

COMMITTEE ON PUBLIC UNDERTAKINGS

(2002-2003)

(THIRTEENTH LOK SABHA)

FORTY FOURTH STUDY TOUR REPORT

BHARAT DYNAMICS LIMITED

LOK SABHA SECRETARIAT

NEW DELHI

April, 2003 / Vaisakha, 1925 (S)

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COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS
(2002 – 2003)

CHAIRMAN

Prof. Vijay Kumar Malhotra

MEMBERS

LOK SABHA

2. Shri Mani Shankar Aiyar
3. Shri Sudip Bandyopadhyay
4. Shri Ram Tahal Chaudhary
5. Shri Ajay Singh Chautala
6. Shri Shivraj Singh Chouhan
7. Smt. Sangeeta Kumari Singh Deo
8. Shri C. K. Jaffer Sharief
9. Shri K. E. Krishnamurthy
10. Shri Vilas Muttemwar
11. Dr. Prasanna Kumar Patasani
12. Shri Chandra Nath Singh
13. Shri Tarit Baran Topdar
14. Shri V. Vetriselvan
15. Shri Dinesh Chandra Yadav

RAJYA SABHA

16. Shri Suresh Kalmadi
17. Shri Kalraj Mishra
18. Shri Satish Pradhan
19. Shri K. Kalavenkata Rao
20. Shri Jibon Roy
21. Smt. Ambika Soni
22. Shri Lalitbhai Mehta #

SECRETARIAT

- | | | |
|----|---------------------|----------------------|
| 1. | Shri John Joseph, | Additional Secretary |
| 2. | Shri S. Bal Shekar, | Director |
| 3. | Shri C.S. Joon | Deputy Secretary |
| 4. | Shri Raj Kumar | Under Secretary |
| 5. | Smt. Vidya Mohan | Executive Assistant |

Elected w.e.f. 13.12.2002 vice Shri Vikram Verma ceased to be Member of the Committee consequent upon his appointment as a Minister w.e.f. 26.8.2002.

INTRODUCTION

In pursuance of the procedure adopted under Rule 281 of the Rules of Procedure and Conduct of Business for laying the Study Tour Reports on the Tables of both the Houses of Parliament, I, Chairman, Committee on Public Undertakings having been authorised by the Committee to lay the Study Tour Report on their behalf, lay this Forty-Fourth Study Tour Report of the Committee on their discussions with the officials of Bharat Dynamics Limited.

2. The Committee held discussions with the officials at Hyderabad on 10.06.2002. A copy of the tour programme is annexed (Annexure-I).

3. The Committee considered and approved the Report at their sitting held on 22.04.2003.

4. The Committee wish to express their thanks to Bharat Dynamics Limited for providing facilities during the visit of the Committee and for supplying necessary material and information required in connection with the Study Tour.

5. They would also like to place on record their sense of appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

New Delhi

PROF. VIJAY KUMAR MALHOTRA

April 23, 2003

CHAIRMAN

Vaisakha 3, 1925 (S) .COMMITTEE ON PUBLIC UNDERTAKINGS

STUDY TOUR NOTES OF THE COMMITTEE **ON PUBLIC UNDERTAKINGS**

Discussion with the Officials of Bharat Dynamics Limited **on 10.6.2002 at Hyderabad**

At the outset, the Chairman, Committee on Public Undertakings (COPU) made opening remarks and then requested the Chairman, Bharat Dynamics Limited (BDL) to introduce himself and his colleagues to the Committee. The Chairman, COPU also requested him to give a brief account of the working of the Company.

2. After introduction of officials of the Company, CMD, BDL informed the Committee that the Company was established in July 1970 under the administrative control of Ministry of Defence (Department of Defence Production & Supplies) with the prime objective of establishing a production base for guided missiles in India. It is now one amongst a few strategic industries of the world having the capability to produce the most advanced guided missile systems for the Armed Forces.

