporting documents in the technical offset proposal as per offset guidelines. However, the vendors have been expressing difficulties in providing these details at technical evaluation stage sighting that these activities would be undertaken number of years later which would then cause seeking changes to the contract. One of the major challenges towards post contract management had been timely and meaningful disposal of contract amendment requests received from the vendors for change of IOP/Product etc. Resolution of these issues was a long drawn out procedure since the earlier DPPs did not have provisions for handling such issues. The resolution of these issues have been catered by introducing an amendment to the offset guidelines after approval of Defence Acquisition Council (DAC), whereby vendors have been given an option to provide details of IOPs and products even after signing of contracts making it more realistic. Further, the process for contract

amendment has been made flexible by allowing change of Indian Offset Partners (IOPs) and offset components for the signed contracts.”

On being asked about instances where offsets as promised could not be materialized. and whether any action has been taken in this regard, the Ministry informed the Committee as follows:

“Offset obligations are to be discharged within a time frame that can extend beyond the period of the main procurement contract by a maximum period of two years. The period of the main contract includes the period of warranty of the equipment being procured under the main contract. Offset contracts are long term and complex in nature. These contracts are at various stages of implementation. Vendors report the offset discharge undertaken through online portal (usually, on quarterly/six monthly basis) which are monitored. The offset guidelines provide for imposition of penalty in case of shortfalls in annual offset discharge by the vendor. In twenty three offset contracts, penalty/interim penalty has been imposed on shortfalls in offset discharge by the vendor. The total penalty that has been imposed works out to be US\$ 88.60 Million.

In order to dis-incentivise vendors from frequent requests of rephasing of offset obligations to tide over shortfalls and escape penal provisions, the rephasing clauses have been modified in the Defence Offset Guidelines in DPP 2016 and DAP 2020 w.e.f 08/08/2019. As per the revised provisions, a vendor may, giving reasons, request re-phasing of the offset obligations within the period of the offset contract. The first re-phasing request of the vendor will be processed without any disincentives if the spread of re-phasing is restricted up to the following year. However, if the re-phasing of offset value is proposed over the subsequent years, then 5 % additional obligation will be imposed on re-phased value of every year. The re-phasing request for second and subsequent attempts will be processed by imposing additional 5% on proposed yearly re-phased offset value irrespective of the spread of re-phasing. This yearly additional 5% offset obligation for processing re-phasing request will be over and above the outright financial penalty on shortfall specified at Para 8.11 of Defence Offset Guidelines. Re-phasing will not be permitted beyond the period stipulated in Para 5.2 of the guidelines.”

## **Foreign Direct Investment (FDI)**

2.21 On being asked about the current FDI Limit, the Ministry informed the Committee as under:

“The Government has reviewed the Foreign Direct Investment (FDI) policy in Defence Sector in September 2020 thereby allowing FDI under Automatic Route up to 74% and beyond 74% through Government Route wherever it is likely to result in access to Modern technology or for other reasons to be recorded.”

2.22 Further, the Committee were informed that Current FDI policy facilitate upto 100% by Government route wherever, it is likely to result in access to modern technology or for other reasons to be recorded. Increasing the automatic route till 100% will nullify the ownership of domestic partner.

2.23 The details of the FDI/JV proposals which have been approved in the Defence Sector in the past five calendar years have been forwarded to the Committee as follows:

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

<b>Name of JV</b>	<b>Activity</b>
<b>2019</b>	
<b>M/s Indo Russian Rifles Pvt Ltd</b>	<b>Design, Development and Production of Kalashnikov Series Rifle.</b>
<b>2020</b>	
<b>M/s Omnidyne Systems Pvt Ltd</b>	<b>Research, Development and Manufacturing of advanced, state of the art, unmanned vehicle systems and related technologies.</b>
<b>M/s Eibit Systems Ltd</b>	<b>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</b>

	<p>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.</p>
1	
M/s Everchem Asia Pvt Ltd	<p>age 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.</p>
2022 – Nil	
2023	
M/s Saab FFVO India Pvt Ltd	<p>Design, development, manufacture and assembly of the next- generation.-. reusable man-portable recoilless weapon called Carl-Gustaf M4 (Carl-Gustaf).</p> <p>Manufacturing ancillaries such as a state of the art intelligent optical-electronic sight control system or fire control device, called the FCD558 (FCD).</p> <p>Undertaking critical epoxy-impregnated carbon fibre winding process and manufacturing certain related components, along with their respective connected accessories to be used in the Carl-Gustaf (Carbon Fibre Winding).</p>

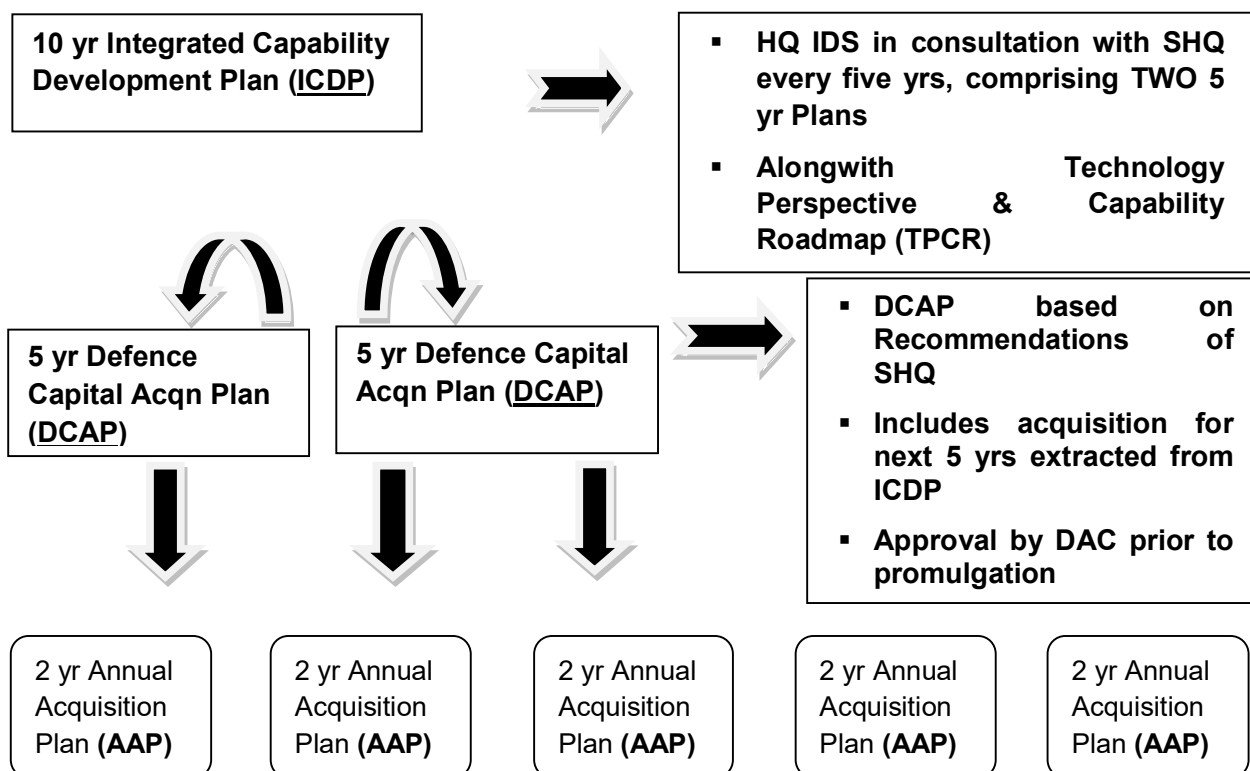
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## CHAPTER III

### DEFENCE PLANNING

3.1 The Committee found that defence planning process, caters for the current and future modernization needs of the Armed Forces which are in terms of weapon platforms, ammunitions, equipment, infrastructure and manpower. Since this is an exhaustive process involving lot internal and external variables of dynamic nature wherein each factor changing in domestically or globally could have an impact on country's war preparedness. It is therefore, imperative that the defence planning has to be dynamic and adaptive. Keeping in mind the diverse need of all the three services, Headquarters, Integrated Defence Staff (HQ IDS) had been made as a single point contact to ensure a joint planning for all the three services. HQ IDS has developed system called the Integrated Capability Development System (ICDS) which is a top down iterative process through which the defence planning is carried out. A brief about various level of planning in the form of flowchart is enclosed below:–

#### Acquisition Planning Process





- Prepared by SHQ
- Roll-on Acquisition Plan, before commencement of each fin year; forms basis of each proposal for AoN
- Draft AAP submitted by SHQ to HQ IDS by 31<sup>st</sup> Dec post comments of AMs, ADGs ACQ Tech & FMs
- Consolidated AAP prepared with prioritised schemes
- Approval from DPB by 15<sup>th</sup> March

3.2 Five Year Plans. In this regard, the Ministry in written reply stated as under:-

“Defence Five Year Plans were formulated to maintain and augment Defence Capabilities in line with Raksha Mantri’s (RM’s) Operational Directive, the long Term Perspective Planning and the current threat perception. These plans helped to estimate the outlay required to achieve the planned objective.”

