

**38**

**STANDING COMMITTEE ON DEFENCE**

**(2017-18)**

**(SIXTEENTH LOK SABHA)**

**MINISTRY OF DEFENCE**

**[ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE THIRTIETH REPORT (16TH LOK SABHA) ON ORDNANCE FACTORIES, DEFENCE RESEARCH AND DEVELOPMENT ORGANISATION, DIRECTORATE GENERAL OF QUALITY ASSURANCE AND NATIONAL CADET CORPS]**

**THIRTY - EIGHTH REPORT**



**LOK SABHA SECRETARIAT**

**NEW DELHI**

**March, 2018 / Phalguna, 1939 (Saka)**

**THIRTY - EIGHTH REPORT**

**STANDING COMMITTEE ON DEFENCE**

**(2017-18)**

**(SIXTEENTH LOK SABHA)**

**MINISTRY OF DEFENCE**

**[ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE THIRTIETH REPORT (16TH LOK SABHA) ON ORDNANCE FACTORIES, DEFENCE RESEARCH AND DEVELOPMENT ORGANISATION, DIRECTORATE GENERAL OF QUALITY ASSURANCE AND NATIONAL CADET CORPS]**

*Presented to Lok Sabha on 13 .03. 2018*

*Laid in Rajya Sabha on 13 .03. 2018*



**LOK SABHA SECRETARIAT**

**NEW DELHI**

**March, 2018 / Phalguna, 1939 (Saka)**

# CONTENTS

PAGE.

COMPOSITION OF THE COMMITTEE(2017-18).....	
INTRODUCTION.....	
CHAPTER I Report.....	
CHAPTER II Recommendations/Observations which have been accepted by the Government.....	
CHAPTER III Recommendations/Observations which the Committee do not desire to pursue in view of the replies of the Government .....	
CHAPTER IV Recommendations/Observations in respect of which Replies of the Government have not been accepted by The Committee and which require reiteration.....	
CHAPTER V Recommendations/Observations in respect of which Government have furnished interim replies.....	

## APPENDICES

I Minutes of the Eighth sitting of the Standing Committee on Defence (2017-18) held on 12.03.2018.....	
II Analysis of Action Taken by the Government on the Observations/Recommendations contained in the Thirtieth Report (16 <sup>th</sup> Lok Sabha) of the Standing Committee on Defence (2017-18).....	

**COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (2017-18)**

**Maj Gen B C Khanduri, AVSM (Retd)**

-

**Chairperson**

**Lok Sabha**

2. Shri Dipak Adhikari (Dev)
3. Shri Suresh C Angadi
4. Shri Shrirang Appa Barne
5. Col Sonaram Choudhary(Retd)
6. Shri Thupstan Chhewang
7. Shri H D Devegowda
8. Shri Dharambir Singh
9. Shri Jayadev Galla
10. Shri Sher Singh Ghubaya
11. Shri Gaurav Gogoi
12. Dr Murli Manohar Joshi
13. Km Shobha Karandlaje
14. Dr Mriganka Mahato
15. Shri Kalraj Mishra
16. Shri Partha Pratim Ray
17. Shri A P Jithender Reddy
18. Shri Rodmal Nagar
19. Shri B Senguttuvan
20. Smt Mala Rajya Lakshmi Shah
21. Smt Pratyusha Rajeshwari Singh

**Rajya Sabha**

1. Shri K R Arjunan
2. Shri A U Singh Deo
3. Shri Harivansh
4. Shri Madhusudan Mistry
5. Shri Basawaraj Patil
6. Shri Sanjay Raut
7. Smt Ambika Soni
- 8.# Dr Subramanian Swamy
- 9.\* Shri Vivek K. Tankha

\* **Resigned w.e.f. 16.11.2017**

# **Resigned w.e.f. 07.03.2018**

## SECRETARIAT

1. Smt. Kalpana Sharma - Joint Secretary
2. Shri T.G. Chandrasekhar - Director
3. Smt. Jyochnamayi Sinha - Additional Director
4. Shri Rahul Singh - Under Secretary

## REPORT

### CHAPTER I

This report of the Standing Committee on Defence deals with Action Taken by the Government on the observations/recommendations contained in the Thirtieth Report of Standing Committee on Defence (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2017-18 on Ordnance Factory Board, Defence Research and Development Organisation, Directorate General of Quality Assurance (DGQA) and National Cadet Corps (NCC) (Demand No. 20)' which was presented to Lok Sabha and laid in Rajya Sabha on 09 March, 2017.

2. The Committee's Thirtieth Report (16th Lok Sabha) contained 28 observations/recommendations on the following aspects:-

Para No. / Nos.	Subject
1	2
<b>ORDNANCE FACTORY BOARD</b>	
1 & 2	Budgetary Provisions
3, 4, 5, 6 & 7	Delays in Projects undertaken by Ordnance Factories Board
8	Under spending on Modernization of infrastructure
9	Manpower Shortage in Ordnance Factories
10	Restructuring of Ordnance Factories
<b>DEFENCE RESEARCH AND DEVELOPMENT ORGANISATION</b>	
11,12,13,14,15,16,17,18 &19	Budgetary provisions
20	Delays in Projects
21	Technological Road Map
<b>DIRECTORATE GENERAL QUALITY ASSURANCE</b>	
22, 23	Directorate General Quality Assurance
<b>NATIONAL CADET CORPS</b>	
24, 25, 26, 27 & 28	National Cadet Corps

3. Action Taken Replies have been received from the Government in respect of all the Observations/Recommendations contained in the Report. The replies have been examined and categorised as follows:-

- (i) (a) Observations/Recommendations which have been accepted by the Government:

**Para Nos. 2, 4, 5, 7, 8, 17, 18, 19, 21, 22, 23, 24, 25, 26, 27 and 28**

**(16 Recommendations)**

These are included in Chapter II of the Draft Report.

- (b) Observations/Recommendations which have been accepted by the Government and are commented upon:

**Para Nos. 3, 10, 11, 12, 13, 14, 15, 16, and 20**

**(09 Recommendations)**

These are included in Chapter II of the Draft Report.

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

**Para No. Nil**

**(00 Recommendations)**

These are mentioned in Chapter III of the Draft Report.

- (iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee which require reiteration and to be commented upon:

**Para Nos. 1, 6 and 9**

**(03 Recommendations)**

These are included in Chapter IV of the Draft Report.

- (iv) Observations/Recommendations in respect of which Government have furnished interim replies/replies awaited:

**Para Nos. Nil**

**(00 Recommendations)**

These are included in Chapter IV of the Draft Report.

- 4. The Committee desire that the Ministry's response to their comments made in Chapter I of this Report be furnished to them at the earliest and in any case not later than six months of the presentation of this Report.**

## **A. Budgetary Provisions of Ordnance Factories**

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

5. The Committee had recommended as under:-

'The Committee, while examining the Demands for Grants 2015-16 and 2016-17 had observed that due to delayed sanction of allocations and cuts imposed at RE stage, the Ordnance Factories Board was compelled to cut short its committed Liabilities. This resulted in shortfalls in meeting the financial targets. Ordnance Factories Board was reportedly increasing the supplies on the basis of the requirements of the Armed Forces. However, as a consequence of the cuts applied at RE stage, and mismatch between the projections and actual allocations, the Board could not produce the equipment as per the orders placed by Army. Therefore, with a view to addressing the problem of shortage of ammunition and vehicles, the Committee laid emphasis on providing adequate budgetary allocation to the Board at RE stage.'

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

'OFB being a production organization and requirement of funds is projected at BE stage in commensurate with the planned supply. At the time of allocation of fund if there is any reduction in the non-salary Revenue Budget, the supply gets affected. In the year 2015-16, the original BE projection was Rs. 10,335 crore in the non-salary budget and planned supply was Rs. 13,537 crore. However, while finalizing the budget, only Rs. 9,015 crore was considered as ceiling for non-salary revenue budget of OFB. Accordingly, OFB had worked out the feasible target supply as Rs. 11,266 crore, so as to restrict the expenditure within the allocated budget.

At the RE stage, the projection was made in October, 2015 for additional Rs.1,599 crore in non-salary budget against a projected value of supply figure of Rs.13,552 crore i.e. additional Rs 2,286 crore over and above BE figure. Only in the month of February additional allocation was made affecting the final issues to indentors.

With regard to RE 2016-17, Revenue Budget was approved with minor variation. However, there was a reduction in allocation of fund in Capital Outlay. Allotment of fund in Capital Outlay was Rs. 715.29 crore against OFB projection of Rs. 1,048.42 crore.

The above position was explained in different forum and as such in 2017-18 fund allocated in the Revenue Budget under Non Salary segment is almost adequate to achieve the target. Yet, if there is any need for change in projection due to impact of GST being introduced from 1<sup>st</sup> July 2017, the same will be reflected in RE Projection.'



7. The Committee, while examining the Demands for Grants for previous three years i.e. 2015-16, 2016-17 and 2017-18 had observed that due to delayed sanction of allocations and cuts imposed at RE stage, the Ordnance Factories Board was compelled to cut short its Committed Liabilities thereby resulting in shortfalls in meeting the financial targets. Therefore, with a view to addressing the problem of shortage of ammunition and vehicles, the Committee laid emphasis on providing adequate budgetary allocation to the Board at RE stage. However, in the Action Taken Reply submitted by the Ministry, OFB has put forth its grievance stating that being a production organization, the requirement of funds projected at BE stage is commensurate with the planned supply. Therefore, at the time of allocation of funds, if there is any reduction in the non-salary Revenue Budget, the supply gets affected. In the year 2015-16, the original BE projection was Rs. 10,335 crore in the non-salary budget and planned supply was Rs. 13,537 crore. However, while finalizing the budget, only Rs. 9,015 crore was considered as ceiling for non-salary Revenue Budget of OFB. Accordingly, OFB had worked out the feasible target supply amounting to Rs. 11,266 crore, so as to restrict the expenditure within the allocated budget.

Again, at the RE stage, the projection was made in October, 2015 for additional Rs. 1,599 crore in non-salary budget against a projected value of supply figure of Rs. 13,552 crore i.e. additional Rs, 2,286 crore over and above BE figure. Only in the month of February additional allocation was made affecting the final issues to indentors.