3. The Committee have also been informed that the production of Gun Launched Projectile (3UBK-20) (Under Licence from Russia) operated from T-90 with a range of 5 km. is expected very shortly. In collaboration with DRDO, the Company has also been nominated to produce the Akash, Nag and Trishul (New Version missiles) which are in different stages of development. Since the Company is among the strategic industries of the world, the Company has achieved substantial progress in absorbing technology from Defence Research & Development Organisation (DRDO) for manufacture of missiles. The Company expects to achieve a turnover of Rs. 600 crore sales by the year 2004-05.

The Company has two manufacturing units located at Kanchanbagh (Hyderabad) and Bhanur (Medak District). It produces the following Guided Missiles and Simulators.

- Milan Anti-tank Guided Missile (ATGM) (under License Agreement with Euromissile of France) with a range of 2 kms.
- Konkurs Anti-tank Guided Missile (ATGM) (under License Agreement from Russia) with a range of 4 kms.
- Prithvi, Surface-to-Surface Missile (SSM) with a range of 150 to 250 kms.
- Training simulators for anti tank guided missiles

The Company has 8 Divisions namely Milan Division, Akash Division, Design & Engineering Division, Trishul Division, IGMP Division, Common Services, Prithvi Division and Electronics Division.

4. The Committee have further been informed that the Perspective Plan of the Company envisages induction of various products during the medium term and long term periods. The planned products are as under:

a) **Medium Term Prospects** In the next 2-3 years BDL is endeavoring to produce Milan successor, Konkurs/Konkurs-M, Naval Torpedo (Sheyna), SFDs, Carnation-II. The Company will also undertake refurbishment of Air Launched Missiles (ALMs) for Indian Air Force.

b) **Long Term Prospects** Akash, Nag, Trishul (New version) missiles being developed by DRDO are to be taken up for production from the year 2004-05. The turnover of the Company will increase substantially during this period resulting in increased profitability of the Company.

In addition to the above, the plan also envisages projects like Anti Tank Guided Missile Simulators, Night Vision Adoption Kits for Anti Tank Guided Missile (ATGM) Launchers, Decoy systems for Indian Navy, Manufacture of composites and electronic sub-systems required for various missiles etc.

5. When asked how far the Company has been able to achieve its prime objective in becoming self reliant and competitive in missile technology and production, it has been informed to the Committee that due to progressive indigenisation effort of the Company, 94% Konkurs and 71% Milan is indigenised. This has reduced the Company's dependency on licensors and holding the price low vis-à-vis international prices. The Company is supplying Milan at a price of Rs. 4.20 lakh against the international prices of Rs. 10.65 lakh and Konkurs missiles at a price of Rs. 4.15 lakh against the international price of Rs. 6.25 lakh. The Company has developed in-house flame launcher for firing Milan Missiles and supplied to Army at 1/3rd the price of similar launchers, imported initially from France. The Committee have also been informed that the associated test equipment both for Milan as well as Konkurs ATGM systems have been developed. Army order for Konkurs ATGM Test Equipment has been received while Milan Test Equipment is under evaluation. The Company has also developed simulators, which are being supplied to Army.

6. When enquired whether BDL has re-cast its mandated role to meet the emerging needs particularly in defending the country against the evil designs of our adversaries in the light of the changes that have taken place due to advancement in Defence Research and Analysis , the Committee have been informed that the Company is vigorously upgrading the skills of employees and manufacturing facilities to manufacture any advanced missile involving sophisticated technologies. Further, the Company engineers are constantly interacting with Defence Research Development Organisation (DRDO) Scientists to upgrade knowledge and also to minimize the delay in productionisation of missiles, after the development is completed. As there will be sufficient requirement to manufacture state-of-the-art missiles in the years to come, the Company can continue to concentrate on the mandated role

7. The Company due to its consistent good performance has been categorised as Mini-Ratna Category-I. The Company has been granted autonomy and delegation of powers under the 'Mini Ratna' dispensation

conferred upon it by the Government subject to certain conditions and guidelines :

(i) Capital Expenditure

To incur capital expenditure on new projects, modernisations, purchase of equipment, etc. without Government approval upto Rs. 300 crore, or equal to their networth, whichever is lower.