3.3 Giving an overview of the achievements so far made in the Defence Five Year Plans the Ministry in written reply submitted as below:-

The 13<sup>th</sup> Defence Plan was foreclosed. Notwithstanding the same, details of the contracts and AoN in the 12<sup>th</sup> Plan and in the period of the now foreclosed 13<sup>th</sup> Defence Plan are as follows:-

(a) AoN granted during the 12<sup>th</sup> Defence Plan:-

FY	Total AoNs (Domestic)		Total AoNs (Foreign)		Grand Total	
	Nos.	Cost	Nos.	Cost	Nos.	Cost
<b>2012-13</b>	29	21,594	31	65,542	60	87,136
<b>2013-14</b>	37	30,809	17	6,955	54	37,764
<b>2014-15</b>	36	91,561	14	6,091	50	97,652
<b>2015-16</b>	41	43,834	18	1,42,163	59	1,85,997
<b>2016-17</b>	22	97,548	15	11,100	37	1,08,648

(b) Contract signed during the 12<sup>th</sup> Defence Plan:-

FY	Total AoNs (Domestic)	Total AoNs (Foreign)	Grand Total
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	<b>Nos.</b>	<b>Cost</b>	<b>Nos.</b>	<b>Cost</b>	<b>Nos.</b>	<b>Cost</b>
<b>2012-13</b>	28	27,016	27	20,064	55	47,080
<b>2013-14</b>	14	938	14	12,568	28	13,506
<b>2014-15</b>	28	51,804	18	11,405	46	63,209
<b>2015-16</b>	39	18,026	23	28,401	62	46,427
<b>2016-17</b>	19	13,128	26	81,333	45	94,461

(c) AoN granted during the 13<sup>th</sup> Defence Plan:-

<b>FY</b>	<b>Total AoNs (Domestic)</b>		<b>Total AoNs (Foreign)</b>		<b>Grand Total</b>	
	<b>Nos.</b>	<b>Cost</b>	<b>Nos.</b>	<b>Cost</b>	<b>Nos.</b>	<b>Cost</b>
<b>2017-18</b>	45	35,052	18	11,591	63	46,643
<b>2018-19</b>	39	121,032	13	30,745	52	1,51,777
<b>2019-20</b>	29	18,391	11	17,766	40	36,157
<b>2020-21</b>	44	55,153	5	9,563	49	64,716
<b>2021-22</b>	37	29,262	3	932	40	30,194

(d) Contract signed during the 13<sup>th</sup> Defence Plan:-

<b>FY</b>	<b>Total AoNs (Domestic)</b>		<b>Total AoNs (Foreign)</b>		<b>Grand Total</b>	
	<b>Nos.</b>	<b>Cost</b>	<b>Nos.</b>	<b>Cost</b>	<b>Nos.</b>	<b>Cost</b>
<b>2017-18</b>	31	33,785	16	7,121	47	40,906
<b>2018-19</b>	25	27,925	19	53,108	44	81,033
<b>2019-20</b>	24	44,464	14	28,586	38	73,050
<b>2020-21</b>	29	65,172	10	2,039	39	67,211
<b>2021-22</b>	29	27,780	11	14,350	40	42,130

3.4 When the Committee inquired about the targets/ projects/activities, if any, which could not be achieved in accordance with the Defence Five year Plans and reasons therefore, the Ministry in a written reply stated as under:-

“Activities included in the Plans proceeded during the Plan period within the available budget allocations. The schemes were reprioritized to ensure that urgent and critical capabilities are

acquired without any compromise to operational preparedness of the Defence Services.”

3.5 Since the Five Year Defence Plans have never been got final approval of Ministry of Finance, therefore the Ministry was asked about the steps taken in this regard. Through a written note, the Ministry submitted as under:

“Formulation of the new joint capability development process termed as Integrated Capability Development System (ICADS) is underway at the Services level. Based on the same, the Integrated Capability Development Plan will be prepared which will comprise Five-Year Defence Capital Acquisition Plans and Two-Year Annual Acquisition Plans which will factor in budgetary projections”

(ii) Further, Government has set up a Defence Planning Committee (DPC) to facilitate comprehensive and integrated planning for defence matters. The DPC is a permanent body under the chairmanship of the National Security Adviser (NSA). The DPC comprises of the Chairman, Chief of the Staff Committee (COSC), the Service Chiefs, Defence Secretary, Foreign Secretary and Secretary (Expenditure), as members.

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## **PART II**

### **OBSERVATIONS/RECOMMENDATIONS**

#### **Ministry of Defence Budget and Demands for Grants 2024-25: An Overview**

The Committee are not oblivious of the fact that 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 Pensions. Demand Nos. 19 and 22 come under Civil/Pension Estimates and Demand Nos. 20 and 21 constitute Defence Services Estimates. Grant Number 20 caters to revenue expenditure which includes expenditure on pay & allowances, transportation, revenue stores (like ordnance stores, ration, petrol, oil and lubricants, spares, maintenance of various platforms / equipment etc), revenue works (which include maintenance of buildings, water and electricity charges, rents, rates and taxes, etc) and other miscellaneous expenditure. Grant Number 21 caters to Capital expenditure which includes expenditure on land, construction works, plant and machinery, equipment, heavy and medium vehicles, Naval Vessels, Aircraft and Aero engines, Dockyards, etc. During the examination of the subject, the Committee find that re-structuring of Capital budget has been done with effect from FY 2024-25 wherein budgetary allocation of the three Services under common minor heads has been clubbed under the newly introduced Sub Major Head 09 i.e Defence services. Allocation under

other minor heads which are not common to the Services remain unchanged.

During the examination of Demands for Grants of the Ministry of Defence for 2024-25, the Committee learn that the total allocated budget for the Ministry of Defence for Financial Year 2024-25 is ₹ 6,21,940.85 crore. Out of this amount, the largest share of 73.12 percent, i.e. ₹ 4,54,772.67 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 ₹ 1,72,000 crore. An amount of ₹ 2,82,772.67 crore has been allocated to Defence Services Revenue (Grant Number 20).

#### **Capital Outlay on Defence Services: BE 2024-25 and BE2023-24**

2. The Committee note that the capital budget of defence services is bifurcated into capital acquisition and other than capital acquisition with outlays of ₹1,40,691.24 crore and ₹ 31,308.76 crore respectively in BE 2024-25. The Committee take note of this fact with satisfaction that the total capital outlay of Defence services has registered an increase of 5.79 per cent from that of BE 2023-24. The capital acquisition expenditure which is also known as the modernisation budget of the Defence Services – Army, Navy, Air Force and Joint Staff – reflects an increase of 6.34 per cent in comparison with BE 2023-24. Other than the Capital Acquisition segment, which consists of the land and works expenditure of the Armed Forces and the capital budget of DRDO, DGQA and Directorate of Ordnance (Coordination & Services), has seen an increase of 3.33 percent when compared to BE 2023-24. At this stage, the Committee desire that the

**total Capital Outlay projected for Revised Estimates 2024-25 be allocated so as to maintain upward trajectory of Capital budget allocation for the Defence Services.**

### **Utilisation of Capital budget**

**3. The Committee learn that the total allocation under Capital Head at Revised Estimates 2023-24 to Army, Navy, Air Force, Joint Staff, Directorate of Ordnance (Coordination & Services) and R&D stood at ₹ 33,412.16 crore, ₹ 51,052.18 crore, ₹ 58,500.51 crore, ₹ 1,396.18 crore, ₹ 1,310.50 crore and ₹ 12,942.85 crore, respectively. The Committee, on examination of the budgetary documents in connection with DFG 2024-25, find that barring Army and Joint staff, the other Services and Organizations are able to fully utilize the funds allocated at RE 2023-24 for Capital Budget. While noting that about 65 percent of the grants could be utilized till the completion of the third quarter of the Financial Year, the Committee would like to be apprised as to what are the plans/schemes/channels/trajectory in place for utilizing the remaining 35 percent until the time this Financial Year draws to a close. The Committee, at this stage, hope that the Ministry would undertake a pragmatic approach while seeking further allocations at RE stage for making a realistic assessment of the allocations sought.**

### **Ratio of Capital and Revenue Outlay for the Services**

**4. On scrutiny of the documents provided by the Ministry of Defence in connection with examination of Demands for Grants for the year 2024-25, the Committee note that since 2019-20 onwards, the**