It has been further stated that with regard to RE 2016-17, Revenue Budget was approved with minor variation. However, there was a reduction in allocation of Capital Outlay. Allotment of fund in Capital Outlay was Rs. 715.29 crore against OFB projection of Rs. 1,048.42 crore. OFB has explained that in 2017-18 fund allocated in the Revenue Budget under Non Salary segment is almost adequate to achieve the target. Yet, change in projection due to impact of GST introduced from 1<sup>st</sup> July 2017, would be reflected in RE Projection.

The Committee note that OFB has undertaken comprehensive modernization plan to meet quantitative and qualitative requirements of Armed Forces. Considering the fact that these plans have long gestation period and due

to lesser allocation, the plans are re-adjusted based on priorities, thereby, affecting supplies to Armed Forces. The Committee are of the view that as Ordnance Factories are the major supplier of ammunition to the Forces, any cut in the budgetary allocation would affect the productivity, thereby affecting the overall performance of the Forces. Therefore, they desire that the Ministry should re-prioritise the allocation and enhance budgetary allocation to Ordnance Factory Board as per its projection.

**B. Delays in projects undertaken by Ordnance Factories Board**

**Recommendation (Para No. 3)**

8. The Committee had recommended as under:-

‘From the information furnished by the Ministry, the Committee note that delays which are taking place not only pertain to individual projects like T-72 variants, spares for T-72 and T-90, 750 engines, Akash Booster and Sustainer, HMX Plant, Pinaka, Ammonium Percolate, Mine Protected Vehicles (MPVs) and Large Caliber Weapons (LCWs). Delays are also witnessed in regard to construction of Factories at Nalanda and Korwa. The Committee also note that Ordnance Factories depend to a large extent on Military Engineering Services (MES) for execution of civil works related to their projects. Delay in completion of civil works by MES is one of the major reasons affecting the timely completion of the projects. The Committee view this factor, which is affecting the operational preparedness of Army and other consumers of Ordnance Factories with serious concern.’

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

‘Present status of individual projects, like T-72 variants, spares for T-72 and T-90, 750 Engines, Akash Booster and Sustainer, HMX Plant, Pinaka, Ammonium Percolate, MPVs and LCWs are as under:

**(i) T-72 Variants-50 Nos p.a.:** Civil Works completed and 96.08% of major machines have been ordered. Anticipated date of completion is December, 2017.

**(ii) Augmentation of Engines from 350 to 750 Nos p.a.:** FMS M/c which cost wise contributes to 61% of the total project will be delivered by Aug, 2017

which is the critical path of this project. All the other machines were commissioned. Anticipated date of completion is December, 2017.

**(iii) Spares Project (T-72 OH/T-90 Tanks & BMP II):** All the major machines are ordered. Anticipated date of completion is September, 2017.

**(iv) Augmentation of T-90 Tanks form 100 Nos to 140 Nos p.a.:** Project is in progress at HVF, EFA, OLF & MTPF. 40% Civil works and 86.89% procurement of P&M have been completed. Anticipated date of completion is December, 2018.

**(v) Akash Booster & Sustainer Augmentation Project:** After obtaining the requisite clearance and completing the tree cutting, the Civil Work was entrusted to MES and is likely to be completed by August, 2018. Most of the P&M has been received except critical technological machines viz. Vertical Planetary Mixer (CMTI Bangalore) and 4MeV Linear Accelerator (SAMEER) are expected by 2019.

**(vi) Pinaka Augmentation Project:** After obtaining the requisite clearance and completing the tree cutting, the Civil Work was entrusted to DRDO and is likely to be completed by October, 2017. Most of the P&M has been received. However, critical technological machines viz. Vertical Planetary Mixer (CMTI Bangalore) and 4MeV Linear Accelerator (SAMEER) are expected by 2019.

**(vii) HMX plant:** Contract was concluded between M/s DMP, Italy & Ordnance Factory Bhandara (OFBA) on 10.10.2012 with PDC is 30 months from effective date of contract (i.e.11.02.2016). The Erection is at the final stages and Commissioning is expected to be completed in September, 2017.

**(viii) Ammonium Perchlorate (AP) Plant:** The Contract was signed between GM/HEF & M/s Nuberg, Noida on 18.06.2015 for an amount 28.50 crores with PDC is 15 months. All P&M are received at High Explosive Factory (HEF). The erection & commissioning is at final stages and expected to be completed by October, 2017.

**(ix) OF Nalanda and OF Korwa projects:** The delay in projects were due to reasons beyond control of OFB. These included major policy decisions viz. blacklisting of M/s IMI, Israel by MoD resulting in cancellation of contract for supply of Bi-Modular Charge Systems (BMCS) Plant, non-finalisation of design of CQB Carbine by the indenter etc. Moreover, the mandated weapon, i.e. Close Quarters Battle (CQB) Carbine at OF Korwa project is yet to be finalized by the Army. Moreover, the RFP has also been retracted by the AHQ on 29.09.2016 and is under process to be floated afresh. In the absence of CQB Carbine, factory has undertaken production activities during project stage itself with alternative items like 12 Bore Pump Action Gun, components of 7.62 mm MAG, Chromium Plating of Obturating Spindle for 155 x 45 Cal "Dhanush" etc. since 2014-15, as a support system for sister ordnance factories. Regarding, acquisition of 39.02 acres of

land, final possession was given on paper to Ordnance Factory Project Korwa (OFPKR) on 19/10/2016. The construction of residential accommodation is to come up on the said land which is under process.

In order to minimize the delay in execution of civil works, the following actions have been taken by OFB:-

- (a) Service of DRDO construction wing is being taken to execute specialised, high value and time-bound Civil Works.
- (b) General Managers (GMs) of Ordnance Factories have been authorised to issue Admin Approval (AA) for execution of civil works related to sanctioned projects to be executed through MES/DRDO/Public Works Organisations. Thus, time will be saved as factories need not refer to OFB for convening the sitting of board to finalise the scope of work, scrutiny of the same and issue of Admin Approval.
- (c) Financial Powers for execution of Civil Works departmentally by GMs have been enhanced from Rs. 25 lakh to Rs. 5 crore for production buildings.
- (d) SOP for civil works has been published in January 2014. Factories have been issued guidelines for measures to be taken while preparing DPR so that variation in the scope of work envisaged in the DPR and works to be executed remains minimum. Variation between estimated cost and the AA also remains within permissible limit.'

**10. The Committee are happy to note from the Action Taken Replies furnished by the Ministry that work on individual projects like T-72 variants including spares for**

**T-72 and T-90, 750 Engines, Akash Booster and Sustainer Augmentation Project, HMX Plant, Mine Protected Vehicles (MPVs) and Pinaka Augmentation Project, Ammonium Perchlorate (AP) Plant has progressed substantially. The Committee would like to be kept apprised of the status of the projects at the time of submission of final Action Taken Replies which are updated within three months of the submission of this report to Parliament.**

**The Committee have also noted that OFB has taken several measures i.e. taking the services of DRDO construction wing to execute specialised, high value and time-bound Civil Works, authorisation of General Managers (GMs) of Ordnance Factories to issue Administrative Approval(AA) for execution of civil works related to sanctioned projects through MES/DRDO/Public Works**

**Organisations, enhancement of Financial Powers for execution of Civil Works departmentally by GMs from Rs. 25 lakh to Rs. 5 crore for production buildings etc. The Committee trust that these measures would help OFB to complete its projects within the scheduled time. The Committee would like to be apprised of the outcome of these measures.**

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

11. The Committee had recommended as under:-

‘The Committee have also observed that at the supply stage delays have been occurring as M/s Hindustan Machine Tools (HMT), one of the major suppliers of the machine tools to OFB, has not been able to supply machines to OFB within the delivery schedule. Consequently, re-tendering has to be resorted to. The Committee desire that the management of HMT should be called upon by the OFB for meetings at the higher level and work out strategies so as to avoid delays.’

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

‘Action has been taken for avoiding delay in supply by M/s HMT at the supply stage. There is no instance of re-tendering any case, due to inability of M/s HMT in execution of supply order. M/s HMT is being regularly followed up by different OFs at various levels. Discussions are also being held at OFB with senior level officials of M/s HMT. Firm commitment for supply for the financial year is being obtained in the meeting. Measures to avoid delay are discussed to sort out probable factors responsible for delay in supply.’

**13. Considering the fact that HMT was not able to supply machine tools to OFB as per the delivery schedule, the Committee recommended that the management of HMT should be called upon by the OFB for meetings at the higher level and work out strategies so as to avoid delays. However, the Action Taken Reply is silent on the modalities formulated and adopted by the OFB to avoid delay. The Committee suggested ‘retendering’ as a means of addressing the problem of delay in supply by M/s HMT. The Committee reiterate their recommendation that if a firm commitment for ensuring the supply during the financial year is not forthcoming, the Ministry should consider re-tendering so as to avoid further delays in supply of essential machinery.**

## **C. MANPOWER IN ORDNANCE FACTORIES**

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

14. The Committee had recommended as under:-

'The Committee note that Ordnance Factories are suffering from acute shortage of manpower. The Committee found that against a sanctioned strength of 1,19,968 technical personnel in various Ordnance Factories, the actual strength is only 70,810 as on 01.01.2017. This shows that there is a huge gap of almost 40.97 per cent between the sanctioned and actual strength of technical personnel. The existing strength of non-technical staff is only 15,083 as against the sanctioned strength of 22,524. Thus, there is a significant shortfall of 7,441 personnel in non- technical staff. Similarly, while the sanctioned strength of Group 'A' officers is 2,981, the actual strength is just 1,808. Thus, there is a significant shortfall of 1,173 Group 'A' officers. The Committee are concerned to note that this huge shortage of manpower in Ordnance Factories, particularly in the technical category will have a negative impact on manufacturing and ensuring improvement in the products. Therefore, the Committee recommends that immediate steps should be taken to bridge the huge gap between the sanctioned and actual strength in order to achieve manufacturing of technically advanced products by Ordnance Factories. The Committee would also like to know as to when the last exercise of manpower planning was conducted, and whether the implications of introduction of modern technologies, including that of computerization of processes on efficiency has been factored for the purpose of manpower planning.'

