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STANDING COMMITTEE ON DEFENCE
(2022-23)

(SEVENTEENTH LOK SABHA)

MINISTRY OF DEFENCE

[Action Taken by the Government on the Observations/Recommendations contained in the Twenty-ninth Report of Standing Committee on Defence (17th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2022-23 on Directorate of Ordnance (Coordination and Services)-New DPSUs, Defence Research and Development Organisation (DRDO), Directorate General of Quality Assurance (DGQA) and National Cadet Corps (NCC) (Demand No. 20)']

THIRTY-FOURTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

March, 2023 / Phalguna 1944 (Saka)
THIRTY-FOURTH REPORT

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Presented to Lok Sabha on 21..03.2023

Laid in Rajya Sabha on 21..03.2023

LOK SABHA SECRETARIAT

NEW DELHI

March, 2023 / Phalguna 1944 (Saka)

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3.	Shri Rahul Gandhi
4.	Shri Devaragunda Venkappa Sadananda Gowda
5.	Shri Annasaheb Shankar Jolle
6.	Choudhary Mehboob Ali Kaiser
7.	Shri Suresh Kumar Kashyap
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31.	Shri K.C. Venugopal

@ Nominated w.e.f 08.12.2022.
★ Nominated w.e.f 16.11.2022.

Dr. T.R. Paarivendhar and Shri Kotagiri Sridhar, MPs, Lok Sabha ceased to be Members of the Standing Committee on Defence w.e.f 16.11.2022

SECRETARIAT

1.	Smt. Suman Arora	-	Joint Secretary
2.	Dr. Sanjeev Sharma	-	Director
3.	Shri Rahul Singh	-	Deputy Secretary
4.	Shri Rajesh Kumar	-	Executive Officer

INTRODUCTION

I, the Chairperson of the Standing Committee on Defence (2022-23), having been authorized by the Committee, present this Thirty-fourth Report of the Committee on 'Action Taken by the Government on the observations/recommendations contained in the Twenty-Ninth Report of Standing Committee on Defence (17^{th} Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2022-23 on Directorate of Ordnance (Coordination and Services) - New DPSUs, Defence Research and Development Organisation (DRDO), Directorate General of Quality Assurance (DGQA) and National Cadet Corps (NCC) (Demand No. 20)'.

2. The Twenty-ninth Report (17^{th} Lok Sabha) was presented to the Lok Sabha and laid in Rajya Sabha on 16 March 2022. The Report contained 28 Observations/ Recommendations. The Ministry of Defence furnished Action Taken Replies on all the Observations/Recommendations in July 2022.

3. The Report was adopted at the Sitting held on 16 March 2023.

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

5. An analysis of Action Taken by the Government on the Observations/ Recommendations contained in the Twenty-Ninth Report (17^{th} Lok Sabha) of the Standing Committee on Defence is given in Appendix II.

New Delhi;
17 March, 2023
26 Phalguna, 1944 (Saka)

JUAL ORAM
Chairperson
Standing Committee on Defence

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 Twenty-ninth Report of the Standing Committee on Defence (17th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2022-23 on Directorate of Ordnance (Coordination and Services) - New DPSUs, Defence Research and Development Organisation (DRDO), 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 16.03.2022.

2. The Twenty-ninth Report (17th Lok Sabha) of the Committee contained 28 observations/ recommendations on the following aspects:-

Para No.	Subject
Directorate of Ordnance (Coordination and Services) –New DPSUs	
1-2	Erstwhile Ordnance Factories
3-4	Projected Profit, Savings & Cost Reduction
5	Order Book Position
6	Manpower
7	Indigenisation
8	Research and Development Expenditure
9	Export
10	Challenges faced by the new DPSUs
DEFENCE RESEARCH AND DEVELOPMENT ORGANISATION	
11	Budget
12	R&D Expenditure
13	Manpower
14	Private Industry Participation
15-16	Centre for Excellence and Collaboration with Universities/ Academic Institutions
17-18	Export of Brahmos Missile
19	Indigenisation of Tejas LCA and Arjun Main Battle Tank (MBT)
DIRECTORATE GENERAL QUALITY ASSURANCE	
20	Budget
21-23	Inspections and Quality Assurance

NATIONAL CADET CORPS	
24	Budget
25	Training and Employment in Armed forces, DPSUs and private Sectors
26	Expansion of NCC and SFS scheme
27	Trainers in NCC
28	Low Selection rate of NCC Cadets in Armed Forces

3. Action Taken Replies have been received from the Government in respect of all the 28 observations/recommendations contained in the Report. The replies have been examined and categorized as follows:-

(i) Observations/Recommendations which have been accepted by the Government (Chapter II):

Para Nos. 1,2,3,4,5,6,7,8,9,10,11,13,14,15,16,17,18,19,20,21, 22,23,24,25,26,27,28

(Total - 27)

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

Para Nos. -Nil-

(Total - Nil)

(iii) Observations/Recommendations in respect of which reply of Government has not been accepted by the Committee (Chapter IV):

Para No. 12

(Total - 01)

(iv) Observations/recommendations in respect of which final replies of the Government are still awaited (Chapter V):

Para Nos. -Nil-

(Total - Nil)

4. The Committee desire that the Action Taken Notes in respect of comments contained in Chapter I should be furnished to them at the earliest.

5. The Committee will now deal with the action taken by the Government on some of the recommendation /observations made in the Twenty-ninth Report in the succeeding Paragraphs.

DIRECTORATE OF ORDNANCE (COORDINATION AND SERVICES) – NEW DPSUs

A. Projected Profit, Savings & Cost Reduction

Recommendation (Para Nos. 3 and 4)

6. The Committee had recommended as under:

"The Committee are happy to note that though the newly created DPSUs have become corporate entities recently, they have started showing a trend of profitability which needs to be maintained in future also. They would like to know very clearly and precisely whether these profits are book adjustments or operating profits. During deliberations, the Committee were apprised that during 2018-19, MIL had made a loss of Rs. 973 crore which rose to Rs. 1295 crore in 2019-20 and 1796 crore in 2020-21, MIL showed a proposed profit of Rs. 42.82 crore from 1 Oct 2021 to 31 March 2022. Similarly, during 2018-19, AVNL had made a loss of Rs. 152 crore which rose to Rs. 1295 crore in 2019-20 and Rs 554 crore in 2020-21, AVNL also proposed a profit of Rs. 33.06 crore for the same period. Another DPSU, IOL had made a loss of Rs. 69 crore in 2020-21, however it showed a proposed profit of Rs 54.64 crore for the period between 1 Oct 2021 to 31 Mar 2022. During 2018-19, YIL had made a loss of Rs. 588 crore which rose to Rs 695 crore in 2019-20 and Rs 806 crore in 2020-21. YIL showed improved performance with a lower loss of Rs 76.69 crore for the period between 1 Oct 2021 to 31 Mar 2022. During 2018-19, AWEIL had made a loss of Rs 494 crore, which rose to Rs 846 crore in 2019-20 and Rs 1051 crore in 2020-21. AWEIL also showed a profit of Rs 6.58 crore for the above period. Similarly, during 2018-19, GIL had made a loss of Rs 73 crore which rose to Rs 97 crore in 2019-20 and Rs 92 crore in 2020-21, now GIL has also shown a profit of Rs 1.17 crore for the period between 1 Oct 2021 to 31 Mar 2022. During 2018-19, TCL has made a loss of Rs 221 crore which rose to Rs 379 crore in 2019-20 and Rs 229 crore in 2020-21, TCL also proposed to register a profit of Rs 24.70 crore for the period between 1 Oct 2021 to 31 Mar 2022.

The Committee were further informed by the Ministry that these new Undertakings are showing saving or reducing their cost from a minimum of 7.4 percent in case of MIL to 59.42 percent in case of IOL for the period between 1 Oct 2021 to 31 Mar 2022. In total these undertaking had savings of Rs 92.43 crore. The Committee understand that these DPSUs are in the nascent stage, and the Government and management are doing their best to make these units viable and profitable. The Committee, express the hope that the profits become incremental in the future and DPSUs would work shoulder in shoulder with the older DPSUs in the progress of the nation. The Committee would like to be apprised of the planning/road map/timelines drawn by each of the newly constituted corporation for sustaining their growth and profits."

7. The Ministry in its action taken reply has stated as under:

"The new corporate entities have initiated various measures towards optimal utilisation of their resources and cost reduction. With focused attention on cost reduction, these companies have reported provisional cumulative savings of approximately 9.48% in the areas like overtime and non-production activities during the initial six months.

Six of the seven new DPSUs have reported provisional profits during the initial six months of their business, *i.e.,* October 01, 2021 to March 31, 2022. Except Yantra India Limited (YIL), all other DPSUs - Munitions India Limited (MIL); Armoured Vehicles Nigam Limited (AVANI); Advanced Weapons and Equipment India Limited (AWE India); Troop Comforts Limited (TCL); India Optel Limited (IOL) and Gliders India Limited (GIL) have reported provisional profits. Below are the details:

(Rs. in Crore)

S No	New Defence Company	Avg six monthly Profit(+)/Loss(-) during the last three years	Provisional Profit(+) / Loss(-) (Oct 01, 2021 – Mar 31, 2022)
1	MIL	-677.33	+ 28.00
2	AVNL	-164.33	+ 85.12
3	IOL	-5.67	+ 60.44
4	YIL	-348.17	-111.49
5	AWEIL	-398.50	+ 4.84
6	GIL	-43.67	+ 1.32
7	TCL	-138.17	+ 26.00

The performance of the new DPSUs is being monitored regularly by the Ministry for timely interventions, if any, so that the objectives of corporatization of OFB are fully met".

8. From the Action taken reply submitted by the Ministry, the Committee take note of the several efforts being made by new corporate entities towards optimal utilization of their resources and cost reduction, owing to which all these seven companies have reported provisional cumulative savings of approximately 9.48% in the areas like overtime and non- production activities during the initial six months. The Committee also noted that Yantra India Limited reported a loss of Rs. 111.49 crore, while Advanced Weapons and Equipment India Limited and Gliders India Limited increased their profits marginally by Rs. 4.84 crore and Rs. 1.32 crore, respectively.

The Committee appreciate the fact that after corporatization six DPSUs have reported a profit. The Committee are hopeful that Yantra India Ltd. will also follow the footsteps of other sister companies to become a profitable entity in the coming years. In this regard the Committee would like to be apprised whether any blueprint has been prepared by the Company to arrest this trend. They would like that the same should be shared with the Committee at the time of furnishing the Action Taken Replies. The Committee also look forward to further sustained performance by all the seven DPSUs in the future.

