

To
Hon'ble Raksha Mantri Ji,
Government of India
Ministry of Defence
South Block
New Delhi – 110 011

Through:, [Hon'ble Member of Parliament (Loksabha and Rajyasabha)/ State President/ General Secretaries/ District President of BJP]

Subject: Protest against any proposal to corporatize Ordnance Factories

Sir,

Govt of India had announced in the General Budget 2018-19 that the Govt will bring out an industry friendly Defence Production Policy 2018 to promote domestic production by public sector, private sector and MSMEs. In pursuance of the above, the Govt. has formulated a draft Defence Production Policy 2018 which has been placed in public domain during March 2018 and comments from interested parties by 30/03/2018.

In the above draft DPP-2018, under Para 15.3, it was mentioned that **“Ordnance Factories will be professionalized to make them competitive and improve their productivity”**

Thereafter in a written reply to Hon'ble Member of Rajya Sabha Shri Vivek K Tankha, on 06/08/2018, the then Raksha Rajya Mantri Dr. Subhash Bhamre submitted as under:

...“The policy envisages that Ordnance Factory Board (OFB) should focus on system integration, design and development, and actively engage domestic vendors in the private sector for other assembly work”...

However, when the final report was published, under Para 16.4 it has been mentioned that Ordnance Factories will be corporatized to make them competitive and improve their productivity.

While the response of “interested parties” to the draft DPP is not available in public domain, it is apparent that this mischievous change from **professionalized** to corporatized has been made under vested influence.

As a responsible stake holder, we strongly protest against such a change and demand that the wordings in the draft viz: **professionalized** be restored.

In this connection we desire to bring to your kind attention the following facts:

Manufacturing in defence sector is governed through industrial licensing under the Industries (Development and Regulation) Act, 1951 and Arms Act 1959/Arm Rules 2016. Prior to 2001, manufacturing in defence sector was limited to public sector companies only. However, in 2001, the Government allowed 100% participation by Indian private sector in defence manufacturing subject to licensing.

Under the aegis of “Make in India” In April 2017, it was decided to categorize 143 items being manufactured by Ordnance Factories as Non-core items. Later on, in November 2017, 93 troop comfort items of Indian Air-Force and Indian Navy were also declared as Non-core items. On 16.01.2018 additional 39 items being manufactured by Ordnance Factories have been included in the list of Non-core items. Thus, 275 important items of Ordnance Factories already stands declared as Non-core.

Further, MHA vide notification dated 14.12.2018 in supersession of their earlier notification S.O. 1636(E) dated 19.05.2017 had revised the schedule of items requiring Industrial licence under delegated powers to Secretary (DIPP) under Arms Act/Arms Rule according to which “Tanks and other armoured fighting vehicles” and “Arms and ammunitions and allied items of defence equipment; other than small arms of caliber 12.7 mm and above” are only licensable under Arms Act, 1959/Arms Rules 2016”.

The other defence items viz. “Defence Aircrafts” and “Warships of all kinds” now de-notified from Arms Rules 2016 due to their non-coverage under the said rules has been notified by DIPP vide Press Note 1(2019 Series) dated 1.01.2019 along with other licensable defence items under I(D&R) Act, 1951. The list of defence items which now falls under the I (D&R) Act, 1951 may be seen under the said press note.

Thus, as a well planned strategy, all out efforts are being made to paralyse the Ordnance Factories and instead encourage the Private Sector.

Surprisingly, Ministry of Defence, for reasons unknown, has dispensed with the system of hosting it's annual report in public domain. The last such report available is for the year 2016-2017. Excerpts from the same are reproduced hereunder for your kind reference.

Para 7.19 "Indian Ordnance Factories are the oldest and largest industrial setup which functions under Ordnance Factory Board (OFB) with the primary objective of achieving self-reliance in equipping the armed forces with state-of-the-art battlefield equipment."

Para 7.20 "Core competence of Ordnance Factories: are:

Weapons Small, Medium and Large Calibre Weapons & Mortar Equipment Ammunition, Explosives & Propellants Small, Medium and Large Calibre Ammunition, Mortar Bombs, Signaling and related stores, Rockets & Aerial Bombs, Fuzes, Explosives, Chemicals & Propellants Military Vehicles Trucks, Mine protected and Special Security Vehicles Armoured Vehicles Tanks & its variants, Armoured Personnel Carrier (APCs) & Engines Instruments & Optical devices Night & Day Vision Sights & Instruments Parachutes Brake Parachutes, Man dropping & Supply dropping Parachutes Troop comfort & General Stores Tentage, Clothings, Personal equipment, Bridges, Boats, Cables etc."

Para 7.22 **Modernisation:** OFB is continuously modernizing its existing facilities by replacing age old machines with the state-of-the-art machines to manufacture quality products, taking into account the current and long term future requirements of the customers. To achieve this, a Comprehensive Modernisation Plan has been prepared and a total expenditure of R 5663 crore is planned to be made during 12th Plan for modernisation of OFB.

Para 7.23 **Quality Management:** The process has been strengthened by taking following initiatives: Test facilities at ordnance factories have been made available to the private entities, Establishment of Ten Quality Audit Groups (QAG) for audit of manufacturing processes, Deputation of teams for direct interaction with central and forward Depots to address the complaints, Formation of Failure Review Board in each Factory with DGQA representative as a Member and enhancing the in-house test facility capability of input material inspection.