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

'Sanctioned strength of Ordnance Factories is intended towards catering to peak load requirements of Indian Armed Forces, while, existing strength is maintained for meeting the current load of the Armed Forces on annual basis. The flexibility is required to help Indian Ordnance Factories to augment the manpower at a very short notice in times of exigency and to cater the workload from time to time.

However, Manpower is being sanctioned every year in respect of all categories of employees based on vacancies available in the recruitment grade and work load requirement.

The manpower (Gr. B & C) sanctioned after April 2015 is as follows:

<b>Category</b>	<b>Month &amp; Year</b>	<b>No. of posts sanctioned</b>
Industrial Employees (Gr. C)	May, 2015	4,895
	May, 2016	4,033
Non-Industrial Employees (Gr. B & C)	May, 2016	965
Non-Gazetted Officers (Gr. B)	July, 2016	846 (under review)
Gazetted Officers(Gr. B)	May, 2015	188
	July, 2016	127 (under review)
-	Total	11,054
The total number of posts sanctioned to be filled after April 2015 is therefore 11,054.		

The action against the above sanctions is in various stages of recruitment.

The last exercise of manpower planning for Ordnance Factories was carried out by a Manpower Rationalisation Committee during 2015-16, which duly took into consideration various implication of introduction of modern technologies and computerization of process on efficiency. The committee accordingly recommended reduction of total sanctioned strength including Industrial Employees of Ordnance Factory Organisation from 1, 63,103 to 1,45,503, which has already been approved by MoD, with the condition that the operating strength of the organization will be 1.10 Lakh.'

**16. The Committee had noted that Ordnance Factories were suffering from acute shortage of manpower. The Committee found that against a sanctioned strength of 1,19,968 technical personnel in various Ordnance Factories, the actual strength was only 70,810 as on 01.01.2017. This amounts to a gap of almost 40.97 per cent between the sanctioned and actual strength of technical personnel. The Committee had also noted that strength of non-technical staff was only 15,083 as against the sanctioned strength of 22,524. A significant shortfall in other categories was also noted. Expressing serious concern over the matter, the Committee had recommended taking immediate steps so as to bridge the huge gap between the sanctioned and actual strength and thereby enable manufacturing of technically advanced products by Ordnance Factories.**

**The Committee find the Action Taken Reply to be a little vague. Instead of replying to the recommendation of the Committee on the measures taken towards increasing the manpower, it has been mentioned that manpower is being sanctioned each year in respect of all categories of employees on the basis of**

**vacancies available in the recruitment grade and work load requirement. It is astonishing to find that even though the recruitment is being done by calculating the vacancies, a wide gap of sanctioned and actual manpower continues to exist. Therefore, the Committee reiterate their recommendation for taking appropriate steps to enhance the present manpower to take it to 1.10 lakh, as recommended by the Manpower Rationalisation Committee.**

#### **D. Restructuring of Ordnance Factories**

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

17. The Committee had recommended as under:-

‘The Committee had, in their 9th Report presented earlier, recommended constitution of a high level Committee to go into the functioning and organizational structure of Ordnance Factories Board and give its recommendations on restructuring of Ordnance Factories so as to make them more professional in meeting the present day requirements. The Committee, however, regret to note that there are no such plans for restructuring of Ordnance Factories. The recommendations of the Kelkar Committee, which has laid emphasized on restructuring of Ordnance Factories, have also not been taken cognizance of by the Ministry till date. The Committee express their concern on such casual approach of the Ministry and strongly recommend that credence should be accorded to the Kelkar Committee recommendations on restructuring of Ordnance Factories. Action taken in this regard may be intimated to the Committee.’

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

‘The Kelkar Committee had emphasized on re-structuring of Ordnance Factories with the aim that it would enable the OFB to refocus on its areas of operation in flexible manner so as to respond not only to market but also to strategic interests without compromising the interest of the labour. The Committee recommended re-structuring of OFB and to give autonomy to Ordnance Factories in areas like R&D, Raw Material Selection, Vendor Development, Quality Control, and Financial Accounting etc. Several steps have been taken to provide autonomy to OFB in the area mentioned above by delegating powers by MoD. This will help improve efficiency of OFs and OFB will be able to re-orient itself to face the challenges before it.

In order to achieve the above aim and in order to keep pace with the rapid technological advancement and changing business scenario, OFB’s role now includes:



- Focus on In-house R&D including process improvement and design
- Quality Management including Input material inspection
- Customer Diversification
- System Integration of platforms

To achieve the above role, the following activities have been initiated with the aim of providing greater autonomy in functioning to OFB in order to improve efficiency together with accountability:-

Strengthening of in-House R&D - Focus on in-House R&D has been identified. Thirteen (13) Ordnance Development Centres have been opened in various locations/divisions for major products and up gradation activities. To strengthen and consolidate R&D functions, OFB further plans the following:-

- a) Upgrade Infrastructure in ODCs
- b) Research Assistance from Academic Institutes like IITs etc.
- c) Association with DPSU and DRDO-One MoU has been signed with BEL.

Increased outsourcing and Vendor development –OFB Procurement Manual is being revised with emphasis on 'Make in India' and facilitating long term procurement.

Quality Management including Input material Inspection - OFB is being entrusted with 1st Party QA functions in addition to existing responsibility for input material inspection, as part of implementation of Raman Puri Committee recommendations on QA functions, in the pilot project mode. The Ministry has considered the recommendations of Raman Puri Committee with regards to Quality function and Integration of Finance at factory level.

In the first phase of the pilot project, 6 factories have been selected where OFs will be responsible and accountable for the quality of their products and DGQA will be responsible only for FAI (Final Acceptance Inspection). Based on outcome of the pilot project, decision will be taken for expanding the scope of the project to other factories under OFB.

Preparation of Annual accounts as per the proforma of Commercial Accounting format has been approved by C&AG and the same is under compilation.

Moreover, action has also been initiated for Integration of Finance at factory level to provide necessary financial autonomy to OFB.

Full power for procurement of stores has been delegated to OFB in respect of procurement from foreign sources valuing Rs. 50 crore or more with the stipulation that Approval-in-Principle shall be obtained by OFB from DDP.

OFB has signed Umbrella MoU with BEL & BEML to develop new products by harnessing technical expertise of these organisations. The authority to sign MoU with any DPSU has been delegated to OFB.

OFB is also planning to enter into collaboration with foreign OEMs to jointly develop and manufacture state-of-the-art weapons and ammunitions in the country against RFPs being issued by Service HQs, in accordance with provisions of DPP-2016 (Para 103 of Chapter-II)

The successful implementation of the above mentioned measures will make the OFB more professional, efficient and accountable.'

**19. From the Action Taken Reply submitted by the Ministry, the Committee note that the Ministry has taken several measures to modernise their Ordnance Factories. The steps proposed include, strengthening of in-House R&D, Upgrading Infrastructure in Ordnance Development Centres (ODCs), Research Assistance from Academic Institutes like IITs etc, Association with DPSU and DRDO. The Committee also note that OFB Procurement Manual is being revised with emphasis on 'Make in India' and facilitating long term procurement. The Committee has been apprised that in the first phase of the pilot project, 6 factories have been selected where OFs will be responsible and accountable for the quality of their products and DGQA will be responsible only for FAI (Final Acceptance Inspection). Based on outcome of the pilot project, decision will be taken for expanding the scope of the project to other factories under OFB. However, the Committee are surprised to find that no timelines have been drawn to achieve the objective. Therefore, the Committee desire that whatever steps the Ministry/OFB is taking for improving the working of Ordnance Factories should be time bound and monitored.**

**The Committee also desire that outcome of the recommendations of Raman Puri Committee with regards to Quality function and Integration of Finance at factory level should be conveyed to them.**

**The Committee also desire that impact of the steps taken by the OFB such as preparation of Annual accounts as per the proforma of Commercial Accounting format which has already been approved by C&AG and signing of Umbrella MoU with BEL & BEML for developing new products by harnessing technical expertise of these organisations, for which authority to sign MoU with**

any DPSU has been delegated to the OFB should be conveyed to the Committee for their consideration.

The Committee would also like to know the specific recommendations of Kelkar Committee which have been implemented and those that remain to be implemented. The Committee also desire to be apprised of the timelines as drawn by the Ministry for its execution.

## **DEFENCE RESEARCH AND DEVELOPMENT ORGANISATION**

### **E. Budgetary Provisions of DRDO**

#### **Recommendation (Para Nos. 11, 12, 13, 14 &15)**

20. The Committee had recommended as under:-

‘The Committee note that there has always been a mismatch between the projected amount and allocations made at the Budget Estimate and Revised Estimate stages and the actual expenditure incurred. During the year, 2017-18, as against the projected demand of Rs. 19,935.60 crore, the allocation, as per the BE is Rs. 14,818.74 crore, which works out to around 74 per cent of the projected amount.

The Committee also note out of the total Defence Budget the share of DRDO, which was 5.79 per cent in the year 2011-12 was reduced to 5.34 per cent in 2013-14. The share had slightly improved to 6.5% in 2014 -15, but was again reduced to 5.91% during 2015-16. This has been further reduced to 5.46% during the year 2016-17 and 5.41% during the year 2017-18. The Committee in this regard, express the need for ensuring that the R&D Budget is maintained at a healthy percentage vis-à-vis the overall Defence Budget.

The Committee note that the budget requirement is projected by DRDO on the basis of on-going projects/programmes and future requirements. Nearly 80 percent of total budget is being utilised on Mission Mode (MM) Projects with deliverables for Armed Forces. Short falls in budget affect Technology Development (TD), Science and Technology (S&T), Development of Infrastructure and Facilities (IF), and projects related to Product Support (PS). Due to shortage of funds, projects and other on-going activities are re-prioritized. The Committee has been informed in this regard that all possible efforts are being made to meet the budgetary requirement of DRDO, within the available resources, so that its flagship programmes do not suffer due to lack of funds.