B. Indigenisation

Recommendation (Para No. 7)

9. The Committee had recommended as under:

"During the examination of Demands for Grants, the representatives for the newly formed DPSUs informed the Committee that barring few PSUs, indigenisation percentage of products manufactured by them is more than 90 percent. In Munitions India Limited current Indigenisation content is 95%. In Armoured Vehicles Nigam Limited (AWEIL) except T-90 Tanks and UTD-20 Engine for BMP-II, which have indigenisation content 80.1 percent and 83.04 percent respectively, all other products of AWEIL have more than 95 percent indigenisation percentage. Yantra India Limited has 100 percent indigenous content and AWEIL, IOL also have an indigenisation percentage of more than 90 percent. The Committee expect that with very meticulous planning and prudent production and marketing management systems, all the DPSUs would turn out to be having 100 percent indigenous content, especially in products like 'Dhanush'. They would like a detailed note to them to be submitted on the measures initiated/planned for achieving such an objective."

10. The Ministry in its action taken reply has stated as under:

"DPSUs have adopted various flagship programmes of Government of India to expand the production of defence equipment under the 'Make in India' scheme such as:

- Make-II
- iDEX
- Srijan Defence Portal
- In-house research and development projects focusing on import substitution by indigenization of critical technologies
- Memorandum of Understandings/tie-ups with domestic defence industries for development and supply of indigenous items.

The measures initiated/planned by the newly created DPSUs to achieve 100% indigenous content are as under:

DPSUs	Indigenous status
AVNL	Engines for Tanks T-72 and T-90 have been indigenised 100%. Tank T-72 and Infantry Combat Vehicle BMP-II/2k have indigenisation content of 96% and 98.5% respectively. Further, AVNL has taken actions to indigenize the subsystems, components and subassemblies for other platforms being imported at present.
MIL	Indigenisation content of products of MIL is approximately 95%. However, efforts are being made to achieve 100% indigenisation through Make-I and II, iDEX and SRIJAN Defence Portal and in-house R&D.
AWEIL	The 155mm x 45 Caliber Artillery Gun System "Dhanush" is under User evaluation, Naval Gun AK 630 and Article for Tank T-90 are more than 94% indigenised.
YIL	Products of YIL are having 100% indigenisation content.
TCL	Items manufactured by TCL are already 100% indigenised. However, TCL has identified stores, which are presently imported by the Indian Armed Forces, for indigenisation under Make-II.
IOL	IOL has fully indigenised the sighting and fire control systems for platforms T-72 and BMP-II. IOL is also making efforts to indigenise other components and sub-assemblies being imported presently under Make-I, Make-II, iDEX and SRIJAN portal.
GIL	Products of GIL are having 100% indigenisation content.

11. The Committee had desired to have a detailed note on the measures initiated/planned for achieving 100 percent indigenization content in the products manufactured by new DPSUs specifically armament of strategic importance like 'Dhanush' 155mmX45 Calibre Gun. After gleaning through the action taken replies submitted by the Ministry, the Committee are happy to note that these DPSUs are making efforts to achieve 100 percent indigenization, and in the process AVNL, MIL and AWEIL have achieved 94 percent to 96 percent indigenization of products manufactured by them. Even IOL has fully indigenized the sighting and fire control systems for platforms T-72 and BMP-II. It is also making efforts to indigenize other components and sub-assemblies being imported presently under Make-I, Make-II, iDEX and SRIJAN portals. While welcoming the efforts undertaken by them, the

Committee reiterate that AVNL, MIL, IOL and AWEIL should work towards developing the import substitution of subsystems, components and subassemblies and ensure 100% indigenized content in their products in the near future.

DEFENCE RESEARCH AND DEVELOPMENT ORGANISATION

C. R&D Expenditure

Recommendation (Para No. 12)

12. The Committee had recommended as under:

"The Committee note with concern that the percentage of expenditure for Defence R&D in the overall GDP during past years has seen no growth. In fact, the percentage was 0.088% in 2016-17, which has come down to 0.083% in 2020-21. Analysing, the expenditure on R&D vis-à-vis total defence expenditure, it was found to be far less than other developed countries such as China which is spending 20% and USA 12% of their respective budget on R&D in comparison to their Defence Budgets. The Committee are of the view that given the current international scenario, where threat perception is increasing due to the ongoing conflicts world over, it is essential to keep national security interest paramount. Therefore, the Committee recommend that adequate funding should be provided to Defence Research, so that strategic projects are taken up with full vigour."

13. The Ministry in its action taken reply has stated as under:

"In BE 2022-23, an amount of Rs. 21,330.20 Crore (i.e. an increase of Rs. 1,722.76 Crore over BE 2021-22) has been allocated to DRDO. It may be mentioned that Defence Expenditure is the largest expenditure amongst the Central Ministries. Since, Government resources come with definite cost, resource allocation is made among various competing priorities. Thus, keeping a certain percentage of GDP for DRDO or comparing R&D budget with that of other countries may not be appropriate considering the fact that the resource allocations are made on need basis. Based on expenditure during the year, pending committed liabilities and critical/operational requirements, threat perception etc., additional funds are sought at Supplementary/RE stage. The progress of expenditure is reviewed from time to time by Financial Adviser (Defence Services)/ Secretary (Defence Finance) and Defence Secretary to ensure that the budgetary allocations are utilized. All efforts are made to ensure that the allocated funds are optimally utilized towards operational activities. Also, if required, through reprioritization, it is ensured that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services".

14. The Committee had expressed concern in the original report over the fact that the percentage of expenditure for Defence R&D in the overall GDP during past years has seen no growth. In fact, the percentage had come down in the year 2020-21. The Committee had also highlighted that the expenditure on R&D vis-à-vis total defence expenditure was found to be far less than other developed countries such as China which was spending 20%, and the USA, 12% of their respective budget on R&D in comparison to their Defence Budgets.

The Committee are of the view that new warfare systems like drones including Sea Drones and space warfare are taking the world by surprise and no one ever thought of the effectiveness and destructive power of such systems in the recent past worldwide. They, therefore, reiterate that there is an imminent need for enhancing the budget in the R&D to improve and develop new-age weapon systems as well as systems which can shield the attacks from different sources.

D. Indigenisation of Tejas LCA and Arjun Main Battle Tank (MBT)

Recommendation (Para No.19)

15. The Committee had recommended as under:

"During the evidence of Demands for Grants of the Ministry of Defence for the year 2021-22, the Committee were informed that in Tejas LCA and Arjun MBT certain improvements were suggested by Indian Air Force and Army respectively, and the suggested improvements have been successfully incorporated and evaluated by the users. After going through the information furnished by the Ministry of Defence, the Committee found that the issue of provision of missile is still pending with regard to Arjun MBT. The Committee understand that without proper missile ammunitions, firing capability of the tank shall not be able to serve Army effectively. The Committee desire that DRDO shall come up with solutions for the speedy provisioning of missile for Arjun MBT. The Committee are happy to note that HAL has got orders for production of 83 LCA Tejas which was developed by DRDO. The Committee recommend that more efforts should be made so that the improved and lethal versions of LCA Tejas is introduced in near future. At the same time the Committee would also recommend that HAL must keep itself abreast with the requirements of the market segments in this regard internationally so that once the stage comes it may be in a position to manufacture the aircraft for exports to friendly countries."

16. The Ministry in its action taken reply has stated as under:

"It is intimated that the missile firing capability requirement was there in MBT Arjun Mk II as required by the User. The missile firing capability from MBT Arjun Mk II main Gun has been proved in the user trial held during 2013. However, the missile fired from MBT Arjun Mk II could not meet the acceptance criteria in the short range due to issues in missile. Further in 2018 User has delinked the missile firing from MBT Arjun Mk II and the tank has been renamed as MBT Arjun Mk 1A and the user has taken forward the requirement procurement of Qty 118 Nos of MBT Arjun Mk 1A and subsequently the deemed contract for supply of Qty 118 Nos. of MBT Arjun Mk 1A has been placed on AVNL/HVF on 10 Jan 2022 to the cost of Rs.10378.326 Cr (118 tanks including 4 years ESP and training aids & aggregates)

ARDE/DRDO is developing the missile for MBT Arjun which is under DRDO trials stages. Accordingly electro-optical systems and associated electronics systems will have to be tweaked and integrated.

(a) <u>LCA AF Mk-2 for IAF</u>

LCA AF Mark2 which is an improvement over LCA Mk1 is much more potent and lethal aircraft with substantially enhanced capabilities. The Mark 2 version of LCA has substantially higher Range and Endurance as compared to LCA Mk1. It can carry Payload up to 6.5 Tons against 3.5 Tons of LCA Mk1. It is capable of carrying Heavy and Precision Guided Air to Ground standoff weapons which are not feasible to be carried on LCA Mk1 due to higher weight and size of these weapons. The aircraft has upgraded with State of the Art Avionics Suite and sensors.

(b) <u>Advanced Medium Combat Aircraft (AMCA) for IAF :</u>

AMCA is a 5th generation stealth aircraft whose development has been taken up building upon the technologies developed through LCA. The low radar cross section of AMCA makes it almost undetectable by enemy radars allowing it to penetrate deep into enemy territory without detection. This is very important in early stages of war to achieve air superiority by suppressing enemy defences. AMCA is a twin engine aircraft with a Maximum All up Weight of 25 Ton. It has the capability of carrying weapons internally (1.5 Ton) as well as a capability of carrying 5 Ton payload externally (in non-stealth mode). Development of AMCA will put India in a select group of countries which will have capability to develop and operate 5th generation aircraft.

(c) <u>Twin Engine Deck Based Fighter (TEDBF) for IN</u>

In order to provide Indian Navy with a combat aircraft that will accomplish missions to neutralize the threat from adversaries, a Twin Engine Deck Based Fighter (TEDBF) that will operate from IN carriers is being developed. It has an all up weight of 26 Ton. Apart from superior Mission and combat performance capabilities, TEDBF is custom designed to interface with the Indian Navy carriers (INS Vikramaditya and INS Vikrant) for sustained operations. TEDBF would be much improved version and lethal than the aircraft in operation currently with IN. Aircraft to be inducted as replacement for MiG-29K for operations by 2031".

