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Dated: 27.06.2017

To
The Secretary (Defence Production),
Government of India
Ministry of Defence
South Block,
New Delhi – 110 011

Sub : Protest regarding proposal to import BMCS or make in India through SP route.

Ref : Article Published in the Economic Times issue dated 22-06-2017.

Sir,

We have for reference the above article wherein primarily two news has been incorporated (1) That The Government has inserted a new clause in a series of seven tenders issued for procurement of ammunition for tanks & howitzers wherein banned companies like IMI, Singapore Technologies and Rheinmetall will be able to tie up with Private companies through the SP route (2) That Army has qualified M/s Nexter (France) and M/s Ompol (Czech) for procurement of BMCS.

We are deeply concerned about the above developments since the Ordnance Factory Nalanda has successfully established the product and has also supplied the required quantity last year. This year i.e. 2017-18 the requirement projected to the factory is 2,50,000 and the factory has guaranteed supplies.

Here the following may be pertinent to note :

The foundation stone of the fortieth Ordnance Factory for manufacture of Bi Modular Charge System(BMCS) for the Indian army's artillery was laid at Rajgir in Nalanda on April 14, 1999 by the then Prime Minister of India. The factory was expected to be completed by November 2005. Since the sanction of the project, a lot of otherwise gruelling positives have happened, which include acquisition of approximately 2,650 acres of land, rehabilitation of 1,191 families that were displaced, conclusion of contracts for Transfer of Technology (ToT) and construction of manufacturing plants with some of the biggest firms in the world like Denel of South Africa, Israel Military Industries (IMI), Biazzi of Switzerland and Bowas of Austria.

Many upheavals took place in the process with technology providers coming under cloud and the project went on getting delayed for one reason or the other.

The Army after extensive trials recommended procurement of BMCS from Somchem, a division of Denel, South Africa, in 1998-99. The company was the only known manufacturer of BMCS at that time. A contract was concluded with Denel for procuring 4 lakh BMCS modules in April 2002 along with TOT for indigenous production. The contract envisaged delivery of TOT documents which comprised of product specifications including detailed dimensional drawings and designs, quality and inspection procedures, process descriptions and production methods in respect of raw materials, intermediate products and final products.

The total cost of the TOT package was of US \$ 13.99 million. Tender Enquiry for construction of the BMCS plant was issued for the first time on March 29, 2004. The technical bids were opened on July 12, 2004 and price bids on October 26, 2004. IMI Israel emerged as the L-1 firm at a cost of Rupees 571.71 crore.

However, the Ministry of Defence in June 2005 decided to cancel all contracts with Denel due to allegations of corruptions in some other case. The Nalanda project was also kept in abeyance from June 2005 to July 2006, even though Denel had supplied the necessary ToT documents and payment for it had been made. The decision to hold the project in abeyance as also subsequent delay in finalizing contracts led to considerable cost and time overrun.

The Ordnance Factory Nalanda needed three plants to operationalize. The foremost being the BMCS main plant which constitutes of five sub plants. These include the Combustible Cartridge Case Plant, Single Base Propellant Plant, Triple Base Propellant Plant, Nitro-cellulose/Nitro-glycerin paste Plant and Propellant Charge Assembly Plant. The two secondary plants are those which manufacture primary ingredients - Nitro-glycerin and Nitro-cellulose. Interestingly, these three plants were tendered separately. The project of setting up of the factory was thus effectively converted into three independent and uncoordinated procurement decisions which led to further delay.

The contract for the BMCS plant with IMI Israel was finally concluded in March 2009 at the total cost of Rupees 1,175 crore. Advance amounting to Rupees 174 crore was also paid to IMI, which remained idle as all the transactions with IMI were put on hold in June 2009 by the Ministry of Defence. Finally, corruption took its toll and the contract was cancelled post investigation of allegations relating to illegal gratification. IMI was debarred from doing any further business dealing with Ministry of Defence for a period of ten years. We place it on record to highlight the constrains faced by the Nation for establishing this facility.

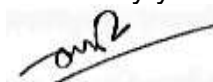
In view of this, we are shocked at the proposed government decision, as reported in the press, and demand that this is put off.

An immediate action in the matter is requested, suffice to mention that the factory is having enough capacity to cater to all the needs of the army and hence import or private industry intervention is not needed.

We do hope better sense will prevail.

Thanking You,

Sincerely yours



(M P SINGH)
General Secretary