DRDO is involved in the development of new technologies & systems in domain areas of missiles, aeronautical systems, armaments & combat engineering systems, naval systems, electronics & communication systems etc. Some of the new weapons systems in testing phase are: New Generation Anti Radiation Missiles (NGARM), Quick Reaction Surface to Air Missile (QRSAM), Man-Portable Anti-Tank Guided Missile (MPATGM), Kautilya, Pralay, Advanced Towed Array Advanced Towed Artillery Gun Systems (ATAGS), 500 kg general purpose bomb, Advanced Light Weight Torpedo, Advance Light Towed Array Sonar (ALTAS), Medium Power Radar (MPR) Arudhra, Nuclear, Biological & Chemical (NBC) products to name a few.

Additionally, new projects have also been sanctioned this year for the development of weapon systems for e.g. Anti Tank Guided Missile (ATGM) for MBT Arjun Mk-II, corner shot weapon system for pistol and Under Barrel Grenade Launcher(UBGL), Identification of Friend or Foe (IFF) Mk XII(A) system variants, Electric Gun and Turret Drive System (ELEGANT), Akash Mk-1S, Akash New Generation (NG), Supersonic Missile Assisted Release of Torpedo (SMART), Anvesha, RudraM-II, Stand-off Anti-tank Guided Missile (SANT). The total cost of these sanctioned projects is Rs. 2,219 Cr. About 65% of DRDO budget is expected to cater to new weapon system development.'

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

'The recommendation of Standing Committee on Defence has been noted. Efforts will be made to ensure that additional allocations sought by DRDO at supplementary/RE stage are favourably considered by Ministry of Finance.'

**22. The Committee are happy to note that their recommendations have been noted by the Ministry and efforts are being made to ensure that additional allocations sought by DRDO are favourably considered by Ministry of Finance. However, the Ministry have not commented on the decreasing R&D allocation to the DRDO, which has come down from 5.79 per cent in the year 2011-12 to 5.41% during the year 2017-18. Therefore, the Committee reiterate their recommendation and urge the Ministry to ensure maintenance of the R&D Budget at a healthy percentage vis-à-vis the overall Defence Budget.**

#### **Recommendation (Para No. 16)**

23. The Committee had recommended as under:-

'Taking into account the aspect of depleting allocation for R&D, both in absolute and percentage terms, as well as the percentage share of R&D activities w. r. t. overall R&D Budget, and overall resource crunch of Government of India, the

Committee had, in their report on DFG (2016-17) desired that the Ministry explore the possibility of considering the Budget for R&D platform as a sum total of R&D Budget of DRDO, DPSUs and Ordnance Factories as well as Private Sector. The Committee have been informed in this regard that the nature of R&D carried out by DRDO and other agencies have a basic difference. DRDO focus on basic/applied research and technology development whereas the focus of the other agencies is more on production/manufacturing related development. Therefore, requisite flexibility and autonomy to let them decide their areas of interest has been felt to be appropriate. The intention behind the view point expressed by the Committee in this regard is for ensuring that due care is taken to synergize the R&D activities being undertaken by all these organizations in order to avoid duplication of R&D and thereby save on cost & time. The Committee desire that necessary steps be taken in this direction.'

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

'It is again re-iterated that DRDO focuses on basic/applied research and technology development whereas the focus of the other agencies is more on production/manufacturing related development. Therefore, requisite flexibility and autonomy to let them decide their areas of interest has been felt to be appropriate.

Suitable mechanism will be drafted to ensure that Research and Development (R&D) efforts between Defence Research and Development Organisation (DRDO), Ordnance Factory Board (OFB) and Defence Public Sector Undertakings (DPSUs) are not duplicated. In this connection, it is proposed that a committee under the chairmanship of Defence Secretary with Secretary, Defence Production and Secretary, R&D as members be set up to discuss and review new R&D projects to be taken by each of these agencies.'

**25. The Committee note from the Action Taken Replies submitted by the Ministry that suitable mechanism would be drafted to ensure that Research and Development (R&D) efforts between Defence Research and Development Organisation (DRDO), Ordnance Factory Board (OFB) and Defence Public Sector Undertakings (DPSUs) are not duplicated and a Committee under the Chairmanship of Defence Secretary with Secretary, Defence Production and Secretary, R&D as members be set up to discuss and review new R&D projects to be taken by each of these agencies has been proposed. The Committee welcome the step so taken and desire that they be kept apprised of the progress in regard to formation of the Committee and outcome of the working of the said Committee at the earliest.**

## **F. Delays in Projects**

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

26. The Committee had recommended as under:-

'There are 93 on-going major projects in different DRDO labs. These include Agni IV, Agni V, Nirbhay Cruise Missile, K-15, Nag, Astra, AWACS, Arjun Main Battle Tank, Tejas LCA, etc. The Committee are dismayed to note that out of 30 major on-going projects (costing more than Rs. 100 crore), there have been cost revisions in 06 and time revisions in 16 projects. Besides, 12 projects are more than 5 years old, i.e. sanctioned prior to 2011. While 17 major projects (costing more than Rs. 100 crore) were sanctioned during the 11<sup>th</sup> Five Year Plan (April 2002 to March 2007), none has yet been completed. Moreover, three of these have been under closure, one under short closure and three under evaluation. The Committee are perturbed to observe that projects being undertaken are not executed as per schedule and inordinate delay in execution of almost all the projects has become a common phenomenon. The Committee, while deploring this attitude, desire that concrete steps be taken to put in place a time-bound mechanism to oversee project execution so that they are implemented in a stipulated time-frame. Steps proposed to be taken in this direction may be intimated to the Committee.'

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

'The steps taken/being taken by DRDO for expediting the completion of defence projects are:

- Organisational re-structuring - Decentralization of authority and responsibility with labs/cluster DGs.
- More stringent review mechanisms in place - various high level committees including, Steering Committees, Advisory Committees and Monitoring Boards.
- Involvement of Services & Production Partners during development process and reviews - To know their views in advance including finalisation of General Staff Qualitative Requirements (GSQRs).
- Synergy among stakeholders – Quarterly interactions.
- While undertaking new projects pre-project activity including preliminary design is being given greater focus.
- The periodicity of review is enhanced for projects which have taken more than two Probable Date of Completion (PDC) extensions.'

**28. The Committee find that DRDO has taken some measures for expediting completion of defence projects i.e. de-centralization of authority and responsibility with labs/cluster DGs, putting stringent review mechanisms in place, involvement of Services & Production Partners during development process and reviews, Synergy among stakeholders, greater focus on pre-project activity including preliminary design and enhancement in periodicity of review for projects which have taken more than two Probable Dates of Completion (PDC) extensions.**

**The Committee hope that the above measure may avoid delays in execution of projects. The Committee desire that steps should also be taken so that above measures take off in reality and outcome of each of the 93 ongoing major projects be intimated to the Committee.**

## **CHAPTER II**

### **A) OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT**

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

The Committee are of the view that the lesser than projected allocation being made to DGOF would affect the process of modernisation of Ordnance Factories, which may ultimately result in lower production and may finally affect the quality of products. Therefore, the Committee strongly feel that to improve the working of Ordnance Factories, requisite allocation should be provided to them.

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

OFB has undertaken comprehensive modernization plan to meet quantitative and qualitative requirements of Armed Forces. These plans have long gestation period. Due to lesser allocation, the plans are re-adjusted based on priorities.

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

The Committee note that several problems are encountered at different stages. At the Tendering Stage, problems arise due to limited vendor base. Since majority of the machine requirements are for customized Special Purpose Machines (SPMs)/tooled up machines, very few offers are received. Therefore, to have better competition, the Tender Opening Date (TOD) gets extended several times. The Committee also find that there is lack of indigenous technology base for Forging, Chemical, Metallurgical and Explosive plants. Thus, in such cases, Global participation is required. Moreover, since the Plant and Machinery (P&M) Procurement Manual does not have provision for making advance payment, suppliers of machines which are cost intensive do not participate in Tender Enquiry (TE).

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

In order to attract genuine bidders/suppliers, provision has been made in the OFBPM-2013 for advance payment to the extent of 15% of the contract value for cost intensive/turnkey plant and machinery.

Provision has also been made in OFBPM (P&M) - 2013 for floating Expression of Interest (EOI) and Pre-bid Conference in technology intensive procurement cases in order to frame broad based specifications in line with the technologies available in the market.



Efforts are being made to bring the technologies to the country by means of allowing consortium of Indian vendors with foreign collaborators/ technology partners. Provision for the same has already been made in OFBPM-2013.

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

The Committee desires that the Ministry should try to develop the indigenous industry for Forging, Chemical, Metallurgical and Explosive plants, and introduce the facility of 'advance payment' for reputed business houses, in respect of which there is no provision as of now.

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

Provision has been made in the OFBPM (P&M) -2013 for advance payment to the extent of 15% of the contract value for cost intensive/turnkey Plant & Machinery and efforts are being made to bring the technologies to the country by means of allowing consortium of Indian vendors with foreign collaborators/ technology partners.

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

The Committee note that against the required investment of Rs. 2,394 crore in 2016, a substantial amount remained to be expended / invested. Also, during the examination of Demands for Grants of the previous years including 2016-17, the Committee had observed that augmentation of the capacity for manufacturing of T-90 tanks from 100 to 140 nos. was a prioritized item. However, the process has been delayed. The Committee find that lack of planning and co-ordination with the users as the main reason of delay. The Committee desire that the Ministry/OFB should give a serious thought to this matter and take appropriate action so as to avoid such delays at any cost.

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

Sanctioned investment of Rs. 2,394 crore is for the following six (06) projects and has to be spread over the total span of execution of these projects:

- (i) Creation of capacity for T-72 variants,
- (ii) Augmentation of capacity of Engines for 'A' vehicles,
- (iii) Spares for O/H of T-72 & T-90 Tanks and O/H of BMP-II engines,
- (iv) Augmentation of capacity for T-90 Tanks,
- (v) Augmentation of capacity of Large Calibre Weapons and
- (vi) Setting up of HMX Plant at OF Bhandara.

As on date, cumulative expenditure of Rs. 967 crore has been incurred against the above mentioned projects.

Original sanctioned cost of the project was Rs. 971.36 crore in 2011. Based on directives from MOD in December, 2013, to review the demand of Army, investment on various projects were prioritised. The scope of T-90 Augmentation project was restricted to Rs. 186 crore due to budgetary constraints and non-availability of indent from the Indian Army. On receipt of confirmation from the Indian Army, restriction was withdrawn in October, 2014 and procurement action as per original scope has been initiated by Factories. During the period of restriction, all the tenders which were in advanced stages were dropped and framing of specifications and other technical inputs were kept on hold. After receipt of clearance, all the cases were initiated afresh.