**'Revenue' component of the total outlay for the three Services overshadows the 'Capital' component significantly. The overall 'Revenue' to 'Capital Ratio' of the budgetary allocation for the Services stands at 66:34, 61:39, 64:36, 65:35, 66:34 and 67:33 for 2019-20, 2020-21, 2021-22, 2022-23 and 2023-24, respectively. For 2024-25, this 'Revenue' to 'Capital Ratio' of the budgetary allocation stands at 66:34. The Committee are given to understand that Revenue expenditure (Demand No. 20) includes expenditure on pay & allowances, transportation, revenue stores (like ordnance stores, rations, petrol, oil and lubricants, spares, maintenance of various platforms/equipment etc.), revenue works (which include maintenance of buildings, water and electricity charges, rents, rates and taxes, etc) and other miscellaneous expenditure; Capital expenditure includes expenditure on land, construction works, plant and machinery, equipment, heavy and medium vehicles, Naval Vessels, Aircraft and Aero engines, Dockyards, etc. In the considered view of the Committee, both Revenue and Capital expenditure play significant roles in operational preparedness of our Forces. Therefore, the Committee hope that allocations under Capital head need to be suitably matched to balance the ratio of Revenue and Capital outlay for the Services.**

### **Modernization of Defence Forces**

**5. The Committee glean through the available facts before them that the Modernisation of Defence Forces is funded through Capital segment of the Defence budget. Modernisation involves the acquisition of new state-of-the-art platforms, technologies and**

weapon systems to upgrade and augment defence capabilities. It is a continuous process based on threat perception, operational challenges and technological changes to keep the Armed Forces in a state of readiness to meet the entire spectrum of security challenges. The equipment requirements of the Armed Forces are planned and progressed through a detailed process which includes 15 Year Long Term Integrated Perspective Plan (LTIPP), a 5 year Service-wise Capability Acquisition Plan, a 2 year roll-on Annual Acquisition Plan and deliberations by the Defence Acquisition Council chaired by the Raksha Mantri.

The Committee note that in 2024-25, out of the amount of ₹ 1,72,000 crore allocated for Capital Outlay on Defence Services for the Services/Organisations covered under Defence Services Estimates, ₹ 1,40,691.24 crore is allocated for Capital Acquisition /Modernisation Head of the three Services viz. Army, Navy (including Joint Staff) and Air Force. The Committee also find that the allocation for Modernisation Head of the Services has seen an increase of ₹ 8,000 crore from BE 2023-24. Keeping in view the need for maintaining credible war deterrence at all times, the Committee recommend that enhanced budgetary allocation, if sought, under Capital Head for modernization purpose at Revised Estimates 2024-25 may be given to ensure state-of-the-art weapons/equipment and logistical support for the Armed Forces.

### **Committed Liabilities and New Schemes**



**6. The Committee also learn that Committed Liability means payments anticipated during a financial year in respect of contracts concluded in previous years and holds first charge on the budget allocation. Committed Liabilities constitute a significant element in respect of the capital acquisition segment, since one project may span several financial years. New Schemes include new projects/proposals which are at various stages of approval and are likely to be approved and contracts concluded during the year. The Committee further learn that in the Defence Services Estimates (DSE), there is no separate allocation of funds for Committed Liabilities (CL) and New Schemes (NS) and these are catered through the Capital Acquisition (Modernization) budget. In the current financial year 2024-25, an amount of ₹ 1,40,691.24 crore is allocated in BE 2024-25 under Capital Acquisition (Modernisation) Head. The Committee are satisfied to note that there is no gap between projection and allocation in BE 2024-25 under Capital Acquisition (Modernisation) Head for the three Services. The Committee at this stage can only recommend that like for BE 2024-25, projected amount under this Capital Acquisition (Modernisation) Head at Revised Estimates stage of 2024-25 may be favourably considered by the Ministry to ensure unhampered and continuous modernization process of the Defence Forces.**

### **Defence Procurement Policy**

**7. The Committee find that policy for procurement of defence equipment for the Armed Forces aims to develop the capability of the armed forces and by meeting the security and operational needs. The**

thrust remain to buy contemporary armaments in a time bound manner. Simultaneously, it also envisages to make India self-reliant in defence equipment production with the ultimate aim to develop India as a global defence manufacturing hub. The policy is implemented through the mechanism of Defence Procurement Procedure (DPP). The Committee also find that the Defence Procurement Procedure 2016 has been revised as Defence Acquisition Procedure 2020 which is driven by the tenets of Defence Reforms announced as part of Aatmanirbhar Bharat Abhiyan. In order to promote indigenous design and development of defence equipment 'Buy {Indian - IDDM (Indigenously Designed, Developed and Manufactured)}' category which was introduced in 2016 and was accorded top most priority for procurement of capital equipment, has been retained in DAP 2020. The Committee were also informed that Ministry of Defence has notified a second positive Indigenization List comprising 108 items for which there would be an interim embargo on the import. Some special features, which have been included in the DAP 2020 are special chapters on Information and Communication Technology requiring more security, ruggedness as well as technological obsolescence in a faster timeframe.

The Committee were informed by the Ministry that the last Defence Procurement Manual (DPM) came out in 2016 and is presently under revision to incorporate the latest orders and other developments. The Ministry in its submission has stated that it has been revised nine times during last 11 years and due to diversity of our geographical terrain the procurement manual has to cater for all

eventualities. Though the Committee take cognizance of the fact that the requirements of each of the armed forces are very complex yet the Committee expect that the Ministry to accelerate the revision of Manual on Defence Acquisition Procedure as this will not only put the procedure for procuring fast track the arms, ammunition and defence equipment in fast lane but also propel the country towards self-reliance. Hence, the Committee recommend that time bound and determined efforts must be made by all the stakeholders involved in the process of procurement such as the Ministry, DPSUs the Armed Forces and private sector as this is vital for realization of the goal of self-reliance in Defence Sector.

8. The Committee note from the information furnished by the Ministry that acquisition time line is 74-106 Weeks/19-26 Months, which according to the Committee is a much stretched period of time in terms of strategic risks involved. The Committee is of the view that with high level of dynamism in the field of technology such a long timeline can result in technology becoming obsolete and redundant hence directly having adverse impact on the security of the country. Furthermore, the dynamism of international geopolitics relations can also threaten the acquisition through traditional channels and allies which is evident in the recent Russo-Ukraine War. Therefore, in the wake of dynamism exhibited in terms of technological development and global relations, the Committee recommend that Ministry should try to identify ways in which the defence equipment acquisition can be accelerated without compromising on the transparency and accountability of the process. This would not only help in

empowering our forces but will also act as deterrent for hostile countries. The Committee may be apprised of the action taken in this regard.

### **Accountability and Transparency in Defence Procurement**

9. The Committee note that for ensuring accountability and transparency in Defence Procurement cases, the Ministry has taken various measures like interactive policy reviews with Indian defence industry, use of certification, simulation, visibility of Capability Development Plan to Indian Defence Ecosystem, hosting of policy changes, AoNs, RFI, etc on MoD website, etc. The Committee appreciate the steps taken by the Ministry for ensuring accountability and transparency in the Defence Sector but would also recommend the need to warrant that all the measures/steps taken are implemented stringently at all levels and a robust monitoring mechanism must be formulated for ensuring fair and timely procurement of weapon systems. At the later stage the Committee may also be apprised of the number of cases, if any, when persons were found guilty after implementation of guidelines.

10. The Committee also note that in order to ensure level-playing field for private defence industry vis-à-vis the DPSUs, various measures like enhanced opportunities through DND categories which have been given to the private industry since the Ordinance Factory Board (OFB) has been corporatized, there are seven DPSUs which have been added, and there has been a parity in securities and payment terms

between the DPSUs and bank guarantees which were earlier five to ten per cent were reduced to three per cent and they remain at three per cent as on today. The Committee applaud the initiatives taken to attract the private enterprisers in the defence sector but there is still a lot more to be done in this direction. Amongst the private players in defence sector, the Committee prescribe that the Ministry should try to encourage indigenous private enterprises instead of foreign conglomerates. Considering long and arduous gestation period in defence manufacturing sector, the Committee would recommend the Ministry to enhance capital procurement and augment design and research assistance for indigenous players in order to create vibrant indigenous private defence manufacturing hub which is also the essence of the Atmanirbhar Bharat program. The Committee would also like to point that existence of flourishing private defence sector would necessitate the need for articulated design and patent laws synchronised with the unique needs of defence manufacturing sector.

#### **Dependence on Foreign Suppliers**

11. The Capital procurement of Defence equipment from Indian and foreign vendors is carried out as per the provisions of the Defence Procurement Procedure. Defence equipment is being imported from various countries as per the operational requirements of Armed Forces. The Committee have been informed that during the last financial year (2023-24) and current Financial year 2024-25 (upto September, 2024), total 271 capital acquisition contracts have been signed for capital procurement of defence equipment for Armed forces, out of which 6 contracts have been signed with vendors from foreign countries (Russia and USA) for capital procurement of

defence equipment. The major Defence equipment imported includes Assault Rifles, Missiles, etc. The Committee also note that the value of foreign capital procurement has also gone down drastically during the last three years and current year. All these data show that dependence on foreign Suppliers is decreasing substantially thus Committee is hopeful that India would soon become self reliant in defence sector.