(ii) Joint Ventures, Subsidiaries and Overseas Offices

To establish joint ventures and subsidiaries in India, with the stipulation that the equity investment of the PSEs should be limited to Rs. 100 crore in any one project, should not exceed 5% of the networth of the PSE in any one project, or 15% of the net worth of the PSE in all Joint Ventures/subsidiaries put together. Establishment of subsidiaries and opening of offices abroad may be finalised with the concurrence of the administrative Ministries.

(iii) Technology joint ventures and strategic alliances

To enter into technology joint ventures, strategic alliances and to obtain technology and know-how by purchase or other arrangements, subject to Government guidelines, as may be issued from time to time.

(iv) Schemes for HRD

To structure and implement schemes relating to personnel and human resource management, training, voluntary or compulsory retirement schemes, etc.

8. When enquired whether the present structure under the Mini Ratna status dispensation provide sufficient autonomy to the Company in carrying out its business, the Committee have been informed as under :

“Under Mini-Ratna status, adequate autonomy is available to the Company to run its business on truly commercial basis. Only after operating under Mini-Ratna dispensation for some length of time we would be in a position to bring out operational constraints and further improvements needed to make the system more viable.”

9. BDL is producing second generation ATGM missiles and Long Range Surface-to-Surface Missile. There has been a steady growth of the Company over the last 10 years. The Company at present is a Multi Unit, Multi-product and Multi-Technology Company with production Divisions. The main products which were produced and supplied to customers upto June, 2002 are :

Sl.No.	PRODUCT	Qty Delivered (Nos.)
1.	SS 11 B 1	8367
2.	MILAN	26,800
3.	KONKURS	24,500
4.	KONKURS LAUNCHER	1,317
5.	FLAME	800
6.	FLAME TEST EQUIPMENT (FLTE)	65
7.	INDOOR SIMULATOR FOR ATGM	15
8.	SUBMARINE FIRED DECOY (SFD)	200
9.	BDL IS PRODUCING AND SUPPLYING PRITHVI-I AND PRITHVI-II SYSTEMS.	

10. The value of production for the years from 1997-98 to 2001-02 are given below:

(Rs. in crore)

YEAR	AMOUNT
1997-98	296.13
1998-99	355.27
1999-2000	314.14

2000-01	218.61
2001-02	271.25

11. When asked about the factors which have affected the growth/decline in production performance of the Company, the Committee have been informed that the factors affecting the growth/decline in production performance are as follows :

- (i) the growth in production performance depends on timely planning of new products in the production line.
- (ii) the decline in production experienced by BDL had been due to non-receipt of components/sub-systems from the licensor.
- (iii) time taken by Armed Forces in acceptance of the Missile/missile systems developed by DRDO. This has a bearing on the production performance of BDL.

12. The following table shows the profit/loss of the Company against the targets in the last 10 years :

(Rupees in Crore)

Year	Profit/Loss		Year	Profit/Loss	
	Target	Actual		Target	Actual
1992-1993	(22.76)	0.06	1997-1998	19.24	39.64
1993-1994	3.12	9.88	1998-1999	49.19	62.27
1994-1995	8.90	6.16	1999-2000	57.14	80.76
1995-1996	10.25	17.88	2000-2001	41.91	48.99
1996-1997	10.55	16.04	2001-2002	53.26	71.23 (Prov.)

13. When asked about the reasons for the sudden drop in the quantum of profit during 2000-2001, the Committee have been informed that it is mainly due to :-

- (i) delay in receipt of raw materials from our Russian Collaborators for the manufacture of Konkurs Missile.
- (ii) change in the product mix.
- (iii) delay in clearance for productionisation of indigenous missiles.

14. When enquired about the measures taken by the Company to keep up the profitability, the Company stated as follows:

- (i) the dependence on Russian Collaborators is further minimized by locally developing the source for the raw materials required for the Konkurs Missile.
- (ii) taken action for obtaining supply orders for manufacture of BDL developed products.
- (iii) obtained clearance for indigenously developed missiles.

15. As per information furnished to the Committee, the sales performance of the Company during the last ten years is given below

(Rs. in Crores)

Year	Sales		Year	Sales	
	Target	Actual		Target	Actual
1992-1993	102.88	112.68	1997-1998	315.95	311.65
1993-1994	154.53	124.99	1998-1999	334.30	320.84
1994-1995	206.37	180.2	1999-2000	315.50	324.01
1995-1996	203.99	203.17	2000-2001	302.29	164.26
1996-1997	312.97	264.30	2001-2002	322.75	312.89 (Prov.)