Project Augmentation of capacity of T-90 Tanks from 100 to 140 nos., is being reviewed on monthly basis at factory level and Armoured Vehicle Headquarters. Review is also done quarterly in Board meeting. Based on the present status, the project is likely to be completed by December, 2018.

It is further submitted that due to competitive bidding process for procurement of plant and machinery, above projects are likely to be completed within sanctioned cost of the project.

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

Modernization of infrastructure is a continuous process which needs to be undertaken with a view to update the plants and machineries matching both the qualitative and quantitative requirements of the products projected in the prospective plans. During the years, 2011-12 to 2015-16, the Capital Outlay for modernization programme was Rs. 5110.38 crore, against which the actual expenditure was Rs. 5044.70 crore. Thus, Rs. 65.68 crore remained unutilized. This is despite the fact that Ordnance Factories Board manages 41 manufacturing units where the amount could have been utilized. During the year 2016-17, Rs. 735.68 crore has been provided. The BE for the year 2017-18 is Rs. 803.68 crore. The delays in respect of many important projects like Pinaka Rocket System, T-90 tanks etc. have resulted due to delay in augmentation of capacity for manufacturing by the Ordnance Factories Boards. The Committee are not happy with the pace of modernisation and under-utilization of funds by Ordnance Factories Board. The Committee opine that optimum utilization should also be given due importance and desire that appropriate steps should be taken to achieve the goals of modernisation.

### **Reply of the Government**

The allocated budget of Rs. 735.68 crore for 2016-17 was subsequently revised to Rs. 715.29 crore against which Rs. 716.66 crore has been expended. The following steps taken by OFB towards optimum utilization of allotted fund:

- (i) Utilisation of fund is being given due importance at OFB. System has been put in place for periodic review and monitoring the progress of projects under the chairmanship of Member/Chairman to expedite the progress of projects.
- (ii) Provision of advance payment has been introduced in OFBPM-P&M 2013.
- (iii) In order to execute civil works without time over run, in Government sanctioned projects, measures have been taken as brought out against point no. 3.
- (iv) Recently, MoD has delegated full powers to the extent of powers available with MoD for procurement of plant and machinery, subject to obtaining acceptance in principle (AIP) from MoD for case valuing more than Rs. 10 crore.

It is further mentioned that the allocated budget of Rs. 803.68 crore (approved BE) for 2017-18 shall be fully utilized.

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

The Committee also note that DRDO's products and systems are being developed with partnership of more than 1000 industries including small and medium enterprises (SMEs). In view of the limitation of funds available with DRDO, the Committee had in their report of DFG (2016-17), emphasised that DRDO needs to mainly play a role in assisting in design and development of the products taken up for manufacture, without spending from its own budget. The Committee note in this regard that DRDO has pursued the Committee's recommendation in the right earnest in certain cases like the case of development of Rustom-II.

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

The Committee's recommendation will be pursued in other cases also.

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

It has also been emphasized in 'Procedures for Project Formulation and Management (PPFM), 2016' that a Lab should:

- (a) Identify possible production agencies at the stage of formulation of project proposal, if needed, under the proposed project/programme (for Mission Mode projects); and
- (b) Identify Development Partners (DPs), if required, and take them into loop right from beginning of project execution.

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

The Committee desires that DRDO should not limit this policy to one or two projects. Rather it should be extended to more projects. The Procedures for Project

Formulation & Management (PPFM) 2016 should be strictly implemented. The Committee desire to be informed about the measures taken in this direction.

### **Reply of the Government**

Defence Research and Development Organisation (DRDO) currently has 300 on-going projects (*excluding strategic projects*) amounting to approximately Rs. 68,306 crore (*including User share*) and all these projects including new projects to be taken by the labs have been mandated to follow the guidelines of PPFM 2016. The procedure is strictly implemented at all levels and all projects are critically checked for PPFM compliance. During the course of project, various review meetings are held which check the progress of the project in a timely manner.

Out of these, about 80% of the cost of the project is dedicated to Mission Mode (MM) projects which necessarily have involvement of identified Production Agency (PA)/Development Partner (DP) in it. The question of involving a PA/DP in MM projects is being actively encouraged especially in cases where firm Qualitative Requirements (QRs) and Minimum Order Quantity (MoQ) has been specified by the User. However, DRDO cannot involve a DP in its Science & Technology (S&T) and Technology Demonstration (TD) projects where there is no firm clarity on number requirement from the Services.

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

The Committee note that as per the recommendations made by the Committee, given in their 20<sup>th</sup> Report on DFG (2016-17), DRDO has drawn out a Technology Road Map given by labs/clusters for a duration of 10 years in blocks of 5 years each i.e. 2016-2020. The Committee desire that DRDO will strictly follow the road map so drawn. The Committee also desire that they may be informed of the outcome.

### **Reply of the Government**

The Technology Roadmap has been drawn up for DRDO in August 2016 which exists in the form of Technology Roadmap for duration of 10 years in blocks of 5 years each i.e. 2016-2020 and 2021-2025. Details are given as under:

## Indicative Technology Roadmap of DRDO

Technologies Planned for 2016-2020	Technologies Planned for 2021-2025
<ul style="list-style-type: none"> <li>• Stealth Wing Flying Testbed</li> <li>• AESA based Integrated Sensor Suite</li> <li>• Advanced Warhead Technologies</li> <li>• Multifunctional Moisture Barrier</li> <li>• High Performance Explosive Compositions</li> <li>• Advanced Thermobaric Explosive Compositions</li> <li>• Swarm Robotics</li> <li>• Mobile Transhorizon Communication</li> <li>• Compact Airborne Multisensor/Optronic Payload</li> <li>• Digital Active Phased Array</li> <li>• Solid Oxide Fuel Cell Stack</li> <li>• Directional Sonobuoy</li> <li>• Compact High Performance Imaging</li> <li>• Magnetic Signature Management</li> <li>• Powder Metallurgy Nickel based Superalloy</li> <li>• Aeroengine Discs</li> <li>• Advanced Functional Materials</li> <li>• Multifunctional Hybrid Nanocomposites</li> <li>• Advanced Nanofluid Technologies</li> <li>• X-band Pulsed Helix TWT</li> <li>• GaN HEMT MMICs</li> </ul>	<ul style="list-style-type: none"> <li>• Liquid Fuel Ramjet Technology</li> <li>• Supersonic Target</li> <li>• ELINT Satellite Cluster Technologies</li> <li>• Stealth Airframe Technology &amp; Materials</li> <li>• High Performance Textiles for Decelerators and Inflatables</li> <li>• High Efficiency High Temperature Turbine                             <ul style="list-style-type: none"> <li>• Multi-hopping Smart Land Munitions</li> <li>• Next Generation Halon Alternatives</li> </ul> </li> <li>• Integrated Advanced Datalink Technologies</li> <li>• Next Gen Communication Technologies</li> <li>• Cyber Electronic Warfare Technologies                             <ul style="list-style-type: none"> <li>• Optronic Warfare Technologies</li> <li>• Advanced Photonics</li> <li>• Hybrid UV/IR LIDAR</li> </ul> </li> <li>• Multi Static Air Defence Radar technology                             <ul style="list-style-type: none"> <li>• Wide Area Surveillance Technologies</li> </ul> </li> <li>• Materials for Kinetic Energy Penetrators                             <ul style="list-style-type: none"> <li>• Quantum Computing</li> <li>• Terrahertz Electronics</li> <li>• Semantic Big Data Analytics</li> <li>• Radiation Countermeasures</li> </ul> </li> </ul>

DRDO's five year plan projections covering Mission Mode (MM), Technology Demonstration (TD) and Science & Technology (S&T) projects from the Technology Roadmap have been drawn from the roadmap and we intend to take up a lot of technologies in the coming five years. Labs/cluster has started taking projects in this direction, some of these include: Stealth Wing Flying Testbed (SWiFT), AESA based Integrated Sensor Suite (ABISS), Advanced Warhead Technologies, Multifunctional Moisture Barrier, Solid Oxide Fuel Cell (SOFC) Stack Technology, Directional Sonobuoy, Magnetic Signature Management, Powder Metallurgy Nickel based Super alloy Aero engine Discs, Advanced Functional Materials, Multifunctional Hybrid Nanocomposites, Advanced Nanofluid Technologies, X-band Pulsed Helix TWT, GaN HEMT MMICs. Outcome of these projects will be visible in coming years.

### Recommendation (Para Nos. 22 & 23)

Directorate General of Quality Assurance (DGQA) provides Quality Assurance (QA) cover for the entire range of Arms, Ammunitions, Equipments and Stores supplied

to Armed Forces. The organisation is also responsible for import substitution and associates with Defence Research and Development Organisation (DRDO) in the development projects. It also ensures Documentation, Codification and Standardisation Action for minimizing the variety of components / equipments. The other services rendered are promotion of small scale industries, Post Procurement Services, Defect Investigations.

The Committee note that for the year 2017-18, Director General of Quality Assurance (DGQA) has been allocated Rs. 1,171.51 crore against the projection of Rs. 1,307.14 crore. There is a shortfall of Rs. 135.63 crore. The Committee also note that DGQA carries out inspection of Defence stores supplied by Ordnance Factories, DPSUs, Trade Firms and ex-import. These inspections are done at various stages of manufacture and at Final Acceptance stage. On an average, DGQA carries out approx. 18,000 inspections per month. Further, whenever a new system is inducted into the Army, DGQA is an integral part of the process and plays a pivotal role in all stages of induction right from the General Staff Qualitative Requirement (GSQR) formulation stage till the Joint Receipt Inspection of the store. Since there is a shortfall of Rs. 135.63 crore in budgetary allocation against the projection of DGQA, the Committee would like to know whether any compromises have been made or are likely to be made in the functioning of DGQA due to reduced budgetary allocation and if any compromises are made, then, the Committee may be informed of its consequences.