### **Self Reliance and Make in India**

12. The Committee note that the 'Make in India' initiative of the Government is devised to transform India into a global design and manufacturing hub. 'Make in India' in defence sector is primarily driven by providing preference to procurement from Indian vendors under the Defence Procurement Procedure (DPP), promoting indigenous design, development and manufacture of defence equipment, and other policy measures such as launch of iDEX and ADITI, simplification of Make procedure, introduction of simplified procedure for Make II sub-category, liberalization of the licensing regime and FDI policy by raising the cap on FDI in the defence sector, simplification of export procedure, streamlining of defence offset guidelines, creation of level playing field between public and private sector, formulation of outsourcing and vendor development guidelines, setting up of 'Technology Development Fund' to public and private sector industry especially Medium, Small and Micro Enterprises (MSME) etc. The proposals for capital acquisition in Defence Procurement Procedure (DPP) are categorized as 'Buy (Indian-IDDMM)', 'Buy (Indian)', 'Buy and Make (Indian)' & 'Buy and Make' with preference over 'Buy (Global)' category, to make the

country self-reliant in defence production after deliberations in various committees such as SPB/ DPB/ DAC. The Ministry has also made allocation of 75% of Modernisation Defence budget for Domestic Procurement in FY 2024-25. Similarly, for promoting 'Make in India' several policy measures have been taken by way of revising FDI policy, enhancing indigenous/local contents to minimum 50%, creation of Defence Industrial Corridors in Uttar Pradesh and Tamilnadu and delivery of offsets through Indian partners with higher multipliers etc. The Committee are happy with the progress being made towards promotion of Make in India and making India Atmanirbhar in defence sector.

#### Offset Clause

13. The Committee note that the Offsets under Defence Capital Acquisition were introduced in the Defence Procurement Procedure (DPP) in 2005 based on the recommendation of Kelkar Committee. The Offset guidelines in DPP have been amended 6 times thereafter. As per Defence Acquisition Procedure (DAP 2020) offset provisions are applicable only on "Buy Global" categories of capital acquisitions. They apply in capital acquisition contracts which are more than Rs. 2,000 crore. However, the offsets are not applicable to procurements under "Fast Track Procedure" and in "Option Clause" cases if the same was not envisaged in the original contract. Further no offsets will be applicable in all ab-initio Single Vendor Cases including procurements based on Inter Governmental Agreements/Foreign Military Sales (IGA/FMS) and the offset applicability on Indian companies under 'Buy Global' cases do not arise in case the

indigenization component is 30% or more. The Committee also note that offset contracts are co-terminus with the main procurement contract and signed along with the main procurement contract after approval of Competent Financial Authority (CFA) and the period of offset discharge can be extended on exceptional ground by a maximum period of two years. Further the DAP stipulates eligible products/services for discharge of offset obligations which covers defence products and Maintenance, Repair and Operations (MRO) related to helicopters and aircrafts. Though the responsibility for fulfillment of offsets obligations lies with the main vendor, however, the vendor is permitted to discharge his obligations through Tier 1 sub-vendors based on their work share. In case of investment and/or transfer of technology the offset discharge can be permitted by entities other than vendor/Tier-I Sub-vendor on case to case basis and the vendors are free to select their Indian Offset Partners (IOP) from DPSU/OFB/DRDO/Private Industry. The Offset Policy further allows vendors to submit offset details at later stage after signing of the contract *i.e.* either at the time of seeking offset credits or one year prior to discharge of offset obligations.

The Committee are given to understand that the vendors have been expressing difficulties in providing the details of Indian offset partners, products and work share along with supporting documents in the technical offset proposal as per offset guidelines at Technical Offset Evaluation Committee (TOEC) stage, sighting that these activities would be undertaken number of years later which would then cause seeking changes to the contract. Another major challenge



towards post contract management had been timely and meaningful disposal of contract amendment requests received from the vendors for change of IOP/Product etc. The resolution of these issues have been catered for by introducing an amendment to the offset guidelines with the approval of Defence Acquisition Council, whereby vendors have been given an option to provide details of IOPs and products even after signing of contracts, thereby making it more realistic. Although the Committee appreciate the fact that the process for contract amendment has been made flexible by allowing change of Indian Offset Partners (IOPs) and offset components, for the signed contracts yet there is scope for the Ministry to strive further towards effective implementation of offset guidelines based on the feedback received from the vendors at the grass-root level. Therefore, the Committee recommend that Ministry of Defence play more proactive role in selection of offset partners since the inception of such agreement in order to avert any kind of breach of offset agreement at any level. Furthermore, the Committee is in total concurrence that the success of indigenization of defence sector is adhered to fulfillment of offset agreement *in toto*. Additionally, therefore the Committee recommend that Ministry should work out a mechanism to ensure that all the offset agreements are implemented thoroughly at all level to give momentum to indigenization programmes. The violators of offset agreement may be penalized appropriately keeping the security perception in mind. The Committee may be apprised of the action taken in this regard.

### **Foreign Direct Investment**

14. The Committee note the Government has reviewed the Foreign Direct Investment (FDI) policy in Defence Sector in September 2020 thereby allowing FDI under Automatic Route up to 74% and beyond 74% through Government Route wherever it is likely to result in access to Modern technology or for other reasons to be recorded. The Committee note that this FDI limit was increased from 49% to 74% to ensure that it will come along with the technology also and the FDI limit has also been made attractive enough as it facilitate up to 100% through Government Route. The Committee are of the considered view that the Ministry should ensure that despite raising the limits of FDI to as high as 74%, the purpose of self reliance should not be hampered. Furthermore, the Committee note that current FDI policy facilitate up to 100 per cent by Government route wherever, it is likely to result in access to modern technology or for other reasons to be recorded. The Ministry also submitted that consequently increasing FDI through automatic route to 100 per cent will nullify the ownership of domestic partner. The Committee, therefore, recommend that in addition to the measures taken for making FDI more attractive, focused efforts may be undertaken by the Ministry to strengthen indigenous R&D base of the country and increase coordination between the public and private sector within the country, so that the indigenous defence sector is encouraged to develop and manufacture technologies/systems/accessories independently which are presently being acquired through the FDI route.

### **Defence Planning**

**15. The Committee note that the Defence Planning process caters to the need of the current and future modernization need of the Armed Forces. The Committee understand that since this is an exhaustive process involving lot of internal and external variables of dynamic nature, it needs to be dynamic and adaptive. The Committee have been informed that keeping in mind the diverse need of all the three services, Headquarters Integrated Defence Staff(HQ IDS) had been made as a single point contact to ensure a joint planning for all the three services. The Committee are happy to note that HQ IDS has developed Integrated Capability Development System(ICDS) which carries out the defence planning through an interactive process.**

**The Committee have been informed that Integrated Capability Development Plan will be prepared which will comprise Five Year Defence Acquisition plan and Two-Year Annual Acquisition Plan which will factor in budgetary projections. The Committee would like to be informed of the current status of ICDP as well as the benefits accrued due to this plan.**

**NEW DELHI;**

**17 December, 2024**  
**26 Agrahayana, 1946 (Saka)**

**RADHA MOHAN SINGH,**

**Chairperson,**  
**Standing Committee on Defence.**

**STANDING COMMITTEE ON DEFENCE (2024-25)**

**MINUTES OF THE THIRD SITTING OF THE STANDING COMMITTEE ON  
DEFENCE (2024-25)**

The Committee sat on Thursday, the 21 November, 2024 from 1100 hrs. to 1700 hrs. in Committee Room `D', Parliament House Annexe, New Delhi.

PRESENT

Shri Radha Mohan Singh — *Chairperson*

MEMBERS

*Lok Sabha*

2. Dr. Rajeev Bharadwaj
3. Shri Karti P Chidambaram
4. Captain Viriato Fernandes
5. Shri Shashank Mani
6. Shri Lumba Ram
7. Shri Bishnu Pada Ray
8. Shri Jagannath Sarkar
9. Shri Jagadish Shettar
10. Shri Virendra Singh
11. Shri Kesineni Sivanath
12. Shri Richard Vanlalhmangaiha

***Rajya Sabha***

13. Shri Naresh Bansal
14. Shri Shaktisinh Gohil
15. Shri Prem Chand Gupta
16. Shri Naveen Jain
17. Shri Praful Patel
18. Shri Dhairyashil Mohan Patil
19. Shri Sanjay Singh

SECRETARIAT

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

## **LIST OF WITNESSES**

### **Ministry of Defence**

#### **Capital Outlay on Defence Services**

1.	Gen. Anil Chauhan	CDS & Secretary (DMA)
2.	Rajesh Kumar Singh	Defence Secretary
3.	Sanjeev Kumar	Secretary (DP)
4.	Dr. S. V. Kamat	Secretary (DDR & D)
5.	Dr. Niten Chandra	Secretary (ESW)
6.	Sugata Ghosh Dastidar	FA(DS)
7.	Air Mshl SP Dharkar	VCAS
8.	Lt Gen NS Raja Subramani	VCOAS
9.	Lt Gen Rajiv Ghai	DGMO
10.	Lt Gen JP Mathew	CISC
11.	Lt Gen Pratik Sharma	DCOAS(Strat)
12.	Lt Gen Rahul R Singh	DCOAS(CD&S)
13.	Vice Admiral Tarun Sobti	DCNS
14.	Samir Kumar Sinha	AS&DG(Acq)
15.	Lt Gen Ulhas Kirpekar	DG FP
16.	Lt Gen Manish Mohan Erry	DG SP
17.	Lt Gen Vineet Gaur	DG CD
18.	Ms. Dipti Mohil Chawla	AS,DoD
19.	Lt. Gen. Atul Anand	AS,DMA
20.	Sanjay Kumar	Addl. FA (SK) & JS
21.	Maj Gen G S Choudhry	JS (Army & TA)/DMA
22.	Manish Tripathi	JS (Parliament)
23.	Subhash Kumar	DS(Budget)