17. The Committee find that a missile trial held in 2013, from MBT Arjun Mk II did not meet the acceptance criteria in the short-range due to certain issues linked to missiles. Therefore, in 2018 the missile firing delinked from the MBT Arjun Mk II. The Committee are not happy to note the fact that inspite of spending substantial amount on the development of the missile that eventually became untenable for MBT Arjun Mk II. The Committee also note that after nearly five years the missile was abandoned which could have been done even earlier. The Committee feel that before the start of a project, a lot of groundwork and planning should have been carried out to ensure that precious money, time and manpower is not wasted. It is equally important that the project should invariably be accomplished within the stipulated time frame, which it seems was not done in this instant case. The Committee recommend that some robust planning, execution and monitoring mechanism need to be developed and meticulously followed by DRDO to prevent any such cases of wasteful expenditure of allocated funds which otherwise could have been gainfully utilized to meet the compelling requirements in other wings of Defence Establishment.

DIRECTORATE GENERAL QUALITY ASSURANCE

E. Budget

Recommendation (Para No. 20)

18. The Committee had recommended as under:

"The Committee note that in BE 2022-23 as against the total budgetary projection of Rs. 1343.10 crore, the allocation made to DGQA was Rs. 1304.08 crore for both Revenue & Capital Heads. Similarly, the projection under Revenue Head was Rs. 1323.10 crore while the allocation was Rs. 1284.08 crore. Since the allocation for the

Revenue Head is deficient by almost Rs. 39.02 crore, the Committee would like to know the reasons for the same and also whether the allocations are expected to be raised at the Revised Estimates stage. The Committee also note that in year 2021-22, the Revenue Budget at the Modified Appropriate stage allocation was Rs. 1031.17 crore and the expenditure was only Rs. 827.53 crore. Likewise, in Capital Budget the allocation after Modified Appropriate was Rs. 10.67 crore, whereas expenditure incurred was very meagre at Rs. 4.02 crore. From the data supplied by the Ministry a similar trend of under-utilization of the allocated budget is seen from the year 2018-19 to 2020-21 too. The Committee strongly feel that public resources need to be very judiciously utilized and it is very important that projection of funds required should be done realistically as otherwise besides overburdening the exchequer unnecessarily, it also deprives these funds from being gainfully utilized by other departments of Defence. The Committee recommend for stringent expenditure planning on the part of DGQA to ensure optimal utilization of funds and maintaining uniformity in the distribution of expenditure throughout the year."

19. The Ministry in its action taken reply has stated as under:

"In BE 2022-23, an amount of Rs. 1,304.08 Crore (i.e. an increase of Rs. 9.68 Crore over BE 2021-22) has been allocated to DGQA against projection of Rs. 1,343.10 Crore including both Capital and Revenue Heads. Based on pace of expenditure, an amount of Rs. 1,041.96 Crore has been allocated to DGQA under Revenue Head in Modified Appropriation (MA) 2021-22, out of which, an amount of Rs. 964.31 Crore has been booked as per March(Pre), 2022. Similarly, an amount of Rs. 10.67 Crore has been allocated to DGQA under Capital Head in MA 2021-22, out of which, an amount of Rs. 5.11 Crore has been booked as per March(Pre), 2022. Further, it is stated that MA exercise is carried out with a view to absorb savings and meet excess requirement of a Service/ Organisation before close of a financial year so as to ensure optimum utilization of scarce resources. However, it may not always be possible to accurately predict certain payments due to its peculiar nature, which may lead to savings or excess expenditure.

2. This Ministry submits the requirements projected by the Services, including DGQA, to Ministry of Finance for favourable consideration. Based on the overall ceilings conveyed by M/o Finance, Ministry of Defence allocates funds among the Services and Organisations under MoD, taking into account Inter-Services priorities, pace of expenditure, pending committed liabilities etc. Also, if required, through reprioritization, it is ensured that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services. If required, additional funds will be sought at RE/ Supplementary stage.

3. The progress of expenditure is reviewed from time to time by Financial Advisor (Defence Services)/ Secretary (Defence Finance) and Defence Secretary to ensure that the budgetary allocations are utilized. Necessary instructions are issued from time to time for compliance with financial propriety norms and

avoidance of overspending/underutilization of funds. The Committee may be assured that all efforts will be made to ensure optimum utilization of available resources".

20. In their original report, the Committee recommended a realistic assessment and projection of the requirement of funds to prevent unnecessary overburdening of the exchequer and gainful utilization of public resources by other departments of Defence. The Committee reiterates their earlier recommendation for some concrete and decisive measures and proper planning to be done on the part of DGQA to ensure that the funds are utilized judiciously and also a uniform distribution of expenditure is maintained throughout the year.

NATIONAL CADET CORPS

F. Expansion of NCC and SFS scheme

Recommendation (Para No. 26)

21. The Committee had recommended as under:

"From the reply submitted by the Ministry, the Committee note that there are 18864 Institutions in India where a student can opt for NCC. Out of these, 13883 are Government and 4981 are Private Institutions. In the last two years, 1283 Institutes have been added in the Border and Coastal areas. During the deliberations before the Committee, DG NCC has apprised that as against total strength of 17 lakh cadets, presently NCC has 15 lakh cadets and the reason for this gap is due to late opening of schools on account of Covid etc. The Committee in their earlier reports raised the issue of growing number of institutions that want to introduce NCC facility and are waitlisted. The figure of waitlisted institutions have now reached to 8472. Considering that the spirit of NCC develops character, camaraderie, in still discipline and ideals of selfless service amongst young citizens, the Committee recommend that the backlog of waitlisted institutions be cleared at the earliest. The Committee express the hope that recently introduced scheme of SFS where a cadet has to bear the expenses of training himself will definitely reduce the financial burden of NCC. The Committee also appreciate the measures taken by NCC Directorate by increasing number of countries from 10 to 25 under Youth Exchange programme and by introducing simulators in the training."

22. The Ministry in its action taken reply has stated as under:

"As on 31-03-2022, the enrolment status of NCC is 14,81,602 cadets enrolled against a sanctioned strength of 17 lakh, including 2 lakh cadets sanctioned under Fully Self Financing Scheme (FSFS). Total number of institutions covered by NCC is 19860 and 9181 institutions are in waiting list. Though there is gradual increase in the number of institutions covered by NCC, number in the waiting list may not decrease because fresh applications for allotment of NCC keep on coming over the years.

Under FSFS, 1,54,829 cadet vacancies were distributed among private institutions who were willing to bear the cost of running NCC. No institution is in waiting list for want of vacancies under FSFS".

23. The Committee appreciate the efforts made by the Ministry of Defence which resulted in increasing the number of institutions covered by NCC to 19860. However, as stated by the Ministry in its action taken reply, the wait list is not going to decrease as at present 9181 institutions are on the waiting list and fresh applications for allotment of NCC keep on accumulating throughout the year.

The Committee, while acknowledging the practical difficulties being faced by NCC to bring down the number of institutions on the waiting list, have every reason to believe that a better mechanism need to be developed for a quick assessment, scrutiny and consideration of the fresh applications for allotment of NCC to ensure inclusion of institutes/schools in the NCC programmes at a more rapid pace and thus enable a larger pool of students to avail of the benefits of NCC training. The Committee are of the view that such steps would ultimately prove to be very beneficial for the youth to get employment in the armed forces, government and private sector.

The Committee are happy to note that there is no institution in the waiting list under Fully Self Finance Scheme (FSFS) introduced by the NCC for want of vacancies. The Committee understand that Fully Self-Finance Scheme creates a financial burden on the pockets of institutions, nevertheless, considering the benefits to be accrued in long term, the Committee recommend that the Ministry should encourage NCC to continue with the scheme under reference to enable new/ willing institutions to opt the benefits in a seamless manner.

CHAPTER – II

A. Observations/Recommendations which have been accepted by the Government

Directorate of Ordnance (Coordination and Services) – New DPSUs

Erstwhile Ordnance Factories

Recommendation (Para Nos.1 & 2)

The Committee learnt that the Ordnance Factory Board (OFB), with headquarters at Kolkata was a subordinate office of the Department of Defence Production till 30.09.2021 and it controlled and directed 41 Ordnance Factories. The Cabinet, in its meeting held on 16.06.2021 had approved to convert production units of OFB into 7 DPSUs with 41 units, namely Munitions India Limited (MIL), Armoured Vehicle Nigam Limited (AVNL), Advanced Weapons and Equipment India Limited(AWEIL), Troop Comforts Limited (TCL), Yantra India Limited (YIL), India Optel Limited (IOL) and Gliders India Limited (GIL). The Head Quarters of the new corporate entities have been selected based on the location and concentration of OFs, revenue and criticality of Products. Gleaning through the information provided to the Committee they note that to run these new DPSUs, indents placed up to 30th September 2021 on erstwhile OFB have been converted into deemed contracts for supply of respective products. Every year, 60% of the amount pertaining to that year's target shall be paid by the Services to the DPSUs as advance as per the terms and conditions stipulated in the deemed contract. The Government has already allocated capital expenditure of Rs. 4,347 Crore in RE 2021-22 (including the expenditure of Rs. 204 Crore up to 30th September 2021 for Ordnance Factories) and Rs. 3,810 Crore in BE 2022-23, for the new DPSUs for Modernisation and R&D, under the Omnibus Minor Head 190-Investment in Public Sector & Other Undertaking under Major Head 4076(4) - Capital Outlay on Defence Services Estimates. The Committee learnt that the

emergency authorization for new DPSUs at RE 2021-22 and BE 2022-23 stands at Rs. 2,500 Crore at both the stages separately.

The Committee were informed that OFB products were priced "on cost basis" for Defence Services prior to Corporatisation and every year, prices were fixed for the next year based on actual cost of production of the previous year, ensuing year and estimated cost for the coming year with a provision for upto 8% price escalation each year. Thus, there was no element of profit involved. Subsequent to corporatization, the indents placed by the Services on erstwhile OFB were converted to deemed contracts. Since, the prices in the deemed contracts are the same as those applicable to erstwhile OFB for the financial year 2021-22. Thus, the deemed contracts do not have any added element of profit but would have provision for fixed 6% price escalation per annum for the year 2022-23 onwards. With the corporatization of the OFB, professional management, functional and financial autonomy proper/methodical accountability and restructuring, the Committee express the hope that erstwhile OFB would turn into productive, profitable and efficient DPSUs.

Reply of the Government

The Government has taken steps to handhold and support these new DPSUs in starting their business as corporate entities. Outstanding indents with erstwhile OFB were grandfathered and converted into deemed contracts valuing Rs 70,776 crore. Against the targets for Financial Year 2021-22, Rs 7,765 crore were credited to the new DPSUs as 60% mobilisation advance before the commencement of business date. An amount of Rs 2,765.95 crore has been released to the seven new DPSUs during the financial year 2021-22 for capital expenditure and equity.