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

No compromises have been made in the functioning of the DGQA due to shortfall of Rs. 135.63 crore in the budgetary allocation against the projection as on date. Shortfall of funds will be projected as an additional budgetary requirement at different stages i.e. first supplementary/ second supplementary/ Revised Estimates (RE) (2017-18) Stage after ascertaining the requirement.

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

The Committee note that for 'Revenue Works' in 2017-18, against the projection of NCC of Rs. 19.09 crore for rentals, tariff, carry over works & Spl. Works Revenues, the allocation for NCC is Rs. 10.00 crore. As the pending Rentals and Tariffs are to be paid annually, non-Payment may lead to litigation, committed liabilities may not be met and no new revenue works would be taken up in the financial year 2017-18. Therefore, the Committee recommend that the allocation for the NCC (Revenue Works) should be increased to Rs. 19.09 crore as projected by the NCC to fulfil its requirements and to ensure proper functioning of the NCC.

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

The Committee also note that for the financial year 2017-18 under Revenue (Non-Salary) Head, against the BE projection of Rs. 420.76 crore for NCC, the allocation for the year 2017-18 is Rs. 227.00 crore. There is a significant shortfall of Rs. 193.76 crore. This will have an adverse impact on training activities, and could lead to default in

making allied payments. Therefore, the Committee recommend that this short fall of Rs. 193.76 crore should be met so that proper functioning of the NCC could be ensured.

### **Recommendation (Para Nos. 26 and 27)**

Further, the Committee note that for the financial year 2017-18, against the BE projection of Rs. 68.73 crore for infrastructure and MLs, an allocation of Rs. 12.40 crore has been made under Capital Head. There is a huge shortfall of Rs. 56.33 crore. This may adversely affect on the Capital Work Projects (sanctioned / in progress) and Contractual Obligations (Microlights). The infrastructure projects require deposit of funds. The execution of infrastructure projects will be stalled. The Committed liability may not be honoured and it would lead to breach of sovereign projects. Therefore, the Committee recommends that the projection of NCC of Rs.68.73 crore be taken care of and the shortfall of Rs. 56.33 crore be met so that the Capital Work Projects which are sanctioned/in progress, contractual obligations made and execution of infrastructure projects could be completed within stipulate time.

National Cadet Corps (NCC) was established under the NCC Act, 1948. Today it has presence in 683 districts of the country with authorised cadet strength of 15 lakh. NCC aims at creating a pool of organized, trained and motivated youth with leadership qualities in all walks of life, so that they become useful citizens and serve the Nation with all their might regardless of the career they choose. According to the data furnished by the Ministry, the total number of educational institutions at present covered by NCC is 10,472 Schools and 5546 Colleges. In all, 4244 schools and 2383 colleges are presently waitlisted. The Committee also noted that 01 Group Headquarter, 07 Army Units and 07 Naval Units were raised in the third phase. This has raised the number of NCC Headquarters to 97 and NCC Units to 814. The Total strength of NCC cadets has increased to 12,81,298 which includes 3,64,084 girl cadets. The ongoing Expansion Plan is likely to be completed by 2018-19 and would reduce the current waiting list marginally as this expansion is based on priorities laid down by the Government.

### **Reply of the Government**

The recommendation of Standing Committee on Defence has been noted. Additional requirements projected by NCC will be forwarded to Ministry of Finance at Supplementary/RE stage for favourable consideration.

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

The Committee are of the view, in the current times, when our Defence Services are confronting the problem of shortage of personnel and staff, inducting more schools and colleges into NCC, an institution aiming at developing character, comradeship, discipline, a secular outlook, the spirit of adventure and ideals of selfless service amongst young citizens, is crying need of the hour. Therefore, the Committee recommend that the expansion plan of the NCC be extended and adequate budgetary

and logistic support from the Ministry be provided. The Committee may be apprised of the steps taken in this regard. They also desire that the State Governments should encourage NCC in their respective States and make necessary resources available.

### **Reply of the Government**

There is an ongoing expansion plan for increase in the authorised NCC cadet strength by two lakh NCC cadets (from 13 lakh to 15 lakh) which is expected to be completed by the year 2020. Further expansion plan of NCC is recommended only after assessing and addressing the current deficiencies in terms of clothing, infrastructure, training facilities, manpower and funding.

NCC makes continuous efforts through State NCC Directorates to reach out to the State Governments for necessary encouragement, support and funding of NCC activities.



## **B) OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT AND ARE COMMENTED UPON**

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

From the information furnished by the Ministry, the Committee note that delays which are taking place not only pertain to individual projects like T-72 variants, spares for T-72 and T-90, 750 engines, Akash Booster and Sustainer, HMX Plant, Pinaka, Ammonium Percolate, Mine Protected Vehicles (MPVs) and Large Caliber Weapons (LCWs). Delays are also witnessed in regard to construction of Factories at Nalanda and Korwa. The Committee also note that Ordnance Factories depend to a large extent on Military Engineering Services (MES) for execution of civil works related to their projects. Delay in completion of civil works by MES is one of the major reasons affecting the timely completion of the projects. The Committee view this factor, which is affecting the operational preparedness of Army and other consumers of Ordnance Factories with serious concern.

### **Reply of the Government**

Present status of individual projects, like T-72 variants, spares for T-72 and T-90, 750 engines, Akash Booster and Sustainer, HMX Plant, Pinaka, Ammonium Percolate, MPVs and LCWs are as under:

- (i) T-72 Variants-50 Nos p.a.: Civil Works completed and 96.08% of major machines have been ordered. Anticipated date of completion is Dec, 2017.
- (ii) Augmentation of Engines from 350 to 750 Nos p.a.: FMS M/c which cost wise contributes to 61% of the total project will be delivered by Aug, 2017 which is the critical path of this project. All the other machines were commissioned. Anticipated date of completion is Dec, 2017.
- (iii) Spares Project (T-72 OH/T-90 Tanks & BMP II): All the major machines are ordered. Anticipated date of completion is Sep, 2017.
- (iv) Augmentation of T-90 Tanks form 100 Nos to 140 Nos p.a.: Project is in progress at HVF, EFA, OLF & MTPF. 40% Civil works and 86.89% procurement of P&M have been completed. Anticipated date of completion is Dec, 2018.
- (v) **Akash Booster & Sustainer Augmentation Project:** After obtaining the requisite clearance and completing the tree cutting, the Civil Work was entrusted to MES and is likely to be completed by August, 2018. Most of the P&M has been received except critical technological machines viz. Vertical Planetary Mixer

(CMTI Bangalore) and 4MeV Linear Accelerator (SAMEER) are expected by 2019.

- (vi) **Pinaka Augmentation Project:** After obtaining the requisite clearance and completing the tree cutting, the Civil Work was entrusted to DRDO and is likely to be completed by October, 2017. Most of the P&M has been received however, critical technological machines viz. Vertical Planetary Mixer (CMTI Bangalore) and 4MeV Linear Accelerator (SAMEER) are expected by 2019.
- (vi) **HMX plant:** Contract was concluded between M/s DMP, Italy & Ordnance Factory Bhandara (OFBA) on 10.10.2012 with PDC is 30 months from effective date of contract (i.e.11.02.2016). The Erection is at the final stages and Commissioning is expected to be completed in September, 2017.
- (vii) **Ammonium Perchlorate (AP) Plant:** The Contract was signed between GM/HEF & M/s Nuberg, Noida on 18.06.2015 for an amount 28.50 crores with PDC is 15 months. All P&M are received at High Explosive Factory (HEF). The erection & commissioning is at final stages and expected to be completed by October, 2017.
- (viii) **OF Nalanda and OF Korwa projects:** The delay in projects were due to reasons beyond control of OFB. These included major policy decisions viz. blacklisting of M/s IMI, Israel by MoD resulting in cancellation of contract for supply of Bi-Modular Charge Systems (BMCS) Plant, non-finalisation of design of CQB Carbine by the indenter etc. Moreover, the mandated weapon, i.e. Close Quarters Battle (CQB) Carbine at OF Korwa project is yet to be finalized by the Army. Moreover, the RFP has also been retracted by the AHQ on 29.09.2016 and is under process to be floated afresh. In the absence of CQB Carbine, factory has undertaken production activities during project stage itself with alternative items like 12 Bore Pump Action Gun, components of 7.62 mm MAG, Chromium Plating of Obturating Spindle for 155 x 45 Cal "Dhanush" etc. since 2014-15, as a support system for sister ordnance factories. Regarding, acquisition of 39.02 acres of land, final possession was given on paper to Ordnance Factory Project Korwa (OFPKR) on 19/10/2016. The construction of residential accommodation is to come up on the said land which is under process.

In order to minimize the delay in execution of civil works, the following actions have been taken by OFB:-

- (a) Service of DRDO construction wing is being taken to execute specialised, high value and time-bound Civil Works.
- (b) General Managers (GMs) of Ordnance Factories have been authorised to issue Admin Approval (AA) for execution of civil works related to sanctioned projects to be executed through MES/DRDO/Public Works Organisations. Thus, time will be saved as factories need not refer to OFB for convening the sitting board to finalise the scope of work, scrutiny of the

same and issue of Admin Approval.

- (c) Financial Powers for execution of Civil Works departmentally by GMs have been enhanced from Rs. 25 lakh to Rs. 5 crore. for production buildings.
- (d) SOP for civil works has been published in January 2014. Factories have been issued guidelines for measures to be taken while preparing DPR so that variation in the scope of work envisaged in the DPR and works to be executed remains minimum. Variation between estimated cost and the AA also remains within permissible limit.

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

The Committee had, in their 9th Report presented earlier, recommended constitution of a high level Committee to go into the functioning and organizational structure of Ordnance Factories Board and give its recommendations on restructuring of Ordnance Factories so as to make them more professional in meeting the present day requirements. The Committee, however, regret to note that there are no such plans for restructuring of Ordnance Factories. The recommendations of the Kelkar Committee, which has laid emphasis on restructuring of Ordnance Factories, have also not been taken cognizance of by the Ministry till date. The Committee express concern on such casual approach of the Ministry and strongly recommends that credence should be accorded to the Kelkar Committee recommendations on restructuring of Ordnance Factories. Action taken in this regard may be intimated to the Committee.