#### **Procurement Policy & Defence Planning**

1.	Gen. Anil Chauhan	CDS & Secretary (DMA)
2.	Rajesh Kumar Singh	Defence Secretary
3.	Sanjeev Kumar	Secretary (DP)
4.	Dr. S V. Kamat	Secretary (DDR & D)
5.	Dr. Niten Chandra	Secretary (ESW)

6.	Sugata Ghosh Dastidar	FA(DS)
7.	V Adm Sanjay Vatsayan	DCIDS (PP&FD)
8.	Samir Kumar Sinha	AS & DG(Acq)
9.	Siddhartha Singh Longjam	AS & FA (Acq)
10.	Dr. Ajay Kumar	JS & AM (LS)
11.	Dharmendra Kumar Singh	JS & AM (Air)
12.	Dinesh Kumar	JS & AM (MS)
13.	AVM GK Mohan	ADG Acq Tech (Air)
14.	Maj Gen Abhay Dhayal	ADG Acq Tech (Army)
15.	IG AP Badola PTM TM	DDG (P&P)
16.	Sanjay Kumar	Addl. FA (SK) & JS
17.	Manish Tripathi	JS (Parliament )
18.	Subhash Kumar	DS (Budget)

### **Indian Army**

1.	Gen. Anil Chauhan	CDS & Secretary (DMA)
2.	Atul Anand	Addl. Secy., DMA
3.	Sugata Ghosh Dastidar	FA(DS)
4.	Lt Gen NS Raja Subramani	VCOAS
5.	Lt Gen Rajiv Ghai	DG MO
6.	Lt Gen Pratik Sharma,	DCOAS (Strat)
7.	Lt Gen Rahul R Singh	DCOAS (CD&S)
8.	Lt Gen Ulhas Kirpekar	DGFP
9.	Lt Gen Manish Mohan Erry	DG SP
10.	Lt Gen Vineet Gaur	DGCD
11.	Lt Gen VPS Kaushik	AG

- |     |                             |                   |
|-----|-----------------------------|-------------------|
| 12. | Lt Gen VMB Krishnan         | QMG               |
| 13. | Lt Gen Amardeep Singh Aujla | MGS               |
| 14. | Ms. Dipti Mohil Chawla      | AS, DoD           |
| 15. | Sanjay Kumar                | Addl. FA(SK) & JS |
| 16. | Maj Gen G S Choudhry,       | JS(Army&TA)/ DMA  |
| 17. | Subhash Kumar               | DS(Budget)        |

### **Indian Air Force**

- |    |                         |                       |
|----|-------------------------|-----------------------|
| 1. | Gen. Anil Chauhan       | CDS & Secretary (DMA) |
| 2. | Atul Anand              | Addl. Secy., DMA      |
| 3. | Sugata Ghosh Dastidar   | FA(DS)                |
| 4. | Air Mshl SP Dharkar     | VCAS                  |
| 5. | Air Mshl Tejinder Singh | DCAS                  |
| 6. | Ms. Dipti Mohil Chawla  | Addl. Secy., DoD      |
| 7. | AVM Vikram Gaur         | JS(Air), DMA          |
| 8. | Eddie L. Khawlhing      | Addl. FA& JS          |
| 9. | Subhash Kumar           | DS(Budget)            |

### **Indian Navy**

- |    |                               |                       |
|----|-------------------------------|-----------------------|
| 1. | Gen. Anil Chauhan             | CDS & Secretary (DMA) |
| 2. | Atul Anand                    | Addl. Secy., DMA      |
| 3. | Sugata Ghosh Dastidar         | FA(DS)                |
| 4. | Ms. Dipti Mohil Chawla        | Addl. Secy., DoD      |
| 5. | Vice Adm. Tarun Sobti         | DCNS                  |
| 6. | Rear Admiral Alok Ananda, YSM | ACNS (P&P)            |
| 7. | R. Adm. Vikram Menon          | JS (Navy)             |

- |    |               |                   |
|----|---------------|-------------------|
| 8. | Sanjay Kumar  | Addl. FA(SK) & JS |
| 9. | Subhash Kumar | DS(Budget)        |

**Indian Coast Guard**

- |    |                         |                      |
|----|-------------------------|----------------------|
| 1. | Rajesh Kumar Singh      | Defence Secretary    |
| 2. | Ms. Dipti Mohil Chawla  | Addl. Secy., DoD     |
| 3. | Sugata Ghosh Dastidar   | FA(DS)               |
| 4. | DG S Paramesh PTM, TM   | DGICG                |
| 5. | Shri Pawan Kuamr Sharma | JS (Training/CG/SSC) |
| 6. | Sanjay Kumar            | Addl. FA(SK) & JS    |
| 7. | Subhash Kumar           | DS(Budget)           |

**Joint Staff**

- |    |                        |                       |
|----|------------------------|-----------------------|
| 1. | Gen. Anil Chauhan      | CDS & Secretary (DMA) |
| 2. | Atul Anand             | Addl. Secy., DMA      |
| 3. | Sugata Ghosh Dastidar  | FA(DS)                |
| 4. | Ms. Dipti Mohil Chawla | Addl. Secy., DoD      |
| 5. | Lt Gen JP Mathew       | CISC                  |
| 6. | V Adm Sanjay Vatsayan  | DCIDS(PP&FD)          |
| 7. | R. Adm. Vikram Menon   | JS (Navy)             |
| 8. | Sanjay Kumar           | Addl. FA(SK) & JS     |
| 9. | Subhash Kumar          | DS(Budget)            |

**Directorate General of Defence Estate**

- |    |                       |                   |
|----|-----------------------|-------------------|
| 1. | Rajesh Kumar Singh    | Defence Secretary |
| 2. | Ms. DiptiMohil Chawla | Addl. Secy., DoD  |
| 3. | Sugata Ghosh Dastidar | FA(DS)            |



4.	G S Rajeswaran	DGDE
5.	Valeti Premchand	Addl. DG, DGDE
6.	Ms. Nigar Fatima	Addl DG
7.	Ms. Vibha Sharma	Addl. DG
8.	Ms. Sonam Yangdol	Addl. DG
9.	Rakesh Mittal	Joint Secy (L&W)
10.	Sanjay Kumar	Addl. FA(SK) & JS
11.	Eddie Lalrinliana Khawlhring	Addl. FA(EL)& JS
12.	Subhash Kumar	DS(Budget)

### **Border Roads Organization**

1.	Rajesh Kumar Singh	Defence Secretary
2.	Samir Kumar Sinha	AS & DG(Acq)
3.	Ms. Dipti Mohil Chawla	AS, DoD
4.	Sugata Ghosh Dastidar	FA(DS)
5.	Lt Gen Raghu Srinivasan	DGBR
6.	Mayank Tewari	JS(BR)
7.	Sanjay Kumar	Addl. FA(SK) & JS
8.	Eddie Lalrinliana Khawlhring	Addl. FA concerned
9.	Subhash Kumar	DS(Budget)

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them of the agenda for the Sitting i.e. oral evidence of the representatives of Ministry of Defence in connection with examination of Demands for Grants for the year 2024-25.

3. Thereafter, the Chairperson welcomed the Defence Secretary, representatives of the Armed Forces and the Ministry of Defence to the Sitting of the Committee convened to deliberate on the subjects 'General Defence Budget, Department of Military Affairs (DMA), Ministry of Defence (Civil), Capital Outlay on Defence Services, Procurement Policy and Defence Planning, Army, Air Force, Navy, Joint Staff, Coast Guard Organisation (CGO), Directorate General Defence Estate (DGDE) and Border

Roads Organization (BRO)' in connection with examination of Demands for Grants of the Ministry of Defence for the year 2024-25.

4. Subsequently, drawing attention to the Direction 55(1) of the Directions by the Speaker, Lok Sabha to treat the deliberations of the sittings as 'confidential', he requested the representative of the Ministry to give an overview of the subject after introducing themselves.

5. Thereafter, the Defence Secretary initiated the discussion by giving an overview of Defence Services Estimates and other Demands for Grants of the Ministry of Defence for 2024-25. The highlights of the brief given by the Defence Secretary are as under:

- (i) The total outlay for Ministry of Defence is Rs. 6,21,940.85 crore which is approx 12.90 percent of Budgetary Estimates of the country and 1.9 percent of Gross Domestic Product (GDP);
- (ii) Out of total allocation, Rs. 4,54,772.67 crore has been allotted for Defence Services Estimates, Rs. 25,963.18 crore for MoD (Civil) and Rs. 1,41,205 crore for Defence pensions;
- (iii) Seventy-five percent of Defence Modernization budget has been earmarked for domestic industry in FY 2024-25; and
- (iv) The export percentage has been increased to thirty-one percent during the last ten years.