With the functional and financial autonomy provided to these new corporate entities, coupled with handholding by the Government, a turnaround has been brought in the functioning of the Ordnance Factories. Within the first six months, these new entities have achieved the turnover of more than Rs 8,400 crore, which is significant comparing the Value of Issue of erstwhile OFB during the previous financial years.

Projected Profit, Savings & Cost Reduction

Recommendation (Para No. 3)

The Committee are happy to note that though the newly created DPSUs have become corporate entities recently, they have started showing a trend of profitability which needs to be maintained in future also. They would like to know very clearly and precisely whether these profits are book adjustments or operating profits. During deliberations, the Committee were apprised that during 2018-19, MIL had made a loss of Rs. 973 crore which rose to Rs. 1295 crore in 2019-20 and 1796 crore in 2020-21, MIL showed a proposed profit of Rs. 42.82 crore from 1 Oct 2021 to 31 March 2022. Similarly, during 2018-19, AVNL had made a loss of Rs. 152 crore which rose to Rs 1295 crore in 2019-20 and Rs 554 crore in 2020-21, AVNL also proposed a profit of Rs. 33.06 crore for the same period. Another DPSU, IOL had made a loss of Rs69 crore in 2020-21, however it showed a proposed profit of Rs 54.64 crore for the period between 1 Oct 2021 to 31 Mar 2022. During 2018-19 YIL had made a lossof Rs 588 crore which rose to Rs 695 crore in 2019-20 and Rs 806 crore in 2020-21. YIL showed improved performance with a lower loss of Rs 76.69 crore for the period between 1 Oct 2021 to 31 Mar 2022. During 2018-19, AWEIL had made a loss of Rs 494 crore, which rose to Rs 846 crore in 2019-20 and Rs 1051 crore in 2020-21. AWEIL also showed a profit of Rs 6.58 crore for the above period. Similarly, during 2018-19, GIL had made a loss of Rs 73 crore which rose to Rs 97 crore in 2019-20 and Rs 92 crore in 2020-21, now GIL has also shown a profit of Rs 1.17 crore for the period between 1 Oct 2021 to 31 Mar 2022. During 2018-19, TCL has made a loss of Rs 221 crore which rose to Rs 379 crore in 2019-20 and Rs 229 crore in 2020-21, TCL also proposed to register a profit of Rs 24.70 crore for the period between 1 Oct 2021 to 31 Mar 2022.

Recommendation (Para No. 4)

The Committee were further informed by the Ministry that these new Undertakings are showing saving or reducing their cost from a minimum of 7.4 percent in case of MIL to 59.42 percent in case of IOL for the period between 1 Oct 2021 to 31 Mar 2022. In total these undertaking had savings of Rs 92.43 crore. The Committee understand that these DPSUs are in the nascent stage, and the Government and management are doing their best to make these units viable and profitable. The Committee, express the hope that the profits become incremental in the future and DPSUs would work shoulder in shoulder with the older DPSUs in the progress of the nation. The Committee would like to be apprised of the planning/road map/timelines drawn by each of the newly constituted corporation for sustaining their growth and profits.

Reply of the Government

The new corporate entities have initiated various measures towards optimal utilisation of their resources and cost reduction. With focused attention on cost reduction, these companies have reported provisional cumulative savings of approximately 9.48% in the areas like overtime and non-production activities during the initial six months.

Six of the seven new DPSUs have reported provisional profits during the initial six months of their business, *i.e.,* October 01, 2021 to March 31, 2022. Except Yantra India Limited (YIL), all other DPSUs - Munitions India Limited (MIL); Armoured Vehicles Nigam Limited (AVANI); Advanced Weapons and Equipment India Limited (AWE India); Troop Comforts Limited (TCL); India Optel Limited (IOL) and Gliders India Limited (GIL) have reported provisional profits. Below are the details:

(Rs. in Crore)

S No	New Defence Company	Avg six monthly Profit(+)/ Loss(-) during the last three years	Provisional Profit(+) / Loss(-) (Oct 01, 2021 – Mar 31, 2022)

1	MIL	-677.33	+ 28.00
2	AVNL	-164.33	+ 85.12
3	IOL	-5.67	+ 60.44
4	YIL	-348.17	-111.49
5	AWEIL	-398.50	+ 4.84
6	GIL	-43.67	+ 1.32
7	TCL	-138.17	+ 26.00

The performance of the new DPSUs is being monitored regularly by the Ministry for timely interventions, if any, so that the objectives of corporatisation of OFB are fully met.

Order Book Position

Recommendation (Para No. 5)

As regards, the Order Book position of the Ordnance Factories for the next five years, the Ministry of Defence apprised the Committee that all the DPSUs have relatively healthy order book positions except MIL and YIL from the year 2026-27 onwards. In the case of YIL, which registered no orders from 2023-24, the Ministry has apprised that since this PSU is primarily meant for supplying intermittent products/raw materials/components to other new Defence Companies, therefore, Order Book Position for the next 05 years with services in case of YIL is not applicable. The contracts with sister new Defence Companies are being concluded on year-to-year basis as per requirements. Though some of the DPSUs like MIL & AWEIL are targeting Rs 5000 & 10000 Crore order book in coming years but others are not in a comfortable position. As stated earlier in the report, these DPSUs are in initial stage and very new and nascent to the corporate world after years of staying in a protective Government environment of supplying products to the entities/organizations of Ministry of Defence and

wholly owned by the Government. Therefore, the Committee recommend that even though as a special or stop gap arrangement, due support in regard to orders etc should be extended by the Ministry to them as they believe that in the coming years these new DPSU would explore and establish newer markets both in the country and abroad, and become self-sustainable. The Committee recommend that the Ministry should like to seek enlist corporation of Ministry of External Affairs so that MEA on their part may explore new markets overseas for products of DPSUs through their diplomatic channels.

Reply of the Government:

The Government has taken steps to handhold and support these new DPSUs in starting their business as corporate entities. In this regard, outstanding indents with erstwhile OFB were grandfathered and converted into deemed contracts valuing about Rs 70,776 crore for the next five years. The Order Book position as on 01.04.2022 of the seven new DPSUs for current year i.e. 2022-23 is Rs. 20,290 crore.

These DPSUs are also taking measures for developing new products in-house as well as through collaborative efforts with reputed Original Equipment Manufacturers (OEMs) within country as well as abroad. With more functional and financial autonomy, these new DPSUs are focusing on widening their customer base, including exports to augment the volume of defence production. Also, the DPSUs are exploring export opportunities in new countries through interaction with Defence Attaches posted at various Indian Embassies and Missions abroad. Within six month of their inception, these DPSUs have been able to secure domestic contracts and export orders valuing more than Rs 3,000 crore and Rs 600 crore respectively.

Manpower

Recommendation (Para No. 6)

The Committee are pleased to note that the Government has taken cognisance of views expressed by the various unions of Ordnance Factories, which has been mentioned in earlier reports of the Committee, and made all the

employees of erstwhile OFB as having belonging to production units and identified non-production units transferred *en masse* to the New DPSUs on deemed deputation on terms of foreign service without any deputation allowance initially, for a period of two years. They shall continue to be subject to all the extant rules and orders as are applicable to the Central Government Servants pay scales, allowances, leave medical facilities, career progression and other service conditions. The Committee also note that the pension liabilities of the retirees and exiting employees will continue to be borne by the Government from the Ministry of Defence budget for Defence Pensions and also constituted a Directorate of Ordnance Coordination Services to look after all the related issues. The Committee are satisfied to note that as assured by the representatives of the Ministry, the service conditions of the employees of erstwhile Ordnance Factories will not be altered to their detriment. The Committee further note that fresh recruitment has already been stopped for the last two years in the new companies because they were in the process of getting corporatized and that these companies are already overstaffed and more than 75,000 employees are already working. The Committee express the hope that when once these companies start earning profits through domestic sales or exports, the management shall consider recruiting more staff.

Reply of the Government:

The newly created DPSUs in general do not have manpower shortage in the changed scenario. Further, employees of DPSUs are regularly up skilled so as to enable them to take care of the challenges in the ever changing business environment.

<u>Indigenisation</u>

Recommendation (Para No. 7)

During the examination of Demands for Grants, the re preventatives for the newly formed DPSUs informed the Committee that barring few PSUs, indigenisation percentage of products manufactured by them is more than 90 percent. In Munitions India Limited current Indigenisation content is 95%. In Armoured Vehicles Nigam Limited(AWEIL) except T-90 Tanks and UTD-20

Engine for BMP-II, which have indigenisation content 80.1 percent and 83.04 percent respectively, all other products of AWEIL have more than 95 percent indigenisation percentage. Yantra India Limited has 100 percent indigenous content and AWEIL, IOL also have an indigenisation percentage of more than 90 percent. The Committee expect that with very meticulous planning and prudent production and marketing management systems, all the DPSUs would turn out to be having 100 percent indigenous content, especially in products like 'Dhanush'. They would like a detailed note to them to be submitted on the measures initiated/planned for achieving such an objective.

Reply of the Government

DPSUs have adopted various flagship programmes of Government of India to expand the production of defence equipment under the 'Make in India' scheme such as:

- Make-II
- iDEX
- Srijan Defence Portal
- In-house research and development projects focusing on import substitution by indigenization of critical technologies
- Memorandum of Understandings/tie-ups with domestic defence industries for development and supply of indigenous items.

The measures initiated/planned by the newly created DPSUs to achieve 100% indigenous content are as under:

DPSUs	Indigenous status
AVNL	Engines for Tanks T-72 and T-90 have been indigenised 100%. Tank T-72 and Infantry Combat Vehicle BMP-II/2k have indigenisation content of 96% and 98.5% respectively. Further, AVNL has taken actions to indigenize the subsystems, components and subassemblies for other platforms being imported at present.
MIL	Indigenisation content of products of MIL is approximately 95%.

	However, efforts are being made to achieve 100% indigenisation through Make-I and II, iDEX and SRIJAN Defence Portal and in-house R&D.
AWEIL	The 155mm x 45 Caliber Artillery Gun System “Dhanush” is under User evaluation, Naval Gun AK 630 and Article for Tank T-90 are more than 94% indigenised.
YIL	Products of YIL are having 100% indigenisation content.
TCL	Items manufactured by TCL are already 100% indigenised. However, TCL has identified stores, which are presently imported by the Indian Armed Forces, for indigenisation under Make-II.
IOL	IOL has fully indigenised the sighting and fire control systems for platforms T-72 and BMP-II. IOL is also making efforts to indigenise other components and sub-assemblies being imported presently under Make-I, Make-II, iDEX and SRIJAN portal.
GIL	Products of GIL are having 100% indigenisation content.