### **Reply of the Government**

The Kelkar Committee had emphasized on re-structuring of Ordnance Factories with the aim that it would enable the OFB to refocus on its areas of operation in flexible manner so as to respond not only to market but also to strategic interests without compromising the interest of the labour. The Committee recommended re-structuring of OFB and to give autonomy to Ordnance Factories in areas like R&D, Raw Material Selection, Vendor Development, Quality Control, and Financial Accounting etc. Several steps have been taken to provide autonomy to OFB in the area mentioned above by delegating powers by MoD. This will help improve efficiency of OFs and OFB will be able to re-orient itself to face the challenges before it.

In order to achieve the above aim and in order to keep pace with the rapid technological advancement and changing business scenario, OFB's role now includes:

- Focus on In-house R&D including process improvement and design
- Quality Management including Input material inspection
- Customer Diversification
- System Integration of platforms

To achieve the above role, the following activities have been initiated with the aim of providing greater autonomy in functioning to OFB in order to improve efficiency together with accountability:-

Strengthening of in-House R&D- Focus on in-House R&D has been identified. Thirteen (13) Ordnance Development Centers have been opened in various locations/divisions for major products and up gradation activities. To strengthen and consolidate R&D functions, OFB further plans the followings:-

- d) Upgrade Infrastructure in ODCs
- e) Research Assistance from Academic Institutes like IITs etc.
- f) Association with DPSU and DRDO-One MoU has been signed with BEL.

Increased outsourcing and Vendor development –OFB Procurement Manual is being revised with emphasis on ‘Make in India’ and facilitating long term procurement.

Quality Management including Input material Inspection-OFB is being entrusted with 1st Party QA functions in addition to existing responsibility for input material inspection, as part of implementation of Raman Puri Committee recommendations on QA functions, in the pilot project mode. The Ministry has considered the recommendations of Raman Puri Committee with regards to Quality function and Integration of Finance at factory level.

In the first phase of the pilot project, 6 factories have been selected where OFs will be responsible and accountable for the quality of their products and DGQA will be responsible only for FAI (Final Acceptance Inspection). Based on outcome of the pilot project, decision will be taken for expanding the scope of the project to other factories under OFB.

Preparation of Annual accounts as per the proforma of Commercial Accounting format has been approved by C&AG and the same is under compilation.

Moreover, action has also been initiated for Integration of Finance at factory level to provide necessary financial autonomy to OFB.

Full power for procurement of stores has been delegated to OFB in respect of procurement from foreign sources valuing Rs. 50 crore or more with the stipulation that Approval-in-Principle shall be obtained by OFB from DDP.

OFB has signed Umbrella MoU with BEL & BEML to develop new products by harnessing technical expertise of these organisations. The authority to sign MoU with any DPSU has been delegated to OFB.

OFB is also planning to enter into collaboration with foreign OEMs to jointly develop and manufacture state-of-the-art weapons and ammunitions in the country against RFPs being issued by Service HQs, in accordance with provisions of DPP-2016 (Para 103 of Chapter-II)

The successful implementation of the above mentioned measures will make the OFB more professional, efficient and accountable.

### **Recommendation (Para Nos. 11, 12, 13, 14 &15)**

20. The Committee had recommended as under:-

'The Committee note that there has always been a mismatch between the projected amount and allocations made at the Budget Estimate and Revised Estimate stages and the actual expenditure incurred. During the year, 2017-18, as against the projected demand of Rs. 19,935.60 crore, the allocation, as per the BE is Rs. 14,818.74 crore, which works out to around 74 per cent of the projected amount.

The Committee also note out of the total Defence Budget the share of DRDO, which was 5.79 per cent in the year 2011-12 was reduced to 5.34 per cent in 2013-14. The share had slightly improved to 6.5% in 2014 -15, but was again reduced to 5.91% during 2015-16. This has been further reduced to 5.46% during the year 2016-17 and 5.41% during the year 2017-18. The Committee in this regard, express the need for ensuring that the R&D Budget is maintained at a healthy percentage vis-à-vis the overall Defence Budget.

The Committee note that the budget requirement is projected by DRDO on the basis of on-going projects/programmes and future requirements. Nearly 80 percent of total budget is being utilised on Mission Mode (MM) Projects with deliverables for Armed Forces. Short falls in budget affect Technology Development (TD), Science and Technology (S&T), Development of Infrastructure and Facilities (IF), and projects related to Product Support (PS). Due to shortage of funds, projects and other on-going activities are re-prioritized. The Committee has been informed in this regard that all possible efforts are being made to meet the budgetary requirement of DRDO, within the available resources, so that its flagship programmes do not suffer due to lack of funds.

DRDO is involved in the development of new technologies & systems in domain areas of missiles, aeronautical systems, armaments & combat engineering systems, naval systems, electronics & communication systems etc. Some of the new weapons systems in testing phase are: New Generation Anti Radiation Missiles (NGARM), Quick Reaction Surface to Air Missile (QRSAM), Man-Portable Anti-Tank Guided Missile (MPATGM), Kautilya, Pralay, Advanced Towed Array Advanced Towed Artillery Gun Systems (ATAGS), 500 kg general purpose bomb, Advanced Light Weight Torpedo, Advance Light Towed Array Sonar

(ALTAS), Medium Power Radar (MPR) Arudhra, Nuclear, Biological & Chemical (NBC) products to name a few.

Additionally, new projects have also been sanctioned this year for the development of weapon systems for e.g. Anti Tank Guided Missile (ATGM) for MBT Arjun Mk-II, corner shot weapon system for pistol and Under Barrel Grenade Launcher(UBGL), Identification of Friend or Foe (IFF) Mk XII(A) system variants, Electric Gun and Turret Drive System (ELEGANT), Akash Mk-1S, Akash New Generation (NG), Supersonic Missile Assisted Release of Torpedo (SMART), Anvesha, RudraM-II, Stand-off Anti-tank Guided Missile (SANT). The total cost of these sanctioned projects is Rs. 2,219 Cr. About 65% of DRDO budget is expected to cater to new weapon system development.'

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

'The recommendation of Standing Committee on Defence has been noted. Efforts will be made to ensure that additional allocations sought by DRDO at supplementary/RE stage are favourably considered by Ministry of Finance.

### **Recommendation (Para No. 16)**

Taking into account the aspect of depleting allocation for R&D, both in absolute and percentage terms, as well as the percentage share of R&D activities w.r.t overall R&D Budget, and overall resource crunch of Government of India, the Committee had, in their report on DFG (2016-17) desired that the Ministry explore the possibility of considering the Budget for R&D platform as a sum total of R&D Budget of DRDO, DPSUs and Ordnance Factories as well as Private Sector. The Committee have been informed in this regard that the nature of R&D carried out by DRDO and other agencies have a basic difference. DRDO focus on basic/applied research and technology development whereas the focus of the other agencies is more on production/manufacturing related development. Therefore, requisite flexibility and autonomy to let them decide their areas of interest has been felt to be appropriate. The intention behind the view point expressed by the Committee in this regard is for ensuring that due care is taken to synergize the R&D activities being undertaken by all these organizations in order to avoid duplication of R&D and thereby save on cost & time. The Committee desire that necessary steps be taken in this direction.

### **Reply of the Government**

It is again re-iterated that DRDO focuses on basic/applied research and technology development whereas the focus of the other agencies is more on production/manufacturing related development. Therefore, requisite flexibility and autonomy to let them decide their areas of interest has been felt to be appropriate.

Suitable mechanism will be drafted to ensure that Research and Development (R&D) efforts between Defence Research and Development Organisation (DRDO), Ordnance Factory Board (OFB) and Defence Public Sector Undertakings (DPSUs) are not duplicated. In this connection, it is proposed that a committee under the chairmanship of Defence Secretary with Secretary, Defence Production and Secretary, R&D as members be set up to discuss and review new R&D projects to be taken by each of these agencies.

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

There are 93 on-going major projects in different DRDO labs. These include Agni IV, Agni V, Nirbhay Cruise Missile, K-15, Nag, Astra, AWACS, Arjun Main Battle Tank, Tejas LCA, etc. The Committee are dismayed to note that out of 30 major on-going projects (costing more than Rs. 100 crore), there have been cost revisions in 06 and time revisions in 16 projects. Besides, 12 projects are more than 5 years old, i.e. sanctioned prior to 2011. While 17 major projects (costing more than Rs. 100 crore) were sanctioned during the 11<sup>th</sup> Five Year Plan (April 2002 to March 2007), none has yet been completed. Moreover, three of these have been under closure, one under short closure and three under evaluation. The Committee are perturbed to observe that projects being undertaken are not executed as per schedule and inordinate delay in execution of almost all the projects has become a common phenomenon. The Committee, while deploring this attitude, desire that concrete steps be taken to put in place a time-bound mechanism to oversee project execution so that they are implemented in a stipulated time-frame. Steps proposed to be taken in this direction may be intimated to the Committee.

### **Reply of the Government**

The steps taken/being taken by DRDO for expediting the completion of defence projects are:

- Organisational re-structuring: Decentralization of authority and responsibility with labs/cluster DGs
- More stringent review mechanisms in place - various high level committees including, Steering Committees, Advisory Committees and Monitoring Boards
- Involvement of Services & Production Partners during development process and reviews - To know their views in advance including finalisation of General Staff Qualitative Requirements (GSQRs).
- Synergy among stakeholders – Quarterly interactions
- While undertaking new projects pre-project activity including preliminary design is being given greater focus.
- The periodicity of review is enhanced for projects which have taken more than two Probable Date of Completion (PDC) extensions.

### **CHAPTER III**

**OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE  
TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE GOVERNMENT**

**- NIL -**



## CHAPTER IV

### **OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH THE REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION AND COMMENTED UPON**

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

The Committee, while examining the Demands for Grants 2015-16 and 2016-17 had observed that due to delayed sanction of allocations and cuts imposed at RE stage, the Ordnance Factories Board was compelled to cut short its committed Liabilities. This resulted in shortfalls in meeting the financial targets. Ordnance Factories Board was reportedly increasing the supplies on the basis of the requirements of the Armed Forces. However, as a consequence of the cuts applied at RE stage, and mismatch between the projections and actual allocations, the Board could not produce the equipment as per the orders placed by Army. Therefore, with a view to addressing the problem of shortage of ammunition and vehicles, the Committee laid emphasis on providing adequate budgetary allocation to the Board at RE stage.