6. Then, a Power Point Presentation on **General Defence Budget** was made before the Committee. This was followed by detailed deliberations on the following issues:

- (i) The total Defence Budget for 2024-25 i.e. BE Rs. 6,21,940.85 crore is an increase of 4.79 percent in Defence Budget in comparison to BE 2023-24;
- (ii) Defence Service Estimates which is almost seventy-three percent of the total Defence Budget;
- (iii) Enhancement in Non-salary revenue outlays allocation for the Defence Services in BE 2024-25 in comparison to BE 2023-24;
- (iv) Increase in revenue and capital budget as compared to previous year allocation;
- (v) Initiatives for creating an enabling environment and encouraging indigenous design, development and manufacture of defence equipment;
- (vi) Reasons for less expenditure in capital head by Army;
- (vii) Critical aspects of indigenous defence acquisition;

- (viii) Types of defence equipments exported by defence sector;
- (ix) Innovative solutions for productivity of ex-servicemen and reduction in pension bill;
- (x) Budget involved in non-kinetic warfare;
- (xi) Reasons for increase in the Budget for Navy;
- (xii) Budget allocation for modern warfare to equip Armed Forces;
- (xiii) Use of advance equipments for servilance of border areas and the budget allocation;
- (xiv) Quantity of defence equipments exported by DPSUs and Private Sector;
- (xv) Implementation of `Operation Sadbhavana' sceme in Jammu and Kashmir and north eastern areas;
  
- (xvi) Reasons for emergency procurement of defence equipments;
- (xvii) Inclusion of all indeginized products in Srijan portal
- (xviii) Increase in Defence allocation to meet actual requirement keeping in view current security scenario;
- (xix) Planning for upgradation and modernisation of conventional arms;
- (xx) Strategy for achieving complete indigenization and self-reliance in Defence sector;
- (xxi) Association with private players in Defence sector;
- (xxii) Comparison with neighboring countries regarding expenditure on equipments and development of infrastructure.

7. The representatives of the Ministry of Defence then gave a Power Point Presentation on **Capital Outlay on Defence Services, Procurement Policy and Defence Planning** which was followed by discussion on a wider gamut of issues encompassing the following:

- (i) Defence Planning to cater current and further modernisation needs of the Armed Forces in terms of platforms, equipment, ammunitions, infrastructure and manpower;
- (ii) Complex and technology- intensive of Modern platforms;
- (iii) External and internal factors accounting for Defence Planning;

- (iv) Invention of methodology known as Integrated Capability Development System (ICATS);
- (v) Capability planning process which includes RMOD directive, net assessment, environment scan, SWOT analysis, etc.
- (vi) Reviewing of Integrated Capability Development Plan (ICDP) by headquarters IDS;
- (vii) Annual Acquisition plan for all the acquisitions;
- (viii) Defence Acquisition Procedure (DAP)-2020 for Defence Procurement Policy;
- (ix) Fundamental Philosophy for acquisition process;
- (x) Defence Acquisition Policy which aims to ensure timely procurement of defence equipment to meet the operational requirements;
- (xi) Priority of procurement of defence equipments;
- (xii) Basic categories for classification of acquisition process i.e. pre-AoN and Post-AoN;
- (xiii) Three pillars of Atmanirbharta i.e. Atmanirbhar Bharat, Make in India and ease of doing business;
- (xiv) Push for domestic defence ecosystem in FY 2024-25;
- (xv) Indigenization of various weapons and platforms including missiles, submarines, LCA, etc.;
- (xvi) Promotion of 'Make in India' aspects in domestic production ;
- (xvii) Transparency in the defence acquisition process;
- (xviii) Ensuring level playing field between the DPSUs and the Private Players;
- (xix) Recent initiative in DAP;
- (xx) Development of domestic defence ecosystem through enhanced avenues and increase vendor base.

***(The witnesses then withdrew and representatives of Department of Military Affairs and the Army came in)***

8. The Chief of Defence Staff gave an overview of the working of the three forces following which a Power Point presentation on the Army was made. This was followed by detailed deliberations on following issues:

- (i) Territorial Integrity maintaining by Army;

- (ii) Counter-terrorism and counter-insurgency operations in the country;
- (iii) Equipment and infrastructure deployment in border areas;
- (iv) Combating proxy war by Army;
- (v) Logistic operations in High Altitude Areas;
- (vi) Infrastructure development in northern and western borders;
- (vii) Induction of state-of-the art weapon system and platforms;
- (viii) Realistic training in all terrains by Army;
- (ix) Training of Army with friendly foreign countries;
- (x) Contribution of Army in Military Diplomacy;
- (xi) Role of women officers in Army;
- (xii) Contribution of Army in natural disaster and calamities;
- (xiii) Features of Vibrant Village Programme;
- (xiv) Budgetary allocation to Army;
- (xv) Contribution in sports by Army;
- (xvi) Role of Army towards humanitarian assistance and speedy relief during calamities
- (xvii) Medical assistance and care of veterans;
- (xviii) Modernization through induction of indigenous weapons and platforms;
- (xix) Schemes to enhance security infrastructure, surveillance, research and development and fighting abilities of Army.

***(The officials of Army then withdrew and officials of Air Force came in)***

9. Thereafter, a Power Point presentation on the Air Force was made. This was followed by detailed deliberations on following issues:

- (i) Integrated Air Command and Control System;
- (ii) Upgradation of Fighter Aircrafts upto 4<sup>th</sup> Generation capability;
- (iii) Indigenous upgradation of Su-30MKI;
- (iv) Shortage of authorized squadrons strength;
- (v) Study to analyze the major reasons for the delay of LCA;
- (vi) Joint air-ground-sea exercises;

- (viii) Role of women officers in combat units;
- (ix) Promoting and commitment for Atmanirbharta in Air Force;
- (x) Role of Air Force towards human assistance and disaster relief operations;
- (xi) Decline in accident rates in Air Force;
- (xi) Increase in Budget Estimate (BE) for the year 2024-25 as compared to the previous year 2023-24.

***(The officials of Air Force then withdrew and officials of Navy came in)***

10. Consequently, a power point presentation on the Navy was also made before the Committee following which deliberations on the following issues were held:

- (i) More allocation in Budget Estimates, Capital Budget and Revenue Budget of 2024-25 in comparison to Budget Estimates, Capital Budget and Revenue Budget of 2023-24;
- (ii) Maritime threats and challenges from traditional and non traditional sources;
- (iii) Area of operations of Navy to Africa and Australia continents;
- (iv) Bilateral and Multilateral exercises with friend foreign countries;
- (v) IOR maritime information hub linkages with 25 national and 50 multinational centres;
- (vi) Role of Navy in Multi-National contracts;
- (vii) 'Milan 24' Biennial exercise conducted at Visakhapatnam;
- (viii) Anti-piracy operations by Navy;
- (ix) Anti-Narcotics Operations by Navy;
- (x) Role of women officers in Navy;
- (xi) Promotion of Atmanirbharta through various projects like TEDBF and DBMRH;

***(The officials of Navy then withdrew and officials of Joint Staff came in)***

11. Following the discussion on the Navy, a power point presentation on Joint Staff was made. Members raised various queries related to the following:

- (i) Promoting jointness and integration of Armed Forces;

- (ii) Formulation of policy on Joint Op Capabilities, Training and Functional aspects;
- (iii) Financial planning and oversight of joint staff organizations;
- (iv) Defence Crisis Management Group for coordination of Armed Forces during humanitarian assistance and disaster relief operations;
- (v) Coordination of strategic defence intelligence
- (vi) Integrated Capability Development Plan for promoting jointness in procurement, implementing capital acquisitions plans of the services with a focus on achieving Atmanirbharta.

***(The witnesses then withdrew and representatives of the Ministry of Defence and Indian Coast Guard came in)***

12. After a brief introduction of the officials of Indian Coast Guard, a Power Point Presentation on the working of Indian Coast Guard was made. This was followed by discussion on following points:

- (i) Less allocation in BE 2024-25 as compared to BE 2023-24;
- (ii) Safety and protection of artificial islands and offshore oil terminals;
- (iii) Protection of fishermen including assistance at sea;
- (iv) Preservation and protection of marine environment;
- (v) Prevention and control of marine pollution;
- (vi) Assist customs and other authorities in anti-smuggling operations;
- (vii) Safety of life and property at sea;
- (viii) Assist in collection of scientific data;
- (ix) Enforcement of maritime enactments.