Research and Development Expenditure

Recommendation (Para No. 8)

The Committee note that R&D expenditure of MIL ranges from 0.15 percent to 0.77 percent of the VOI (Value of Issue). As informed by a representative of the Ministry, it will be increased to one percent next year. AVANI is doing R&D on 43 units to improve the products and has decided to develop major platforms in collaboration with academic institution and the industry. IOL contributes 0.30 percent of VOI on R&D, which is also quite low. AWEIL has main focus on the development of Artillery guns but not specified the amount it is spending on R&D. TCL is spending 0.22 percent of VOI on R&D and it has planned to increase to 2-3 percent in near future. YIL has also intended to focus on R&D to make the company commercially viable. GIL has stated that it is spending Rs 15 Lakh on R&D but planning to increase it. The Committee are happy to note that these new DPSUs have been focusing on R&D so as to establish themselves in the

competitive environment. However, it would be an amiss on the part of the Committee if they do not recommend that a targeted percentage of their profits be set aside as R&D expenditure every year. Here the Committee would also recommend that in addition to sale of products, the corporations consider the prospect of selling their technologies both within India and abroad especially in developing countries.

Reply of the Government

All the Ordnance Factories under seven new DPSUs take up in-house Research and Development (R&D) projects for design, development & product upgrade of armament, ammunition and equipment. Ordnance Development Centres (ODCs) in the DPSUs are working in specific technological areas to carryout R&D. The newly created DPSUs have also taken up collaborative development projects for new technologies under the umbrella of Make-II as well as iDEX. The new companies are committed to make use of their profits for R&D expenditure every year.

Export

Recommendation (Para No. 9)

During deliberations on Demands on Grants 2022-23, a representative of the Ministry of Defence apprised the Committee that except MIL, YIL and AWEIL no other newly created DPSU has been awarded any export contract. MIL has already obtained exports orders worth Rs 87 crore and it aims to increase exports from the existing 2% of Annual Value of Issue to 8% by next year. AVANI has taken many initiatives in exports, including Naval guns, air defence guns, and small arms weapons. IOL has focused on countries for exports such as Algeria, Sri Lanka, Middle East Countries, Philippines, South Africa, Nigeria, Bhutan &Nepal, however, it has not exported anything yet. AWEIL has also started a dedicated export promotion group to earn from export. YIL has to export High Caliber Artillery shells and 155 MM ERFB HE (BT/BB) Shells (40,000 Nos. worth Rs. 200 Cr.) and 7.62 mm ammunition, and is expecting an order for the supply of Brass and GM Cups to MIL for their expected export orders of 250 Million

numbers of 5.56 ammunition. GIL has exported various parachutes like Brake Parachute for SU30, Brake Parachute for Jaguar and Brake parachute for MIG-21 to different foreign countries in South east and US/Europe. The committee recommend that efforts should be made so that in future more export orders are secured by each and every corporation and no stone should be left unturned in achieving this objective. The Committee express the hope that the opportunity thrown at the GIL regarding repairing of parachutes of sports club etc should be fully capitalized by them and they should also think of supplying durable and cost-effective parachutes to sports clubs in India and abroad.

Reply of the Government:

All the seven new DPSUs have started exploring new markets and expanding their business, including exports. Within six months of their inception, these DPSUs have been able to secure domestic contracts and export orders valuing more than Rs. 3,000 crore and Rs. 600 crore respectively. These DPSUs are also taking measures for developing new products in-house as well as through collaborative efforts with reputed Original Equipment Manufacturers (OEMs) within country as well as abroad.

GIL is making efforts to manufacture products to meet requirement of adventure sports and recreational activities in India and abroad by partnering with premier academic institutes and Sports Clubs in India.

<u>Challenges faced by the new DPSUs</u>

Recommendation (Para No. 10)

During examination of the Demands for Grants, the CMDs of new DPSUs have submitted the following challenges/problems faced by them after Corporatisation of erstwhile Ordnance Factories:

1. **Transition from Government setup to Commercial Entity Skewed Workload – Factories engaged in manufacture of High Explosives, Small Arms Ammunition are sub-optimally loaded**
2. **Deemed contract, which constitute about 85% of workload, do not have any provision of profit**
3. **Gap between the available and required Skill set**
4. **Change of mind set of employees to adopt to new system**
5. **To make the operations profitable**
6. **Limited / restricted vendor base**
7. **Timely receipt of Import / product support items**
8. **To emerge as manufacturer of indigenously designed products/systems from being presently TOT based Manufacturer.**
9. **To reduce dependence on new DPSUs by increasing Customer Base.**
10. **Engaging consultants in the field of Accounting, Auditing, Costing, and Compliances.**
11. **High Cost of Production due to sub-optimal workload.**

The Committee recommend that the Ministry should make all out efforts so as to support the fledgling DPSUs by conducting due diligence and by suitably addressing the needs and requirements of each and every newly constituted DPSUs so that they become viable. If required Ministry may like to constitute a task force for periodically reviewing the short comings and finding out the ways and means to address the same.

Reply of the Government

The Government has taken various steps to handhold and support these new DPSUs in addressing their needs and requirements. In this regard, outstanding indents with erstwhile OFB were grandfathered and converted into deemed contracts valuing Rs 70,776 crore. Against the targets for Financial Year 2021-22, Rs 7,765 crore were credited to the new DPSUs as 60% mobilisation advance before the commencement of business date. An amount of Rs 2,765.95 crore has been released to the seven new DPSUs during the financial year 2021-22 for capital expenditure and equity.

With the functional and financial autonomy provided to these new corporate entities, coupled with handholding by the Government, a turnaround has been brought in the functioning of the Ordnance Factories. Within the first six months, these new DPSUs have achieved the turnover of more than Rs 8,400 crore, which is significant considering the Value of Issue of erstwhile OFB during the previous financial years.

Further, to overcome the above mentioned challenges, these new entities have initiated measures towards optimal utilization of resources, cost reduction, diversification of products & customer base and collaboration with domestic industries, academia and foreign Original Equipment Manufacturers (OEMs). With focused attention on cost reduction, these DPSUs have been able to make cumulative savings of about 9.48% in the areas like overtime and non-production activities during the initial six months itself and obtained domestic contracts of Rs. 3,000 crore and export orders valuing more than Rs. 600 crore.

The performance of the new DPSUs is being monitored regularly by the Ministry for timely interventions, if any, so that the objectives of corporatization of OFB are fully met.

Budget

Recommendations (Para No. 11)

From the data furnished by the Ministry, the Committee find that over the years, the budget of DRDO has been around 5-6% of the Defence Budget. However, it is not increasing and is commensurate with cost of inflation and also keeping in view the fact that a major amount goes towards expenses for strategic schemes & CCS projects/ programmes, pay & allowances and other non-salary revenue expenditure, each of which essentially keeps growing every year. In the year 2021-22, DRDO had projected an amount of Rs. 23460.44 crore while the final

allocation made was Rs. 18,227.44 crore, which is short of the initial projection made by Rs. 5122.56 crore. This allocation is even lesser than the BE allocation for the year 2021-22. In BE for 2022-23, DRDO has sought Rs. 22,990, whereas the allocation made is Rs. 21,330.20 crore. Thus, there is a shortfall of Rs. 1659.80 crore in allocation. The Committee express the hope that cuts in budget allocation to DRDO should not lead to under compromises in the operational needs and R&D activities of the organization. Hence, the Committee recommend where necessary, DRDO should seek additional funds at Revised Estimates/Supplementary stage so that their R&D activities progress as per the timeline set.

Reply of the Government

The comparison of Defence allocation and D DR&D allocations at BE stage w.e.f FY 2018-19 is:

Year	Defence Expenditure	D DR&D Projection	Budget allocated to R&D at BE stage	%age of Defence Expenditure
2018-19 (BE)	295511.41	22203.74	17861.19	6.04
2019-20 (BE)	318931.22	22953.95	19021.02	5.96
2020-21 (BE)	337553.00	23457.40	19327.35	5.73
2021-22 (BE)	347088.28	23460.00	20457.44	5.89
2022-23 (BE) $	385370.15	23460.00	21330.20 (adopted)	5.53

Note : $ indicated BE for the FY 2022-23

It is evident from the above that allocations are always less than the Projections by the Department of Defence R&D. However, additional funds would be sought at RE stage during the FY 2022-23, if required.

Manpower

Recommendation (Para No. 13)

Gleaning through the data provided by the Ministry, the Committee note that the authorized strength of scientists in DRDO is 7773 whilst the existing strength is 6965. There is a shortfall of 808 scientists which is slightly more than 10% of sanctioned strength. The Committee were informed by the representative of DRDO that the organization is in process of recruiting scientists. The Committee recommend that recruitment process of scientists should be expedited and completed at the earliest so that young talent gets the opportunity to serve in Defence research. In the organization such as DRDO the directly contributing skilled manpower is of scientists only and as such the Committee would like to place on record that the shortage of scientists should be taken up very seriously. It goes without saying that a strong R&D set up of DRDO and dedicated work force would eventually strengthen our armed forces and developing deterrent capacities for the country. The Committee also note that during last five years 147 scientists left DRDO on personal grounds. The Committee are of the view that to make service in DRDO attractive and arrest brain drain, the Ministry should take measures such as introducing Performance Related Incentive Scheme (PRIS) in DRDO. The Committee opine that the scheme will accrue benefit to not only talented personnel of the organization but help in their retention and thereby resulting into overall growth of R&D in the country.

Reply of the Government

Sl No.	Information as per the Report	Information as on date
1.	The authorized strength of scientists in DRDO is 7773 whilst the existing strength is 6965	The authorized strength of scientists in DRDO is 7773 whilst the existing strength is 6913.
2.	The Committee also noted that during last five years 147 scientists left DRDO on personal grounds.	As on date, 163 scientists have left DRDO on personal grounds during the last five years.
3.	The Committee are of the view that to make service in DRDO attractive and arrest brain drain, the Ministry should take measures such as introducing Performance Related Incentive	As a measure to retain and attract scientific talent in DRDO, a case has been taken up with the Government for grant of PRIS in DRDO on the same lines as approved for Department of Space and Department of Atomic Energy.