16. When the Committee wanted to know whether any action has been taken by the Company to give a further boost to the sales performance, the Committee have been informed as under:

- (i) The Company is increasing the production capacity of existing products with special reference to Prithvi I and Prithvi II missile;
- (ii) Introduced new products viz, 3 UBK-20 (INVAR) projectile for which contract has been signed.
- (iii) Increased the scope to include Naval weapons and Decoy systems for which additional orders have been received (Viz. Torpedoes, SFDs) ; and
- (iv) The Company intend to undertake refurbishment of missiles for negotiations with Air Force which are under progress.

17. When enquired whether the Company has approached the Ministry of Finance for seeking Excise Duty, exemption/concession and other tax concessions in order to improve the performance, it has been informed to the Committee that the Company is exempted from paying Excise Duty for the products supplied to the Armed Forces. The Company requested Ministry of Finance for according excise duty exemption on 9mm pistols produced by Company for State Police Forces, Para Military Forces and Railway Protection Force (RPF). The Ministry of Finance has granted excise duty exemption on 25 September 2001 for the pistols to be supplied to MHA/State Police.

18. About the modernisation activities undertaken by BDL to update technology and to modernise the manufacturing process, the Committee have been informed that the facilities have been established for Computer Aided Design and Computer Aided Manufacturing which has added a new dimension to optimize design and production of new projects. This has helped in streamlining the activities resulting in reduction of process time. Environmental Test facilities have been updated to meet the stringent Quality Standards of Missiles. Modernisation of workshops and other facilities is a continuing activity to keep pace with more exacting requirement of producing high precision components to meet increased accuracy requirement of modern weapon systems.

19. As per the information furnished to the Committee, the percentage of R&D expenditure vis-à-vis the total expenditure over the last five years is as under :

(Rupees in lakhs)

Year	R & D Expenditure	Total Expenditure	% age of R&D expenditure on the expenditure
1997-98	776.68	2850.01	2.72
1998-99	1229.54	27880.49	4.41
1999-2000	507.80	28113.63	1.81
2002-2001	416.10	17739.29	2.35
2001-2002	303.00	25247.00	1.2

20. On the question of R&D activities, the Committee have been informed that during the last five years the Company has taken up the following R&D activities :

- a) KLTE (KONKURS Launcher Test Equipment): is a microprocessor based equipment developed for testing of KONKURS launcher. Indian Army has placed an indent for 40 numbers worth Rs. 684 Lakhs.
- b) KMTE (KONKURS Missile Test Equipment): is a microprocessor based equipment developed for testing of KONKURS missile. Indian Army has placed an indent for 40 numbers worth Rs. 456 Lakhs.
- c) ATGM Out Door Simulator : is a cost effective system for training MILAN missile pilots saving expensive ammunition and avoiding live firing in ranges. The Indian Army has placed an indent for 15 numbers worth Rs. 750 Lakhs.
- d) FLTE (Field Level Test Equipment for FLAME) : is an equipment to check the health of the FLAME launcher before deployment.

Indian Army has placed an indent for 65 numbers at a total cost of approx. Rs. 1100 Lakhs which has been produced and delivered.

- e) ALMs (Air Launched Missiles): Upon request from IAF, BDL has carried out all the necessary studies, experiments and testings required for carrying out the Life Extension (LE) & refurbishment study of ALMs in the inventory of the IAF. BDL is currently awaiting indent from Air Force to commence the project.
- f) CMDS (Counter Measures Dispensing System): is an advanced counter measure dispensing system fitted aboard a fighter aircraft to protect it from attaching enemy missiles fired at the aircraft. This project is under development and is proposed to be offered for user evaluation in the next two months.
- g) NVD (Night Vision Device): A thermal imager required to enhance the capabilities of the FLAME launcher imparting it with night fighting capabilities has been developed in collaboration with ELOP of Israel. The product has been user evaluated and indent is awaited.
- h) Retrofitment of KONKURS/FAGOT ATGM system on BMP-1: To upgrade the fire power of BMP-1 by retrofitting 2nd generation ATGM (KONKURS/FAGOT) in place of 1st generation MALUTKA. Project was taken up at the behest of the Indian Army and was successfully completed.
- j) Long Range Telescope : A long range telescope fitted with a CCD camera has been developed, which can be fitted ;and harmonised with the sight of the launching system to acquire the dynamic image of flight of the missile being fired. This has been tried on KONKURS launcher. Further studies are under progress to integrate this system on to the TRISHUL Combat Vehicle.