***(The officials of Indian Coast Guard then withdrew and officials of Directorate General Defence Estates came in)***

13. Followed by brief introduction of the officials of Directorate General Defence Estates (DGDE), a Power Point Presentation on the working of Defence Estates Organisation was made. This was followed by discussion on following points:

- (i) Increase in Revised Estimates allocation to DEO for 2022-23;

- (ii) Provisions relating to Municipal Administration of notified cantonments, land acquisition, post acquisition, land survey, etc.;
- (iii) Duties of cantonment Board i.e. sanitation, drains and sewerage, water supply, primary education health, roads and street lights, etc.;
- (iv) Status of cantonment board schools;
- (v) Infrastructure and facilities in cantonment board hospitals;
- (vi) Environment and waste management works;
- (vii) Industrial training institutes in cantonment Board;
- (viii) Features of eChhawani portal;
- (ix) New initiatives i.e. polythene Kachra Bank and E-Waste Drives/Bank
- (x) Proposal from the State Government for provision of Defence Land;
- (xi) Issues such as access to roads etc. faced by general public in Cantonment areas and efforts for resolution of these issues;
- (xii) Enforcement of building laws in cantonment area;
- (xiii) Policy regarding handing over of Defence institutions to civil municipal bodies adjoining the cantonment areas.

***(The representatives of Directorate General Defence Estates withdrew and representatives of Border Roads Organization came in)***

14. After a Brief introduction of the officials of Border Roads Organization (BRO), a Power Point presentation on Border Roads Organization was made. The deliberations were held on the subject on following points:

- (i) Budgetary figures for BRO for 2024-25;
- (ii) Role of BRO during the peace and in war periods;
- (iii) Involvement of Government Agencies like NHAI, CPWD, NHIDCL, State PWD by BRO;
- (iv) Challenging terrain, unfavourable climate and difficult security situation faced by BRO;
- (v) Initiation of Engineering Procurement and Construction to boost efficiency;
- (vi) Strategic projects being executed in J&K, Himachal Pradesh, Uttarakhand, Rajasthan, Ladakh, Nagaland, Manipur, Mizoram, Arunachal Pradesh, Sikkim and Andaman and Nicobar Islands;



(vii) Leverage in technology like use of steel slag and rejuvave technology for road construction; and

(viii) Sharing of expertise and knowledge with Public Works Department of various State Governments.

15. The Chairperson thanked the representatives of the Ministry of Defence for extensive discussion on the Demands for Grants and for responding to the queries of the Members. The Chairperson also requested the representatives to furnish information (which was not readily available) to the Secretariat expeditiously.

16. A copy of verbatim record of the proceedings has been kept on record.

*The Committee then adjourned.*

**STANDING COMMITTEE ON DEFENCE (2024-25)**

**MINUTES OF THE FOURTH SITTING OF THE STANDING COMMITTEE ON  
DEFENCE (2024-25)**

**The Committee sat on Thursday, the 26 November, 2024 from 1500 hrs. to  
1730 hrs. in Committee Room `D`, Parliament House Annexe, New Delhi.**

PRESENT

Shri Radha Mohan Singh — *Chairperson*

MEMBERS

***Lok Sabha***

2. Dr. Rajeev Bharadwaj
3. Shri Karti P Chidambaram
4. Shri Ranjit Dutta
5. Shri Mohamad Haneefa
6. Ms Jothimani
7. Shri Ravindra Shukla alias Ravi Kishan
8. Shri Shashank Mani
9. Shri Lumba Ram
10. Shri Jagannath Sarkar
11. Shri Jagadish Shettar
12. Shri Virendra Singh
13. Shri Kesineni Sivanath
14. Com. Selvaraj V.
15. Shri Richard Vanlalhmangaiha

***Rajya Sabha***

16. Shri Naresh Bansal
17. Shri N. Chandrasegharan
18. Shri Naveen Jain
19. Shri Muzibulla Khan
20. Shri Praful Patel
21. Shri Dhairyashil Mohan Patil

22. Shri Sanjay Singh  
23. Shri Sudhanshu Trivedi

### SECRETARIAT

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

### LIST OF WITNESSES

#### Ministry of Defence

#### Defence Public Sector Undertakings (DPSUs)

	<b>Name &amp; Designation (Shri/Smt./Mr./Ms.)</b>	<b>Designation</b>
1.	Sanjeev Kumar	Secretary (DP)
2.	Sugata Ghosh Dastidar,	FA(DS)
3.	Ms. Dipti Mohil Chawla,	AS, DoD
4.	Shri Shalabh Tyagi,	JS(P&C)
5.	Shri Rajeev Prakash,	JS(NS)
6.	Shri Amit Satija,	JS(DIP)
7.	Shri A. B. Pradhan, Dir (HR)	Director (HAL)
8.	Shri B Senapati, Dir (Fin)	Director (Finance)
9.	Shri Manoj Jain,	CMD (BEL)
10.	Cmde A Madhavarao,	CMD (BDL)
11.	Shri Shantanu Roy,	CMD (BEML)
12.	Dr. Sanjay Kumar Jha,	CMD (MIDHANI)
13.	Cmde P R Hari,	CMD (GRSE)
14.	Mr. Biju George,	Director (MDL)
15.	Shri Brajesh Kumar Upadhyay,	CMD (GSL)
16.	Cmde Hemant Khatri,	CMD (HSL)
17.	Sanjay Kumar,	Addl. FA(SK) & JS

- |     |                            |               |
|-----|----------------------------|---------------|
| 18. | Shri Amitabh Ranjan Sinha, | Addl. FA & JS |
| 19. | Subhash Kumar              | DS(Budget)    |

**Directorate of Ordnance (Coordination and Services)**

	<b>Name &amp; Designation (Shri/Smt./Mr./Ms.)</b>	<b>Designation</b>
1.	Sanjeev Kumar	Secretary (DP)
2.	Sugata Ghosh Dastidar,	FA(DS)
3.	Ms. Dipti Mohil Chawla,	AS, DoD
4.	Dr. Garima Bhagat,	JS (LS)
5.	Shri Sanjeev Gupta,	DGO(C&S)
6.	Shri Prakash Agarwala,	Dir. (Finance) MIL
7.	Shri Sanjay Dwivedi,	CMD AVANI
8.	Shri Rajesh Choudhary,	CMD AWEIL, TCL
9.	Shri Gurudutta Ray,	CMD YIL
10.	Shri G C. Agnihotri	CMD IOL
11.	Shri Sunil Date,	CMD GIL
12.	Ms. Sunita Mansukhani,	DDG (Budget)
13.	Shri Sanjay Mehrishi,	DDG (NDCD)
14.	Sanjay Kumar,	Addl. FA(SK) & JS
15.	Shri Amitabh Ranjan Sinha,	Addl. FA & JS
16.	Shri Eddie Lalrinliana Khawlhing	Addl. FA & JS
17.	Subhash Kumar	DS(Budget)

**Defence Research and Development Organisation (DRDO)**

	<b>Name &amp; Designation (Shri/Smt./Mr./Ms.)</b>	<b>Designation</b>
1.	Dr. Samir Venkatpati Kamat,	Secretary, DDR&D
2.	Ms. Dipti Mohil Chawla,	AS, DoD
3.	Dr. Subrata Rakshit,	DS & DG (TM) & DG (SAM)
4.	Dr. Manu Korulla,	OS & DG (R&M)
5.	Dr. (Ms) Chadrika Kaushik,	OS & DG (PC&SI)
6.	Shri Vedveer Arya,	Addl FA & JS

7.	Shri Sunil Sharma,	OS & Director, DPARO&M
8.	Dr. Sumit Goswami,	Sc 'G' & Director, P&C
9.	Shri Sugata Ghosh Dastidar,	FA(DS)
10.	Shri Sanjay Kumar,	Addl. FA(SK) & JS
11.	Shri Saurabh Shukla,	Scientist 'F' & Associate Director DPARO&M
12.	Subhash Kumar	DS(Budget)

### **Defence Pension, Welfare of Ex-Servicemen & Ex-Servicemen Contributory Health Scheme (ECHS)**

	<b>Name &amp; Designation (Shri/Smt./Mr./Ms.)</b>	<b>Designation</b>
1.	Dr Niten Chandra,	Secretary, ESW
2.	Sugata Ghosh Dastidar,	FA(DS)
3.	Ms. Dipti Mohil Chawla,	AS, DoD
4.	Dr Pudi Hari Prasad,	Jt. Secy (ESW)
5.	Lt Gen VPS Kaushik,	AG
6.	V Adm Sanjay Bhalla,	COP
7.	AVM Updesh Sharma,	VSM ACAS (Accts & AV)
8.	#*Brig DS Basera,	Secretary KSB
9.	Smt. Devika Raghuvanshi,	CGDA
10.	Maj. Gen Manoj Natrajan,	MD ECHS
11.	Maj Gen SBK Singh	DG(R)
12.	Eddie L. Khawlhing	Addl. FA & JS
13.	Shri Subhash Kumar	DS(Budget)

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them of the agenda for the Sitting i.e. oral evidence of the representatives of Ministry of Defence in connection with examination of Demands for Grants for the year 2024-25.