	Scheme (PRIS) in DRDO	Apart from the above, various measures, as listed below, are already in place to curtail brain drain from DRDO:- **<u>Financial Incentives</u>** • **<u>Variable Increments.</u>** Up to a maximum of 6 variable increments are granted to deserving scientist at the time of promotion under Flexible Complementing Scheme. • **<u>Professional Update Allowance.</u>** Scientists 'B', 'C', & 'D' are granted Rs. 22,500/-, and Scientists 'E' & 'F' Rs. 45,000/- per annum and Scientists 'G' and above Rs. 67,500/- per annum as Professional Update Allowance. • **<u>Additional Increments.</u>** Two additional increments were given to Scientists 'C' in the Pay Matrix of 7th CPC. However, as of now, the two additional increments have been discontinued. As case has been taken up with the Department of Expenditure, Ministry of Finance to resume the payment of two additional increments. • **<u>Career Growth Related Incentives</u>** For better promotional avenues of scientists in DRDO, a merit based Flexible Complementing Scheme (FCS) is provided in the Defence Research and Development Service (DRDS) Rules, wherein promotions are based purely on merit without any linkage to availability of vacancy or seniority. Under the FCS, scientists recruited at the level of Scientist 'B' in the lowest rung of Group 'A' can move up to the level of Scientist 'H' in level 15 (HAG scale) and thereafter up to the level of Distinguished Scientist in level 16 (HAG + scale) on personal upgradation basis.

<u>Private Industry Participation</u>

Recommendations (Para No. 14)

During the examination of Demands for Grants of the Ministry of Defence, the Committee were given to understand that DRDO has been sharing technologies with private sector and also offering testing facilities to private sector companies. In the last year alone more than 300 industries utilized DRDO test facilities. These opportunities are being given to those industries which are manufacturing products for our Armed Forces. The Committee appreciate the participation of private sector in national Defence arena. However, the Committee also would like to caution that due precaution needs to be taken to ensure that the technologies and products of DRDO are protected, utilized and ensured for national defence only and are not transferred into adversaries hands. In the process DRDO should ensure to protect their research outcomes and intellectual property rights.

Reply of the Government

DRDO has laid down policy & procedure for transfer of DRDO developed technologies to industries. In order to ensure that the technologies are transferred to the deserving industries, the Technical Assessment Committee (TAC) of DRDO assesses/ shortlist the technically and financially capable industries which are capable of successfully absorbing the technology and realizing the system/ product based on the ToT. If it is necessary, TAC may visit the industry premises for verification of the capability/ capacity of the company.

In the cases of industry having foreign shareholding, ToT is carried out to industries wherein the cumulative foreign shareholding is less than 50%.

Further, DRDO transfer the technologies to industry by signing the Licensing Agreement for Transfer of Technology (LATOT). The LATOT ensures that the industry does not transfer or sublicense the know how/ technology obtained from DRDO to any other party.

LATOT also binds the industry so that the technology is not passed on, disclosed, or given access to, except to their Directors, Officers and employees to whom it is necessary to pass on, for purpose of execution/ manufacture of the product.

The research outcomes of DRDO are protected by means of filing patent in India and International (on need basis). Further, while executing the ToT to industry, the patent right still remain with DRDO.

<u>Centre for Excellence and Collaboration with Universities/Academic Institutions</u>

Recommendations (Para No.15)

15. The Committee were informed that DRDO is functioning in collaboration with academic institutions through various methodologies and schemes which inter-alia include setting up of ten centres for excellence. During 12th plan period, Rs. 400 crore were sponsored to various universities and academic institutions and an amount of Rs. 1048 crore were sponsored for 633 research projects during 13th FYP. The Committee were keen to know the achievements accomplished through involvement of various institutions and centers. In this connection, it was found that there are many technologies under development stage at various centers such as light weight bullet proof materials, ballistic and blast protection material enabling technologies for long range hypersonic vehicles, etc. The Committee applaud the progress being made at these academic institutions and desire that DRDO shall continue to engage in attracting talent across the country for development of various defence technologies.

Reply of the Government

As directed by the SCOD, the efforts will continue to engage and attract talent across the country. More such centres will be opened accordingly.

Recommendations (Para No.16)

The Committee also observe that there is a significant shortfall of utilization of the funds allocated under the grant-in-aid schemes for various kind of research schemes etc. For the current financial year 2021-22 as against an allocation of Rs. 312.50 crore, only Rs. 118.21 crore have been utilized till 31st December 2021. The Committee, therefore, recommend that serious efforts need to be made for optimal utilization of funds allocated for these research schemes and a mechanism should be developed for regular monitoring of the spending pattern on a quarterly or half-yearly basis under intimation to the Committee.

Reply of the Government

An amount of Rs 312.50 Lakh was allocated and Rs 118.21/- Lakh was spent as on 31 December, 2021, as pointed out by the Standing Committee. Shortfall in utilization of funds by academic institutes has been primarily due to Covid Pandemic. Regular quarterly/half-yearly progress monitoring mechanism for the sanctioned projects and expenditure is already in place. With pandemic situation improving and academic institutions resuming normal operations, it will be our endeavour to ensure utilization of funds.

Export of Brahmos Missile

Recommendation (Para No. 17)

The Committee are happy to learn that the products developed by DRDO are finding their way to the international markets. During oral evidence, the Committee were pleased to note that a contract has been signed with Philippines for supply of Coastal launched Brahmos missile system. The Committee desire that efforts should be made to enhance export potential of DRDO so that the organization is able to tap huge global market in the area of defence, which will not only benefit the organization but also serve the financial exchequer of the

country. The Committee recommend that Ministry should work in close coordination with other Ministries viz Ministry of Commerce and particularly the Ministry of External Affairs who in turn can take the onerous duties through diplomatic endeavors to secure more export orders. The role of military attach, posted with Indian Missions abroad need to be revisited, redefined eventually making them more responsive and pro-active in this regard. The Committee would like to be apprised of the steps taken by Ministry on this issue at the time of furnishing of Action Taken Replies.

Reply of the Government

Some Steps taken by the Ministry to expand export potential of the Nation are as follows:

(a) A separate cell has been formed in the Department of Defence Production to coordinate and follow up on export related action including enquirers received from various countries, sharing the leads with private sector & public Sector companies and facilitate exports.

(b) In order to boost defence exports, regular webinars are being organized with Friendly Foreign Countries (FFCs) under the aegis of DDP, MoD through Indian Missions abroad and Industry Association with active participation form Indian Defence Industries.

(c) DRDO has identified a list of products for exports. This information in the form of "Export Compendium" is hosted on DRDO website. Indian Industries utilize the information provided, to initiate dialogue for export to friendly foreign countries.

(d) DRDO supported industries by providing technical hand holding to enable the export by Indian industries.

Recommendation (Para No. 18)

The Committee, are happy to note that phase-I of Ballistic Missile Defence (BMD) system has been successfully completed by DRDO, which is extremely crucial from point of view of national defence. The Committee recommend that a comprehensive approach to missile and air defence system should be incorporated in strategic projects of DRDO.

Reply of the Government

Government of India has sanctioned Programme 'Ballistic Missile Defence (BMD)' to DRDO to be developed in two phases (Phase-1 for SRBMs & MRBMs, Phase-2 for IRBMs), as air defence capability against missiles emerging from enemy countries. DRDO has developed & demonstrated successful interception of incoming ballistic missiles from adversaries using Exo (PDV) and Endo (AAD) Atmospheric Interceptor missiles.

Indigenisation of Tejas LCA and Arjun Main Battle Tank (MBT)

Recommendation (Para No. 19)

During the evidence of Demands for Grants of the Ministry of Defence for the year 2021-22, the Committee were informed that in Tejas LCA and Arjun MBT certain improvements were suggested by Indian Air Force and Army respectively, and the suggested improvements have been successfully incorporated and evaluated by the users. After going through the information furnished by the Ministry of Defence, the Committee found that the issue of provision of missile is still pending with regard to Arjun MBT. The Committee understand that without proper missile ammunitions, firing capability of the tank shall not be able to serve Army effectively. The Committee desire that DRDO shall come up with solutions for the speedy provisioning of missile for Arjun MBT. The Committee are happy to note that HAL has got orders for production of 83 LCA Tejas which was

developed by DRDO. The Committee recommend that more efforts should be made so that the improved and lethal versions of LCA Tejas is introduced in near future. At the same time the Committee would also recommend that HAL must keep itself abreast with the requirements of the market segments in this regard internationally so that once the stage comes it may be in a position to manufacture the aircrafts for exports to friendly countries.

Reply of the Government

It is intimated that the missile firing capability requirement was there in MBT Arjun Mk II as required by the Use3r. The missile firing capability from MBT Arjun Mk II main Gun has been proved in the user trial held during 2013. However, the missile fired from MBT Arjun Mk II could not meet the acceptance criteria in the short range due to issues in missile. Further in 2018 User has delinked the missile firing from MBT Arjun Mk II and the tank has been renamed as MBT Arjun Mk 1A and the user has taken forward the requirement procurement of Qty 118 Nos of MBT Arjun Mk 1A and subsequently the deemed contract for supply of Qty 118 Nos. of MBT Arjun Mk 1A has been placed on AVNL/HVF on 10 Jan 2022 to the cost of Rs.10378.326 Cr (118 tanks including 4 years ESP and training aids & aggregates)

ARDE/DRDO is developing the missile for MBT Arjun which is under DRDO trials stages. Accordingly electro-optical systems and associated electronics systems will have to be tweaked and integrated.

(a) <u>LCA AF Mk-2 for IAF</u>

LCA AF Mark2 which is an improvement over LCA Mk1 is much more potent and lethal aircraft with substantially enhanced capabilities. The Mark 2 version of LCA has substantially higher Range and Endurance as compared to LCA Mk1. It can carry Payload up to 6.5 Tons against 3.5 Tons of LCA Mk1. It is capable of carrying Heavy and Precision Guided Air to Ground standoff weapons which are not feasible to be carried on LCA Mk1 due to higher weight and size of these weapons. The aircraft has upgraded with State of the Art Avionics Suite and sensors.

(b) <u>Advanced Medium Combat Aircraft (AMCA) for IAF :</u>

AMCA is a 5th generation stealth aircraft whose development has been taken up building upon the technologies developed through LCA. The low radar cross section of AMCA makes it almost undetectable by enemy radars allowing it to penetrate deep into enemy territory without detection. This is very important in early stages of war to achieve air superiority by suppressing enemy defences. AMCA is a twin engine aircraft with a Maximum All up Weight of 25 Ton. It has the capability of carrying weapons internally (1.5 Ton) as well as a capability of carrying 5 Ton payload externally (in non-stealth mode). Development of AMCA will put India in a select group of countries which will have capability to develop and operate 5th generation aircraft.