21. When asked in what manner the R&D activities helped the Company to improve the product/process, technology upgradation, import substitution and cost production, the Committee have been informed that due to indigenisation efforts, the Company is able to deliver Milan and Konkurs missiles at a price of Rs. 4.19 lakh and Rs. 4.15 lakh respectively against the international price of Milan Rs. 10.65 lakh and Konkurs – Rs. 6.25 lakh. With the help of D&E activities, the Company successfully developed Flame Launchers for ATGMs, which are supplied to the Army at 1/3rd cost of import value of similar launcher. Further, in-house developed Simulators, Test Equipment etc., have been accepted by the Army and are being produced at a nominal cost.

22. As per the information furnished to the Committee, the value of exports from 1997-98 to 2001-02 are as under :-

(Rs. in crores)

YEAR	AMOUNT	
	TARGET	ACTUAL
1997-98	Nil	Nil
1998-99	1.55	0.22
1999-2000	1.55	0.42
2000-01	0.29	0.44
2001-02	5.08	0.44 (Prov.)

23. When enquired as to why the Company is not going for export, CMD, BDL stated as under :

“Till now, we are able to concentrate to satisfy the requirement of Armed Forces, what ever quantities they required were met. There is definitely a possibility of 2 to 3 constraints which are there. One is for the collaborated projects that is Anti Tank Guided Missiles from Russia and France. What happens is the collaborator puts lot of restriction saying without his consent we cannot export to any country. Now both these ATGMS, Konkurs and Milan we have mastered, we have

indigenised almost 94% in Konkurs and 71% in Milan because there is a restriction by the collaborator, otherwise we are in a position to indigenise the remaining 25% in Milan also. Now recently they have given us clearance to export. Now we have to pursue. But then to export this ATGM also some additional development work is involved, what we are manufacture, Konkurs and Konkurs-M. This is successor version, actually we will have demand for Konkurs-M not Konkurs. Similarly Milan-2 we are manufacturing, Milan-2T the advanced version is there with us. Here the warhead has to be changed with these additions. I will be able to export and it is our endeavour in the next one or two years to give to the successor version and explore the possibility to export market which we are sure we will be able to do it.

Regarding other indigenously developed missile Prithvi and all that we can export because when we first want to export, it will go to Singapore from there what is the destination we will not be able to find out, they will not tell us. So this is a big problem, that is why complete missile I will not export, instead only some sub-systems we want to export for which we are exploring possibility and we are doing that.”

24. As per the information furnished to the Committee, the composition of the Board of Directors of BDL is given below :

- | | | |
|----|------------------------------------|---|
| 1. | Chairman & Managing Director | Full time |
| 2. | Joint Secretary (Supplies) | Representative of Administrative Ministry (D.P &S.) |
| 3. | Addl. Financial Adviser & Jt. Secy | Representative of Administrative Ministry (D.P &S.) |
| 4. | Joint Secretary (Ordnance) | Rep. of Min of Defence |
| 5. | Chief Controller (R&D) | Rep. of Deptt. of Def. (R&D) |
| 6. | Dy. Chief of Army Staff | Rep. of User |
| 7. | Dy Chief of Air Staff | Rep. of User |

- | | | |
|-----|--------------------------------|--|
| 8. | Programme Director, DRDO | Rep. of DRDO |
| 9. | Member (A&E), Ordnance Factory | Rep. of Ordnance Factories (Suppliers) |
| 10. | Director (Finance) | Full time Functional Director |
| 11. | Director (Technical) | Full time Functional Director |
| 12. | Director (Production) | Full time Functional Director |

It has been stated that full powers are given to the Board of Directors with regard to policy decisions. About the vacancies in the Board of Directors, the Committee have been informed that the Board is being operated by 12 Directors which has been considered to be adequate for the Company at present.