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

OFB being a production organization and requirement of funds is projected at BE stage in commensurate with the planned supply. At the time of allocation of fund if there is any reduction in the non-salary Revenue Budget, the supply gets affected. In the year 2015-16, the original BE projection was Rs. 10,335 crore in the non-salary budget and planned supply was Rs. 13,537 crore. However, while finalizing the budget, only Rs. 9,015 crore was considered as ceiling for non-salary revenue budget of OFB. Accordingly, OFB had worked out the feasible target supply as Rs. 11,266 crore, so as to restrict the expenditure within the allocated budget.

At the RE stage, the projection was made in October, 2015 for additional Rs. 1,599 crore in non-salary budget against a projected value of supply figure of Rs. 13,552 crore i.e. additional Rs. 2,286 crore over and above BE figure. Only in the month of February additional allocation was made affecting the final issues to indentors.

With regard to RE 2016-17, Revenue Budget was approved with minor variation. However, there was a reduction in allocation of fund in Capital Outlay. Allotment of fund in Capital Outlay was Rs. 715.29 crore against OFB projection of Rs. 1,048.42 crore.

The above position was explained in different forum and as such in 2017-18 fund allocated in the Revenue Budget under Non Salary segment is almost adequate to achieve the target. Yet, if there is any need for change in projection due to impact of GST being introduced from 1<sup>st</sup> July 2017, the same will be reflected in RE Projection.

(For comments of the Committee on Para No. 1 please see Para No. 7 of Chapter-I of the report)

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

The Committee have also observed that at the supply stage delays have been occurring as M/s Hindustan Machine Tools (HMT), one of the major suppliers of the machine tools to OFB, has not been able to supply machines to OFB within the delivery schedule. Consequently, re-tendering has to be resorted to. The Committee desire that the management of HMT should be called upon by the OFB for meetings at the higher level and work out strategies so as to avoid delays.

### **Reply of the Government**

Action has been taken for avoiding delay in supply by M/s HMT at the supply stage. There is no instance of re-tendering any case, due to inability of M/s HMT in execution of supply order. M/s HMT is being regularly followed up by different OFs at various levels. Discussions are also being held at OFB with senior level officials of M/s HMT. Firm commitment for supply for the financial year is being obtained in the meeting. Measures to avoid delay are discussed to sort out probable factors responsible for delay in supply.

(For comments of the Committee on Para No. 6 please see Para No. 13 of Chapter-I of the report)

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

The Committee note that Ordnance Factories are suffering from acute shortage of manpower. The Committee found that against a sanctioned strength of 1,19,968 technical personnel in various Ordnance Factories, the actual strength is only 70,810 as on 01.01.2017. This shows that there is a huge gap of almost 40.97 per cent between the sanctioned and actual strength of technical personnel. The existing strength of non-technical staff is only 15,083 as against the sanctioned strength of 22,524. Thus, there is a significant shortfall of 7,441 personnel in non-technical staff. Similarly, while the sanctioned strength of Group 'A' officers is 2,981, the actual strength is just 1,808. Thus, there is a significant shortfall of 1,173 Group 'A' officers. The Committee are concerned to note that this huge shortage of manpower in Ordnance Factories, particularly in the technical category will have a negative impact on manufacturing and ensuring improvement in the products. Therefore, the Committee recommends that immediate steps should be taken to bridge the huge gap between the sanctioned and actual strength in order to achieve manufacturing of technically advanced products by Ordnance Factories. The Committee would also like to know as to when the last exercise of manpower planning was conducted, and whether the implications of introduction of modern technologies, including that of computerization of processes on efficiency has been factored for the purpose of manpower planning.

## Reply of the Government

Sanctioned strength of Ordnance Factories is intended towards catering to peak load requirements of Indian Armed Forces, while, existing strength is maintained for meeting the current load of the Armed Forces on annual basis. The flexibility is required to help Indian Ordnance Factories to augment the manpower at a very short notice in times of exigency and to cater the workload from time to time.

However, Manpower is being sanctioned every year in respect of all categories of employees based on vacancies available in the recruitment grade and work load requirement.

The manpower (Gr. B & C) sanctioned after April 2015 is as follows:

Category	Month & Year	No. of posts sanctioned
Industrial Employees (Gr. C)	May, 2015	4,895
	May, 2016	4,033
Non-Industrial Employees (Gr. B & C)	May, 2016	965
Non-Gazetted Officers (Gr. B)	July, 2016	846 (under review)
Gazetted Officers(Gr. B)	May, 2015	188
	July, 2016	127 (under review)
-	Total	11,054
The total number of posts sanctioned to be filled after April 2015 is therefore 11,054.		

The action against the above sanctions is in various stages of recruitment.

The last exercise of manpower planning for Ordnance Factories was carried out by a Manpower Rationalisation Committee during 2015-16, which duly took into consideration various implication of introduction of modern technologies and computerization of process on efficiency. The committee accordingly recommended reduction of total sanctioned strength including Industrial Employees of Ordnance Factory Organisation from 1,63,103 to 1,45,503, which has already been approved by MoD, with the condition that the operating strength of the organization will be 1.10 Lakh.

(For comments of the Committee on Para No. 9 please see Para No. 16 of Chapter-I of the report)

**CHAPTER V**

**OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH THE  
GOVERNMENT HAVE FURNISHED INTERIM REPLIES / REPLIES AWAITED**

**- NIL -**

**New Delhi  
12 March, 2018  
21 Phalguna, 1939 (Saka)**

**MAJ GEN B C KHANDURI, AVSM (RETD)  
Chairperson  
Standing Committee on Defence**

## **STANDING COMMITTEE ON DEFENCE**

### **MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2017-18)**

The Committee sat on Friday, 12 March, 2018 from 1000 hrs. to 1030 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

#### **PRESENT**

**Maj Gen B C Khanduri, AVSM (Retd)** - **Chairperson**

#### **Lok Sabha**

2. Shri Suresh C Angadi
3. Shri Shrirang Appa Barne
4. Col Sonaram Choudhary(Retd)
5. Shri Dharambir Singh
6. Shri Gaurav Gogoi
7. Smt Mala Rajya Lakshmi Shah
8. Smt Pratyusha Rajeshwari Singh

#### **Rajya Sabha**

9. Shri Harivansh
10. Shri Sanjay Raut

#### **SECRETARIAT**

1. Smt. Kalpana Sharma - Joint Secretary
2. Shri T G Chandrasekhar - Director
3. Smt Jyochnamayi Sinha - Additional Director
4. Shri Rahul Singh - Under Secretary

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

- i) Thirty-Seventh Report on 'Action Taken by the Government on the Observations/Recommendations contained in the Twenty Eighth Report (16th Lok Sabha) on General Defence Budget, Border Roads Organisation, Indian Coast Guard, Military Engineer Services, Canteen Stores Department, Directorate General Defence Estates, Defence Public Sector Undertakings, Welfare of Ex-Servicemen, Defence Pensions and Ex-Servicemen Contributory Health Scheme'.
- ii) Thirty-Eighth Report on 'Action Taken by the Government on the Observations/Recommendations contained in the Thirtieth Report (16th Lok Sabha) on Ordnance Factories, Defence Research and Development Organisation, Directorate General of Quality Assurance and National Cadet Corps'.
- iii) Thirty-Ninth Report on 'Action Taken by the Government on the Observations/Recommendations contained in Thirty Fourth Report (16th Lok Sabha) on Provision of Medical Services to Armed Forces including Dental Services'.
- iv) Fortieth Report of the Standing Committee on Defence (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2018-19 on General Defence Budget, Border Roads Organisation, Indian Coast Guard, Military Engineer Services, Directorate General Defence Estates, Defence Public Sector Undertakings, Welfare of Ex-Servicemen, Defence Pensions and Ex-Servicemen Contributory Health Scheme (Demand No. 19 & 22)'.
- v) Forty-First Report of the Standing Committee on Defence (16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2018-19 on Army, Navy and Air Force (Demand No. 20)'.
- vi) Forty-Second Report of the Standing Committee on Defence(16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2018-19 on Capital Outlay on Defence Services, Procurement Policy and Defence Planning (Demand No. 21)'.
- vii) Forty-Third Report of the Standing Committee on Defence(16th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2018-19 pertaining to Revenue Budget of Ordnance Factories, Defence Research and Development Organisation, DGQA and NCC (Demand No. 20)'.

3. After deliberations, the Committee adopted the above mentioned reports with slight modifications.

4. The Committee authorized the Chairperson to finalise the above draft Reports and present the same to the House on a date convenient to him.

The Committee then adjourned.

.....

## APPENDIX II

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE THIRTIETH REPORT(16TH LOK SABHA) ON 'DEMANDS FOR GRANTS OF THE MINISTRY OF DEFENCE FOR THE YEAR 2017-18 ON ORDNANCE FACTORY BOARD, DEFENCE RESEARCH AND DEVELOPMENT ORGANISATION, DIRECTORATE GENERAL OF QUALITY ASSURANCE (DGQA) AND NATIONAL CADET CORPS (NCC) (DEMAND NO. 20)'.

1. Total number of Recommendations: 28
  
2. Observations/Recommendations which have been accepted by the Government (please see Chapter II A):  
  
Recommendations Nos. 2, 4, 5, 7, 8 17, 18, 19, 21, 22, 23, 24, 25, 26, 27 and 28  
  
Total : 16  
Percentage : 57%
  
3. Observations/Recommendations which have been accepted by the Government and commented upon (please see Chapter II B):  
  
Recommendations Nos. 3, 10, 11, 12, 13, 14, 15, 16, and 20  
  
Total : 09  
Percentage : 32%
  
4. Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government (please see Chapter III):  
  
Recommendation - NIL  
  
Total : 00  
Percentage : 0%
  
5. Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee which require reiteration and commented upon (please see Chapter IV):  
  
Recommendations Nos.1, 6 and 9  
  
Total : 03  
Percentage : 11 %
  
6. Observations/Recommendations in respect of which Government have furnished interim replies/replies awaited (please see Chapter V):  
  
Recommendation - NIL  
  
Total : 00  
Percentage : 0%