(c) <u>Twin Engine Deck Based Fighter (TEDBF) for IN</u>

In order to provide Indian Navy with a combat aircraft that will accomplish missions to neutralize the threat from adversaries, a Twin Engine Deck Based Fighter (TEDBF) that will operate from IN carriers is being developed. It has an all up weight of 26 Ton. Apart from superior Mission and combat performance capabilities, TEDBF is custom designed to interface with the Indian Navy carriers (INS Vikramaditya and INS Vikrant) for sustained operations. TEDBF would be much improved version and lethal than the aircraft in operation currently with IN. Aircraft to be inducted as replacement for MiG-29K for operations by 2031

<u>Directorate General Quality Assurance</u>

<u>Budget</u>

Recommendation (Para No. 20)

The Committee note that in BE 2022-23 as against the total budgetary projection of Rs. 1343.10 crore, the allocation made to DGQA was Rs. 1304.08 crore for both Revenue & Capital Heads. Similarly, the projection under Revenue

Head was Rs. 1323.10 crore while the allocation was Rs. 1284.08 crore. Since the allocation for the Revenue Head is deficient by almost Rs. 39.02 crore, the Committee would like to know the reasons for the same and also whether the allocations are expected to be raised at the Revised Estimates stage. The Committee also note that in year 2021-22, the Revenue Budget at the Modified Appropriate stage allocation was Rs. 1031.17 crore and the expenditure was only Rs. 827.53 crore. Likewise, in Capital Budget the allocation after Modified Appropriate was Rs. 10.67 crore, whereas expenditure incurred was very meagre at Rs. 4.02 crore. From the data supplied by the Ministry a similar trend of under-utilization of the allocated budget is seen from the year 2018-19 to 2020-21 too. The Committee strongly feel that public resources need to be very judiciously utilized and it is very important that projection of funds required should be done realistically as otherwise besides overburdening the exchequer unnecessarily, it also deprives these funds from being gainfully utilized by other departments of Defence. The Committee recommend for stringent expenditure planning on the part of DGQA to ensure optimal utilization of funds and maintaining uniformity in the distribution of expenditure throughout the year.

Reply of the Government

In BE 2022-23, an amount of Rs. 1,304.08 Crore (i.e. an increase of Rs. 9.68 Crore over BE 2021-22) has been allocated to DGQA against projection of Rs. 1,343.10 Crore including both Capital and Revenue Heads. Based on pace of expenditure, an amount of Rs. 1,041.96 Crore has been allocated to DGQA under Revenue Head in Modified Appropriation (MA) 2021-22, out of which, an amount of Rs. 964.31 Crore has been booked as per March(Pre), 2022. Similarly, an amount of Rs. 10.67 Crore has been allocated to DGQA under Capital Head in MA 2021-22, out of which, an amount of Rs. 5.11 Crore has been booked as per March(Pre), 2022. Further, it is stated that MA exercise is carried out with a view to absorb savings and meet excess requirement of a Service/ Organisation before close of a financial year so as to ensure optimum utilization of scarce resources. However, it may not always be possible to accurately predict certain payments due to its peculiar nature, which may lead to savings or excess expenditure.

2. This Ministry submits the requirements projected by the Services, including DGQA, to Ministry of Finance for favourable consideration. Based on the overall ceilings conveyed by M/o Finance, Ministry of Defence allocates funds among the Services and Organisations under MoD, taking into account Inter-Services priorities, pace of expenditure, pending committed liabilities etc. Also, if required, through reprioritization, it is ensured that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services. If required, additional funds will be sought at RE/ Supplementary stage.

3. The progress of expenditure is reviewed from time to time by Financial Advisor (Defence Services)/ Secretary (Defence Finance) and Defence Secretary to ensure that the budgetary allocations are utilized. Necessary instructions are issued from time to time for compliance with financial propriety norms and avoidance of overspending/underutilization of funds. The Committee may be assured that all efforts will be made to ensure optimum utilization of available resources.

Recommendation (Para No. 21)

The Committee note from the data supplied to the Committee that the value of stores inspected have come down over the years from 34407.5 in 2017-18 to 16287.6 in 2021-22 evidently indicating a consistent drop in value and downward trend. A representative of DGQA admitted during the oral evidence that there is a dip in the last year figures owing to low production in the factories and also due to corona pandemic. The Committee were also apprised that based on the feedback received from the field, Army and the Forces, a detailed investigation process is undertaken to identify the defects, complaints and difficulties faces by the Armed Forces.

Reply of the Government

The value of Stores inspected has shown a downward since Financial Year (FY) 2017-18, as noted by the Hon'ble Committee. However, the Value of Stores inspected during FY 2018-19, FY 2019-20 and FY 2020-21 are almost 80% of the value of stores inspected during FY 2017-18. The reason for this dip is due to low production volume at the Factories due to the Covid-19 pandemic, as already apprised during oral evidence given to the Hon'ble Committee. With regard to the figures of Value of Stores inspected during FY 2021-22, it is submitted that the given value, i.e. Rs. 16,287.60 is for the period up to 31 Dec 2022 and normally the production at the Factories pick up momentum during the last quarter of the financial year. Accordingly, the figures for FY 2021-22, up to 31 Mar 2022 will be similar to values achieved during earlier FYs. In addition, the approach of Quality Assurance is now being moved from the earlier inspection based approach to prevention based.

Recommendation (Para No. 22)

The Committee appreciate the process being followed by DGQA for seeking user feedback which enables progressive improvement through critical analysis in regard to the quality of the product. However, the Committee are aware that despite taking various measures, sometimes defective items do reach the forces. This lacunae had been brought out by the Committee in their earlier reports. The Committee, Therefore, recommend that an all out effort need to be made by DGQA to achieve zero defect level while carrying out inspection at various stages of production, not only to ensure the user confidence level but also to achieve precision in the use of various platforms and equipment. Then only the value for money could be realized.

Reply of the Government

Hon'ble Committee is assured that defects noticed at Manufacturers premises are rectified / replaced before the "Final Acceptance Inspection" (FAI) of the Equipment, by DGQA. The cause of defect is addressed, during manufacturing / at the Assembly line, by the Manufacturer, based on corrective actions recommended by DGQA, to arrest recurrence and achieve Zero defect level while carrying out Final Acceptance Inspection.

Recommendation (Para No. 23)

From the replies furnished by the Ministry, it is not clear whether the information and figures supplied to the Committee in regard to capital and revenue budget are inclusive in the figures of DGQA or their exists separate statistical information in regard to DGAQA, DGAQA (Navy). The Committee would like clarification in this regard so that they can arrive at better inferences from the figures supplied by the Ministry.

Reply of the Government

The information provided by the DGQA pertains to the grant (Demand No. 20) under Major Head 2076-Defence Service (Army), Minor Head 109-Inspection Organisation allotted to DGQA. Which includes expenditure by DQA (NAVY) and DQA (Warship Projects). The expenditure on DGAQA and Directorate General of Navy Armament Inspections (DGNAI) are not included.

Budget

Recommendation (Para No. 24)

The Committee after gleaning through the information and data provided by the Ministry pertaining to last five years have found that during the year 2017-18, the total allocation including Revenue and Capital was Rs. 1449.63 crore while

expenditure was Rs. 1377.21 crore. Similarly during the year 2018-19 as against an allocation of Rs. 1551.58 crore, the expenditure incurved was Rs. 1434.92 crore. This trend of under spending has been followed in subsequent years and during the year 2021-22 also, NCC was not able to spend Rs. 369 crore.

The Committee also note that under Revenue non-salary expenditure which caters to requirements of Store, Camp, training activities, Revenue works IT, transport etc., the Budget allocated in Budget Estimates during the year 2021-22 was Rs. 350.43 crore while the allocation in Budget Estimates during the year 2022-23 is only Rs. 308 crore which is Rs. 42.43 crore less than the previous year as allocated. The Committee are of the view that decreased funding would lead to compromises in the spending for various activities and functioning of NCC and also in achieving its objectives. The Committee understand that the role and responsibilities of NCC are varied and the organization serve as a bedrock layer of national integrity. Therefore, the Committee recommend that allocations should be incremental every year so that training and camp activities of NCC are not adversely affected. The Committee urge that all out measures be taken by NCC so as to ensure that there is no under spending in future and the ministry should also be supportive of NCC in meeting their demands.

Reply of the Government

For the financial year 2022-23, NCC has been allocated budget amounting to Rs.1956.43 Cr and Rs. 13.00 Cr under Revenue and Capital Heads respectively at BE Stage. Out of Rs.1956.43 Cr allocated under Revenue Head, Rs. 308.23 Cr is available under Revenue Non Salary which, along with the budget allocated under Capital Head, has been distributed among concerned budget holders of NCC.

2. All the budget holders have been issued strict directions to ensure complete utilisation of the budget that has been allocated to them under respective Heads. Also, in order to ensure proper monitoring of budget, Monthly Expenditure Reports are being

obtained from all State Directorates and expenditure is also being ascertained from CGDA’s All India Monthly Compilation.

3. Further, they have also been directed to strictly adhere to budgetary ceilings and guidelines issued by Ministry from time to time.

4. NCC is thus making all possible efforts to ensure that the budget allocated is gainfully and optimally utilised.

Recommendation (Para No. 25)

The Committee appreciate the initiatives taken by the Ministry in pushing the cause of NCC Cadets and convincing private Industries to give priority to NCC ‘C’ Certificate holders for employment. As a sequel to this, Committee are happy to learn that one corporate industrial house has offered jobs to 300 NCC Cadets. Further, the Committee came to learn that some state governments are giving preference to the NCC Cadets in the jobs and the Ministry is also continuously pursuing this matter with them for the gainful employment of NCC Cadets. On the issue of priority in granting admission in medical and engineering colleges in the state of Telengana to the ‘C’ Certificate holders, the Committee were also apprised by the representatives of NCC that the matter is under consideration and the Ministry is pursuing this matter vigorously. The Committee were also informed about efforts being made for giving preference to NCC Cadets in recruitment to Merchant Navy. It was also brought to the notice of the Committee that after actively pursuing with UGC, about 1800 colleges and universities have agreed to introduce NCC as a credit course in their programme.

While appreciating the steps taken by the Ministry in this direction, the Committee desire that Ministry need to make more concerted efforts to ensure that the maximum number of NCC Cadets, many of whom may not be ‘C’ Certificate Holders can also get benefits of gainful employment both in public and private sector. The Committee desire that focused efforts and detailed

consultative process should be initiated by the Ministry with State Governments so as to enable maximum employment of NCC Cadets for suitable jobs in various sectors. The Committee strongly feel that more and more students can be motivated to join NCC in future, if the scope of employment for them is assured and there is a need for a well defined strategy in place with clear cut goals in this regards. The Committee would like to be apprised of the steps taken by the Ministry in this regard and its outcome at the time of furnishing of Action Taken Replies.