25. The manpower of the Company was approved by the Board of Directors in its meeting held on 20.5.1994 based on the SMH of 18 projects. However, as on date only 10 of 18 projects have materialised. The present strength of Non-Executives of 2333 will meet the existing requirements of the current projects. The sanctioned and existing manpower is as follows :

Grade	Sanctioned Strength	Existing Strength	
IX	3	1	} Grade IX and } VIII are Operated } together
VIII	6	5	
VII	20	11	
VI } Cluster	135	46	} 123
V }		77	
IV }	836	229	} 664
III.....}		125	
II } Cluster		240	
I }		70	

Total :	1000	804
Non-Executives	3365	2333
Total Strength	4365	3137

26. When asked whether any work study has been carried out to find out the adequacy or otherwise of the manpower keeping in view of the volume of work and business handled by the Company, it has been stated that the Board of Directors in the meeting held on 22.3.2002 constituted a Sub-Committee of Board of Directors which will review the existing manpower of officers and employees against the norms fixed/SMH achieved by the Company. Further, the Committee has to submit recommendations on additional manpower required for existing/new projects for BDL. Review of manpower by the Sub-Committee is under progress and is expected to submit its recommendations shortly.

27. The Committee have been informed that for optimal utilisation of established capacities, BDL undertook manufacture of 7.62 SLR rifles and 9mm pistols on the instance of Ministry of Home Affairs. These are sold to State Police and para-military forces as per the allotment made by the Ministry of Home Affairs.

To a query as to why the Company is manufacturing rifles and pistols, the Committee have been informed that since the user trials of Akash and Nag missiles could not be completed due to some reasons, the production of these missiles were put on hold and thus rendering 300 to 400 employees idle. In order to employ these employees, the Company undertook manufacturing of rifles/pistols at the request of Ministry of Home Affairs as a 'stop-gap' arrangement. Once the user trials are over, this work will tapered off and closed.

28. On the question of quality control mechanism available in the Company, it has been informed to the Committee that the missiles produced in the Company are single shot devices. High quality standards are to be ensured

for these items. The quality is maintained by following ISO standards. The production divisions are ISO accredited. The following quality control procedures are followed :

- (i) Floor Level Quality Control
- (ii) Division Level Quality Control
- (iii) Corporate Level Quality Control
- (iv) Total Quality Management (TQM) in place

The above measures have resulted in maintaining a high standard of quality of the Company's products, services and procedures/systems.

29. Asked about the modalities adopted by the Company to maintain Industrial safety for the workers, it has been informed that the company is a highly safety conscious Company. During the year, 8 training programmes on Fire Safety, First Aid and Explosives Safety has been organised for the employees. It has also been informed that Industrial Safety Committee and Explosive Safety Committees are constituted separately at plant level. The Committees meet once in every quarter to discuss the implementation of safety measures, improvements and review the situation. Besides, the Divisional Level Industrial Safety Committee have been constituted in each Division and they meet once in a month to review the implementation and suggest further improvements.

It has further been informed that fire demonstration classes were conducted by Fire Wing of the Company covering almost all the employees to bring awareness on Fire Safety. Mock Fire Drills are conducted in various Divisions frequently.

30. When asked about the import substitution in manufacturing of Missiles and the effect of the sanctions imposed by the foreign countries, it has been stated that the major effect of imposition of sanctions was non-availability of Mil Grade Components, which are not produced indigenously. American/European sources declined to supply these. Production of Flame Launchers, Simulators and Electronics Sub-assemblies were affected. In

order to overcome this, sub-systems were re-designed to avoid use of such components.

31. On the question of integration of all the PSUs doing the same nature of work into one public sector undertaking, the Committee have been informed that there is one thinking merging the Company and DRDO Labs, the same thinking is going in the Ministry of Defence. Some proposals given by the Company are under consideration.