Para 7.24 **Achievements and Awards:**

- Ordnance Factory Medak in association with DRDO has indigenously developed and supplied the first NBC vehicle to Indian Army.
- OFB has participated in RFP of upgunning of 130 mm Gun to 155 mm x 45 calibre Gun and the OFB Gun has undergone successful field trial at PFFR Pokharan against RFP issued by the user.
- Kavach MOD-II Chaff launcher system has been developed, manufactured and installed onboard INS Chennai. The Installation Test Firing of Long & Medium Range Launchers of Kavach MOD-II was successfully carried out for the first time onboard a Naval ship.
- OFB has developed 7.62 x 39 mm Assault rifle “GHAATAK” as an alternative to AK-47.
- OFB has successfully developed Bi- Modular Charge System (BMCS) and issued to Indian Army.
- OFB’s newly developed 155 mm x 45 Calibre Gun “Dhanush”, which is one of the Major Products under “Make in India” theme, was chosen for display in Republic Day Parade 2017 at New Delhi.

As a general guide to Members of Parliament, The Government of India (Allocation of Business) Rules, 1961 is being published by Cabinet Secretariat in which Classification of Subjects are indicated to facilitate the Members in addressing their notices of questions to the appropriate Ministry/Department.

In the said classification too, Ordnance Factory Board and Ordnance Factories have been listed as exclusive entities, under the Ministry of Defence, Department of Defence Production.

This clearly indicates that OFB does have a special place in our system, however, most unfortunately, in contravention to the established system, few interested elements are misleading facts to paint a scary picture of OFB and are then suggesting the rectification remedy as “Corporatization”.

This is not only highly objectionable, but is not a solution to problems, if any.

It is said that every problem has an inbuilt solution and the expertise of the decision makers lies in the art of extracting that solution.

Indian Ordnance Factories is a giant industrial setup which functions under the Department of Defence Production of the Ministry of Defence. Indian Ordnance Factories, headquartered at Kolkata, is a conglomerate of 41 Factories, 9 Training Institutes, 3 Regional Marketing Centres and 4 Regional Controller of Safety.

Today OFB along with its 41 factories spread over India provide:

- A broad and versatile production base with multi-technology capabilities
- State of the art manufacturing facilities
- Large reservoir of skilled and professionally qualified manpower and managerial personnel
- Strict adherence to quality standard (all the units are ISO-9000 certified)
- Original as well as adaptive research & development to make need based refinement and modifications
- Project engineering capability
- A strong base for industrial training facilities
- ready market access due to convenient location

These Ordnance Factories are geographically distributed all over the country at 24 different locations.

Items produced in Ordnance Factories are highly sophisticated and complex in nature. Also the range of products is simply astonishing. The products, span across a wide and exhaustive range of requirements of any armed forces.

The products are not only safe in handling, reliable but performs consistently also during actual operation with equal efficiency under varying and extreme conditions of climate.

The plant and technologies have been so chosen as to ensure high degree of quality and reliability and is a unique blend of old and the most modern state-of-the-art CNC technologies. The manufacturing process covers wide spectrum of engineering - Mechanical, Electrical, Metallurgical, Chemical, Textile, Leather, Optics and Electronics.

It is the endeavour of OFB to manufacture world class products without compromising with the safety aspects of products and processes. Adherence to safety standards is given highest priority and a well laid down safety norm as well as disaster management plan exists in the organisation.

Since its inception, the mandate of OFs was to function as only a “production agency” and as a part of strategy, The R&D activities were mandated to DRDO.

However, with changing times, OFB entered into the arena of R&D and as on date, has established its own centres in 32 locations.

Every Ordnance Development Centres (In-house R&D centres) are stringently following the prescribed policy, which inter-alia mandates the following:

- Development of upgrades & new products
- ToT absorption (i.e. Indigenization)
- Technology watch
- Interaction with :
 - ✓ Other development labs (National / International)
 - ✓ Academia
 - ✓ Services

Each of these centres has undertaken work in hitherto forbidden territory and is yielding amazing results. So far OFB have developed 63 items on its own R&D efforts and the indigenous content in OFB supplies is as high as 91%.

Some of the important items developed/underdevelopment are:

- Ultra high strength steel
- Electronic PD Fuze,
- Electronic Time Fuze
- Pinaka Hardware
- 7.62x39mm Assault Rifle Ghatak
- UBGL Ammunition
- FSAPDS Ammunition
- MBT Arjun
- CRN-91 Naval Gun
- CBRN Reccee Vehicle
- NAMICA (Nag Missile Carrier)
- **Futuristic Infantry Combat Vehicle**
- Parachute for Pilotless Target Aircraft 'Lakshya'

It may be noteworthy to mention that during 2017-2018, 21.56% of the total value of issues was through in-house R&D. **Thus OFB is the one and only shining and practical example of “Make in India” in the entire Defence Production scenario.**

In spite of the above achievements, OFB is moving ahead and in consonance with Ministry of Defence directives vide Letter No.MoD ID No.2(4)/2016/Empowering OFB/DP (Plg-III), dated 12/03/2018 has earmarked an aggressive road-map in the following areas:

- Joint Research & Development activity
- Manufacturing ToT
- Co-production activity
- Maintenance ToT
- Short-term partnerships for specific projects/tenders
- To become Indian Offset Partner of foreign OEMs for areas relating to OFB
- Up-gradation of existing products

Further, as part of its “outsourcing” policy as per Government’s decision, **OFB is providing indirect employment opportunities to nearly 10 Lakh workers in the private sector / MSMEs.**

Sir, Ordnance Factories are the **WAR INSURANCE** of the Nation and hence it is demanded that the proposal, if any, to corporatize the factories should be rejected.

We are open to discussion and providing any solution which may be required to further strengthen and augment the system and would request you to kindly grant us an audience for the purpose.

Thanking You.

SINCERELY YOURS

(Name of General Secretary)