Reply of the Government

Observations of the Committee are noted. Generation of employment avenues of the cadets other than the Armed Forces has been taken up vigorously. Ministry of Home Affairs has introduced incentives for NCC 'A', 'B' and 'C' certificate holders in recruitment in Central Armed Police Forces (CAPFs). Indian Maritime University has introduced incentives for NCC cadets in all competitive exams for various degree courses conducted by the Indian maritime Universities. This will assist the NCC cadets to get employment in Merchant Navy, Corporate sector has opened jobs avenues for NCC 'C' certificate holders.

<u>Expansion of NCC and SFS scheme</u>

Recommendation (Para No. 26)

From the reply submitted by the Ministry, the Committee note that there are 18864 Institutions in India where a student can opt for NCC. Out of these, 13883 are Government and 4981 are Private Institutions. In the last two years, 1283 Institutes have been added in the Border and Coastal areas. During the deliberations before the Committee, DG NCC has apprised that as against total strength of 17 lakh cadets, presently NCC has 15 lakh cadets and the reason for this gap is due to late opening of schools on account of Covid etc. The Committee in their earlier reports raised the issue of growing number of

institutions that want to introduce NCC facility and are waitlisted. The figure of waitlisted institutions have now reached to 8472. Considering that the spirit of NCC develops character, camaraderie, in still discipline and ideals of selfless service amongst young citizens, the Committee recommend that the backlog of waitlisted institutions be cleared at the earliest. The Committee express the hope that recently introduced scheme of SFS where a cadet has to bear the expenses of training himself will definitely reduce the financial burden of NCC. The Committee also appreciate the measures taken by NCC Directorate by increasing number of countries from 10 to 25 under Youth Exchange programme and by introducing simulators in the training.

Reply of the Government

As on 31-03-2022, the enrolment status of NCC is 14,81,602 cadets enrolled against a sanctioned strength of 17 lakh, including 2 lakh cadets sanctioned under Fully Self Financing Scheme (FSFS). Total number of institutions covered by NCC is 19860 and 9181 institutions are in waiting list. Though there is gradual increase in the number of institutions covered by NCC, number in the waiting list may not decrease because fresh applications for allotment of NCC keep on coming over the years.

Under FSFS, 1,54,829 cadet vacancies were distributed among private institutions who were willing to bear the cost of running NCC. No institution is in waiting list for want of vacancies under FSFS.

Trainers in NCC

Recommendation (Para No. 27)

During deliberations on Demands for Grants for the year 2022-23, the Committee note that there is shortfall in training capacities in NCC. The Committee were given to understand that in order to resolve the issues with regard to shortfall in trainers, a high level Committee under Chairmanship of Shri

Baijayant Panda Ji Hon. Ex-MP has been constituted. Considering the role of NCC in national building, the Committee recommend that issues relating to trainers are resolved at the earliest and matters relating to expansion of administrative structure at college and institutional level is undertaken for consideration expeditiously. The Ministry may also consider the feasibility of induction of trainers from ESM and civilian field to overcome the shortage of trainers from the Services.

Reply of the Government

Observations of the Committee are noted.

<u>Low Selection rate of NCC Cadets in Armed Forces</u>

Recommendation (Para No. 28)

The Committee note that the selection rate of NCC 'C' Certificate holders especially male cadets in the Armed Forces is low. As per the data provided by the Ministry, the induction of male NCC Cadets from 2017 to 2021 was only 314 as against the available vacancies of 500. Further, the selection rate of NCC 'C' certificate holder in Army is also quite low as more than 40% vacancies remained vacant. During the same period, the performance of 'C' certificate holder in Naval Wing was also not upto the mark as out of 12 vacancies only 2 Cadets were selected as officers in Navy. The Committee are of the view that on one hand services are facing shortage of officers and on the other hand NCC is not able to train their cadets to become officers in the Army, Navy and Air Force. Therefore, the Committee recommend that the Ministry should revamp their training methods and also devise new methods so as to ensure that NCC cadets are trained in a professional way in order to enable them to get selected for Staff Selection Board (SSB).

Reply of the Government

NCC has instituted following measures to increase enrolment of NCC cadets in officers' cadre :-

(a) Deliberate selection of cadets at unit level to undergo multiple level of screening for imparting SSB Coaching.

(b) Motivation classes & selection of potential cadets during various NCC camps.

(c) Training of ANOs during Pre-commissioning & Refresher courses at OTAs on issues related to officer cadre entry scheme & SSB structure to enable them to guide & motivate the cadets.

(d) SSB Coaching to selected 663 cadets of NCC State Directorates.

CHAPTER – III

B. Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government

-NIL-

CHAPTER – IV

C. Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee

<u>R&D Expenditure</u>

Recommendation (Para No. 12)

The Committee note with concern that the percentage of expenditure for Defence R&D in the overall GDP during past years has seen no growth. In fact, the percentage was 0.088% in 2016-17, which has come down to 0.083% in 2020-21. Analysing, the expenditure on R&D vis-à-vis total defence expenditure, it was found to be far less than other developed countries such as China which is spending 20% and USA 12% of their respective budget on R&D in comparison to their Defence Budgets. The Committee are of the view that given the current international scenario, where threat perception is increasing due to the ongoing conflicts world over, it is essential to keep national security interest paramount. Therefore, the Committee recommend that adequate funding should be provided to Defence Research, so that strategic projects are taken up with full vigour.

Reply of the Government

In BE 2022-23, an amount of Rs. 21,330.20 Crore (i.e. an increase of Rs. 1,722.76 Crore over BE 2021-22) has been allocated to DRDO. It may be mentioned that Defence Expenditure is the largest expenditure amongst the Central Ministries. Since, Government resources come with definite cost, resource allocation is made among various competing priorities. Thus, keeping a certain percentage of GDP for DRDO or comparing R&D budget with that of other countries may not be appropriate considering the fact that the resource allocations are made on need basis. Based on expenditure during the year, pending committed liabilities and critical/operational requirements, threat perception etc., additional funds are sought at Supplementary/RE stage. The progress of expenditure is reviewed from time to time by Financial Adviser

(Defence Services)/ Secretary (Defence Finance) and Defence Secretary to ensure that the budgetary allocations are utilized. All efforts are made to ensure that the allocated funds are optimally utilized towards operational activities. Also, if required, through reprioritization, it is ensured that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services.

CHAPTER – V

D. Observations/recommendations in respect of which final replies of the Government are still awaited

-NIL-

STANDING COMMITTEE ON DEFENCE (2022-23)

MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON DEFENCE (2022-23)

The Committee sat on Thursday, the 16 March, 2023 from 1500 hrs. to 1530 hrs. in Committee Room No. 'C', Parliament House Annexe, New Delhi.

PRESENT

SHRI JUAL ORAM – CHAIRPERSON

MEMBERS

LOK SABHA

2. Shri Nitesh Ganga Deb
3. Shri Rahul Gandhi
4. Shri Annasaheb Shankar Jolle
5. Choudhary Mehboob Ali Kaiser
6. Shri Rattan Lal Kataria
7. Prof.(Dr.) Ram Shankar Katheria
8. Kunwar Danish Ali
9. Shri Reddeppa Nallakonda Gari
10. Shri Uttam Kumar Reddy Nalamada
11 Shri Jugal Kishore Sharma
12 Shri Prathap Simha
13. Shri Brijendra Singh

RAJYA SABHA

13. Dr. Ashok Bajpai
14. Shri Sushil Kumar Gupta
15. Shri Venkataramana Rao Mopidevi
16. Shri Kamakhya Prasad Tasa
17. Dr. Sudhanshu Trivedi
18. Smt. P.T. Usha
19. Shri G.K.Vasan
20. Lt. Gen. Dr.D.P.Vats (Retd.)
21. Shri K.C. Venugopal

SECRETARIAT

1.	Smt. Suman Arora	-	Joint Secretary
2.	Dr. Sanjeev Sharma	-	Director
3.	Shri Rahul Singh	-	Deputy 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) **'Action Taken by the Government on the Observations/Recommendations contained in the Twenty-ninth Report on Demands for Grants of the Ministry of Defence for the year 2022-23 on 'Directorate of Ordnance (Coordination and Services)-New DPSUs, Defence Research and Development Organisation (DRDO), Directorate General of Quality Assurance (DGQA) and National Cadet Corps (NCC) (Demand No. 20)';**

(ii) **Demands for Grants of the Ministry of Defence for the year 2023-24 on 'General Defence Budget, Border Roads Organisation, Indian Coast Guard, Defence Estates Organisation, Defence Public Sector Undertakings, Welfare of Ex-Servicemen and Defence Pension (Demand Nos. 19 and 22)';**

(iii) **Demands for Grants of the Ministry of Defence for the year 2023-24 on 'Army, Navy, Air Force, Joint Staff, Ex-Servicemen Contributory Health Scheme and Sainik Schools (Demand Nos. 20 and 21)';**

(iv) **Demands for Grants of the Ministry of Defence for the year 2023-24 on 'Capital Outlay on Defence Services, Procurement Policy and Defence Planning (Demand No. 21)';and**

(v) **Demands for Grants of the Ministry of Defence for the year 2023-24 on 'Directorate of Ordnance (Coordination and Services)–New DPSUs, Defence Research and Development Organisation and National Cadet Corps (Demand Nos. 20 and 21)'.**

3. After some deliberations, the Committee adopted the above reports without any modifications.

Does note pertain to the report

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

The Committee then adjourned.

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APPENDIX II

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE TWENTY-NINTH REPORT OF STANDING COMMITTEE ON DEFENCE (17TH LOK SABHA) ON 'DEMANDS FOR GRANTS OF THE MINISTRY OF DEFENCE FOR THE YEAR 2022-23 ON DIRECTORATE OF ORDNANCE (COORDINATION AND SERVICES)-NEW DPSUS, DEFENCE RESEARCH AND DEVELOPMENT ORGANISATION (DRDO), 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 (Chapter II):

Para Nos. 1,2,3,4,5,6,7,8,9,10,11,13,14,15,16,17,18,19,20,21,22,23,24,25,26,27,28

Total : 27
Percentage: 96%

3. Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government Chapter III):

Para Nos. -Nil-

(Total - Nil)
Percentage: 00%

4. Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee (Chapter IV):

Para No. 12

(Total - 01)
Percentage: 4%

5. Observations/recommendations in respect of which final replies of the Government are still awaited (Chapter V):

Para Nos. -Nil-

(Total - Nil)
Percentage: 00%