RECOMMENDATIONS/OBSERVATIONS OF THE COMMITTEE

RECOMMENDATION NO. 1

Export

The Committee note that the Bharat Dynamics Limited was set up in July, 1970 with the prime objective of establishing a production base for guided missiles in India. The Company presently manufactures Anti-Tank Guided Missiles (ATGM) – Milan and Konkurs; Surface to Surface Missiles (SSMS) – Prithvi I and Prithvi –II and Training Simulators for Anti-Tank Guided Missiles. The Company is one amongst a few strategic industries of the world having the capability to produce the most advanced guided missiles systems for the armed forces. The Committee further note that due to progressive indigenisation effort of the Company, 94% Konkurs and 71% Milan is indigenised. This had reduced the Company's dependency on licensors and has helped in holding the price low vis-à-vis international prices. The Committee are given to understand that the Company is supplying Milan and Konkurs missiles at a price of Rs.4.20 lakh and Rs. 4.15 lakh against the international price of Rs. 10.65 lakh for Milan and Rs. 6.25 lakh for Konkurs. The Committee have been informed that the Company has not been exporting missiles because of the restrictions imposed by the collaborator. The collaborator has now given clearance to the company for exporting missiles. The Committee are of the opinion that while the Company go for exporting the missiles, all precautionary measures and safeguards should be taken so that these missiles do not go into the hands of the enemy or land in wrong hands. The Company should also strive to explore the possibility of expanding their exports further.

The Committee also recommend that indigenisation efforts should be stepped up so that BDL is able to export products freely without clearances from foreign collaborators.

RECOMMENDATION NO. 2

MINI RATNA STATUS

The Committee note that Mini Ratna I Status has been conferred upon Bharat Dynamics Limited to enable it to perform better in future. However, the Mini Ratna powers could be exercised by the Company only when the vacant posts of non-official Directors would be filled up in the Board of Directors. The Committee, therefore, recommend that urgent steps should be taken by the Government to fill up these vacancies within a fixed time-frame so that the Company is able to function as a Mini Ratna Company and make its contribution towards the defence needs of our country.

RECOMMENDATION NO. 3

DELAY IN CLEARANCE FOR PRODUCTIONISATION OF MISSILES

The Committee note that one of the reasons for decline in profitability of the Company is the delay in clearance for productionisation of indigenous missiles. The MOU Rating of the Company has consequently come down to 'Fair' Grade in 2000-2001, while it was 'Excellent' Grade in the preceding four years. The Committee further note that because of delay in getting clearance for production orders, the Company undertook manufacture of rifles/pistols for the Ministry of Home so that the services of the employees which have been deployed in the workshop set up for manufacture of missiles could be utilised. They, therefore, recommend that the Government should give timely clearance for production of developed missiles to enable

the Company to achieve its profit targets and also properly utilise the services of the workforce.

RECOMMENDATION NO. 4

MODERNISATION

The Committee have been informed that it has been planned by BDL to modernise production facilities to phase out old and out-dated machinery and to induct state-of-art machinery in the plants. The Committee desire that a Comprehensive Modernisation Scheme should be evolved and funded by the Government urgently to enable the Company to keep pace with the more exacting requirements for producing high precision components and weaponry and to meet the increased accuracy requirements of the modern weapon systems.

RECOMMENDATION NO. 5

MANPOWER REQUIREMENT

The Committee note that the manpower requirement of the Company was approved by the Board of Directors in May, 1994 based on the Standard Man Hour (SMH) of 18 projects. However, as on date, 10 out of the 18 projects have materialised. The Committee have been informed that the present strength of 3137 including 2333 Non-Executives is able to meet only the existing requirements of current projects. The Committee are given to understand that the Board of Directors in its meeting held on 22nd March, 2002 had constituted a Sub-Committee of Board of Directors to review the existing manpower of officers and employees against the norms fixed/SMH achieved by the Company. The Company has also been nominated to produce from the year 2004-05 onwards, the Akash, Nag and Trishul (New version) missiles which are in different stages of development. They, therefore, recommend that the Sub-Committee constituted to review the existing staff strength should expedite its

recommendations on additional manpower required for the existing/new projects of the Company so that the production programmes adhere to the time limits set for the purpose. The Committee also recommend that the additional manpower to be suggested by the Sub-Committee should be recruited within a fixed time frame.