3. Thereafter, the Chairperson welcomed the representatives of Ministry of Defence to the Sitting of the Committee convened to deliberate upon Defence Public

Sector Undertakings (DPSUs), Directorate of Ordnance(Coordination and Services)- New DPSUs, Defence Research and Development Organisation (DRDO), Defence Pension, Welfare of Ex-Servicemen and Ex-servicemen Contributory Health Scheme (ECHS) in connection with examination of Demands for Grants of the Ministry of Defence for the year 2024-25.

4. Later, drawing attention to Direction 55(1) of the Direction by the Speaker, Lok Sabha to treat the deliberations of the sittings as 'confidential', he requested the representatives of the Ministry to give an overview of the subject after introducing themselves.

5. After formal introduction, the Secretary, Defence Production initiated the discussion by highlighting the works of the department which includes production of defence equipment in country, incorporating the components of indigenization, export of defence products, inclusion of new technologies in defence and creating an ecosystem of defence manufacturing wherein MSMEs, Start-Ups and private sector can participate . The highlights of the brief given by the Secretary are as under:

- (i) Defence manufacturing increase three fold to Rs. 1,27,264 crores in the year 2023-24 from Rs. 43,746 crores in the 2013-14:
- (ii) Export of defence products increased up to Rs 21,000 crores in the year 2023-24 from Rs. 686 crores in the 2013-14 ;
- (iii) Substantial steps taken towards 'Make in India' and achieving 'Atma Nirbhar Bharat'.
- (iv) A new portal ' Srijan' has been launched to promote indigenization by participation of MSMEs and Start ups. On this portal 32,000 defence components were listed for indigenization out of which process of indigenization of 12-13,000 components have been done. It is likely to be increased drastically by 2028-29. Consequently import of such components will be stopped.
- (v) Increase in R&D Budget

6. Thereafter, a Power Point Presentation was made by the representatives of nine Defence Public Sector Undertakings (DPSUs) i.e. Hindustan Aeronautics Limited, Bharat Electronics Limited, Mazagon Dock Shipbuilders Limited, Garden Reach Shipbuilders and Engineers Limited, Goa Shipyard Limited, Bharat Dynamics Limited, Mishra Dhatu Nigam Limited, BEML Limited and Hindustan Shipyard Limited. This was followed by detailed deliberations on the following issues:

- (xviii) Financial Data comprising turnover and profit made by said DPSUs;
- (xix) Status of Order Book Positions of DPSUs;
- (xx) Various measures undertaken to increase export and minimize import;
- (xxi) Modernisation activities taken by all DPSUs;
- (xxii) Measures taken towards indigenization and achieving 'Atma Nirbharta';
- (xxiii) Initiative taken for technological advancements in light of latest warfare techniques.
- (xxiv) Optimum focus on investment in research and Development;
- (xxv) Share of FDI and FII in DPSUs along with foreign investment by DPSUs;  
and
- (xxvi) Utilisation of CSR fund.

***(The representatives of the DPSUs then withdrew and representative of Directorate of Ordnance(Coordination and Services) came in.)***

7. After introduction of the representative of Directorate of Ordnance (Cord. & Serv.), a brief overview regarding seven new DPSUs was presented by the Secretary. Then representatives of new DPSUs made a Power Point Presentation before the Committee. This was followed by detailed deliberations on the following issues:

- (xii) Types of products being manufactured by these new DPSUs;
- (xiii) Financial performance comprising turnover and profit made by these new DPSUs;

- (xiv) Status of Order Book Positions;
- (xv) Challenges in transfer and merger of employees;
- (xvi) Financial Assistance being given by Government to these DPSUs;
- (xvii) Diversification in products being manufactured ;
- (xviii) Merger of existing seven DPSUs to synchronize their productions;
- (xix) Various initiatives being taken towards technology upgradation;

The Chairperson commended their journey despite several challenges being faced by new DPSUs.

***(The witnesses then withdrew and representatives of Department of Ex-Servicemen Welfare (DESW) came in.)***

8. The representatives of the Department commenced their briefing through a Power Point presentation. This was followed by detailed deliberations on the following issues/topics:

- (i) Armed Forces Veterans (Ex-Servicemen) including pensioners;
- (ii) Armed Forces Veterans (Ex-Servicemen) Contributory Health Scheme (ECHS) along with services provided by the Poly clinics;
- (iii) Initiatives undertaken for the welfare of ESM through Directorate General of Resettlement;
- (iv) Function of Kendriya Sanik Bords;
- (vi) Status and beneficiaries of Marriage Grants and Children Education Grants;
- (vii) Challenges to generate employment for ESM and measures undertaken to resolve them;
- (viii) Measures taken for stress management and mental health of ESM;



***(The witnesses then withdrew and representatives of Defence Research and Development Organisation (DRDO) came in.)***

9. The Secretary, DRDO gave an overview of the the organization with the help of a Power Point Presentation which was followed by deliberations on the following:

- (i) An overview of functions of DRDO;
- (ii) New initiative taken to meet changing requirements in defence sector;
- (iii) Technology Development Fund;
- (iv) Opening of Centre of Excellence for promotion of R&D in academia;
- (v) Initiative to Atma Nirbhar Bharat in defence technologies and systems;
- (vi) Induction of women scientists;
- (vii) Upgradation in drone detection and anti missile technology;
- (viii) Progress in landmine detection;
- (ix) Investment in R&D;
- (x) Monitoring of ongoing projects for timely delivery; and
- (xi) Vacancy and attrition rates in DRDO.

10. The Chairperson, then, thanked the representatives of the Ministry of Defence and the DRDO for extensive discussion on the Demands for Grants and for responding to the queries of the Members. The Chairperson also requested the representatives to furnish information to the Secretariat expeditiously.

11. A copy of verbatim record of the proceedings has been kept on record.

*The Committee then adjourned.*

**STANDING COMMITTEE ON DEFENCE (2024-25)**

**MINUTES OF THE FIFTH SITTING OF THE STANDING COMMITTEE ON  
DEFENCE (2024-25)**

The Committee sat on Thursday, the 12<sup>th</sup> December, 2024 from 1500 hrs. to 1515 hrs. in Committee Room No. '53', Samvidhan Sadan , New Delhi.

**PRESENT**

**Shri Radha Mohan Singh                      -                      Chairperson**

**MEMBERS**

**Lok Sabha**

- |    |                                        |
|----|----------------------------------------|
| 2  | Dr. Rajeev Bharadwaj                   |
| 3  | Shri Karti P Chidambaram               |
| 4  | Shri Ranjit Dutta                      |
| 5  | Captain Viriato Fernandes              |
| 6  | Shri Mohmad Haneefa                    |
| 7  | Ms. S. Jothimani                       |
| 8  | Shri Ravindra Shukla Alias Ravi Kishan |
| 9  | Shri Shashank Mani                     |
| 10 | Shri Lumba Ram                         |
| 11 | Shri Jagannath Sarkar                  |
| 12 | Shri Jagadish Shettar                  |
| 13 | Shri Virendra Singh                    |
| 14 | Shri Kesineni Sivanath                 |
| 15 | Com. Selvaraj V.                       |
| 16 | Shri Richard Vanlalhmangaiha           |

**Rajya Sabha**

- |    |                         |
|----|-------------------------|
| 17 | Shri Naresh Bansal      |
| 18 | Shri N. Chandrasegharan |
| 19 | Shri Shaktisinh Gohil   |

20	Shri Dhairyashil Mohan Patil
21	Dr. Sudhanshu Trivedi

### SECRETARIAT

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

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 Reports:-

- (i) **Demands for Grants of the Ministry of Defence for the year 2024-25 on 'General Defence Budget, Border Roads Organisation, Indian Coast Guard, Directorate General Defence Estates, Defence Public Sector Undertakings, Welfare of Ex-Servicemen and Defence Pension (Demand Nos. 19 and 22)';**
- (ii) **Demands for Grants of the Ministry of Defence for the year 2024-25 on 'Army, Navy, Air Force, Joint Staff and Ex-Servicemen Contributory Health Scheme (Demand Nos. 20 and 21)';**
- (iii) **Demands for Grants of the Ministry of Defence for the year 2024-25 on 'Capital Outlay on Defence Services, Procurement Policy and Defence Planning (Demand No. 21)';**
- (iv) **Demands for Grants of the Ministry of Defence for the year 2024-25 on 'Directorate of Ordnance (Coordination and Services–New DPSUs) and Defence Research and Development Organisation (Demand Nos. 20 and 21)';**
- (v) **Action Taken by the Government on the Observations/ Recommendations contained in the Forty-Second Report (17<sup>th</sup> Lok Sabha) on the subject 'A Review of the Working of the Defence Research and Development Organisation (DRDO)'; and**
- (vi) **Action Taken by the Government on the Observations/Recommendations contained in the Forty-Seventh Report (17<sup>th</sup> Lok Sabha) on the subject 'A Review of Functioning of Zila Sainik Boards in the Country'.**

3. After some deliberations, the Committee adopted the above reports without any modifications.
4. The Committee, then, authorized the Chairperson to finalise the above draft Reports and present the same to both the Houses of Parliament on a date convenient to him.
5. \*\*\*Does not pertain to the Report\*\*\*

The Committee then adjourned.