ANNEXURE - I

**TOUR PROGRAMME OF THE COMMITTEE ON PUBLIC
UNDERTAKINGS TO MUMBAI, HYDERABAD AND CHENNAI
FROM 8th TO 12TH JUNE, 2002 AS ACTUALLY PERFORMED**

(MEMBERS ASSEMBLED AT MUMBAI)

DATE & DAY	TIME	VISIT & DISCUSSION
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8.6.2002 (Saturday)	1500 hrs	Discussion with the Officers of Mazagon Dock Ltd.
	1730 hrs	Discussion with the Officers of Air India Ltd. (Audit Para No.3.1.1 of C&AG's Report No. 3 of 2002)

(NIGHT HALT AT MUMBAI)

9.6.2002 (Sunday)	0945 hrs	Discussion with the Officers of Oil & Natural Gas Corporation (Audit Para Nos.16.7.1 and 16.7.2 of C&AG's Report No.3 of 2002)
	1415 hrs	Departure Hotel for Airport
	1615 hrs	Departure Mumbai for Hyderabad by IC-617
	1730 hrs	Arrival Hyderabad

(NIGHT HALT AT HYDERABAD)

10.6.2002 (Monday)	1530 hrs	Discussion with the Officers of Bharat Dynamics Ltd.
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(NIGHT HALT AT HYDERABAD)

11.6.2002 (Tuesday)	1000 hrs	Discussion with the Officers of Sponge Iron India Ltd.
	1430 hrs	Departure Hotel for Airport
	1640 hrs	Departure Hyderabad for Chennai by IC-946
	1740 hrs	Arrival Chennai

(NIGHT HALT AT CHENNAI)

12.6.2002 (Wednesday)	1030 hrs	Discussion with the Officers of State Trading Corporation Ltd. (STC Ltd.) (Chapter 2 re: Oil extraction operations by STC Ltd. of C&AG's Report No.4 of 2001)
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DISPERSAL

COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS
WHICH VISITED MUMBAI, HYDERABAD AND CHENNAI
FROM 8TH TO 12TH JUNE, 2002

S. NO. **NAME**

MEMBERS, LOK SABHA

1. Prof Vijay Kumar Malhotra, Chairman
2. Shri Sudip Bandyopadhyay
3. Shri Ram Tahal Chaudhary
4. Smt. Sangeeta Kumari Singh Deo
5. Shri C.K.Jaffer Sharief
6. Shri K.E.Krishnamurthy
7. Shri Vilas Muttemwar
8. Shri Chandra Nath Singh
9. Shri Tarit Baran Topdar
10. Shri V.Vetriselvan

MEMBERS, RAJYA SABHA

11. Shri Suresh Kalmadi
12. Shri Kalraj Mishra
13. Shri Satish Pradhan
14. Shri K. Kalavenkata Rao
15. Shri Jibon Roy

SECRETARIAT

1. Shri S.Bal Sekhar Director
2. Shri Raj Kumar Under Secretary

ANNEXURE-III

**LIST OF OFFICIALS OF BHARAT DYNAMICS LIMITED WHO WERE
PRESENT DURING DISCUSSION WITH THE COMMITTEE ON PUBLIC
UNDERTAKINGS AT HYDERABAD ON 10/6/2002**

Sl.No.	<u>Name</u>	Designation
	S/Shri	
1.	V V Gangadhara Rao	CMD
2.	GVBB Sarma	Director(Finance
3.	Maj. Genl. Rajneesh Gossain(Retd.)	Director (Prod)
4.	Brig. KJ Singh	GM (Bus Dev.)
5.	G Ranjit Narayan	GM (P&A)
6.	V Narayana	AGM (D&E)
7.	MSK Sharma	AGM (HRD) Corp
8.	PV Ramana Murthy	DGM (Fin) Corp.
9.	Capt S K Banerjee	DGM (BD)
10.	PPC Ajay Kumar	DGM (IR)
11.	Narahar Dev	Manager (OL)