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STANDING COMMITTEE ON DEFENCE

(2024-25)

(EIGHTEENTH LOK SABHA)

MINISTRY OF DEFENCE

DEMANDS FOR GRANTS (2025-26)

**CAPITAL OUTLAY ON DEFENCE SERVICES, DEFENCE PLANNING, PROCUREMENT
POLICY AND DEFENCE PENSIONS**

(DEMAND NO. 21 AND 22)

NINETH REPORT



LOK SABHA SECRETARIAT

NEW DELHI

March, 2025 / Phalguna 1946 (Saka)

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(DEMAND NO. 21 AND 22)

Presented to Lok Sabha on 17.03.2025.

Laid in Rajya Sabha on 17.03.2025.



LOK SABHA SECRETARIAT

NEW DELHI

March, 2025 / Phalguna 1946 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (2024-25)

SHRI RADHA MOHAN SINGH

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CHAIRPERSON

Lok Sabha

2	Dr. Rajeev Bharadwaj
3	Shri Karti P Chidambaram
4	Shri Adhikari Deepak Dev
5	Shri Ranjit Dutta
6	Captain Viriato Fernandes
7	Shri Rahul Gandhi
8	Shri Mohmad Haneefa
9	Shri S. Jagathratchakan
10	Ms. S. Jothimani
11	Shri Ravindra Shukla Alias Ravi Kishan
12	Shri Shashank Mani
13	Shri Lumba Ram
14	Shri Bishnu Pada Ray
15	Shri Jagannath Sarkar
16	Shri Jagadish Shettar
17	Shri Virendra Singh
18	Shri Kesineni Sivanath
19	Dr. Thirumaavalavan Tholkappiyan
20	Com. Selvaraj V.
21	Shri Richard Vanlalhmangaiha

Rajya Sabha

22	Shri Naresh Bansal
23	Shri N. Chandrasegharan
24	Shri Shaktisinh Gohil
25	Shri Prem Chand Gupta
26	Shri Naveen Jain
27	Shri Muzibulla Khan
28	Shri Praful Patel
29	Shri Dhairyashil Mohan Patil
30	Shri Sanjay Singh
31	Dr. Sudhanshu Trivedi

SECRETARIAT

- | | | | |
|----|----------------------|---|------------------|
| 1. | Dr. Sanjeev Sharma | - | Joint Secretary |
| 2. | Shri Tirthankar Das | - | Director |
| 3. | Shri Tenzin Gyaltsen | - | Deputy Secretary |
| 4. | Shri Vikas Kumar | - | Under Secretary |

INTRODUCTION

I, the Chairperson of the Standing Committee on Defence (2024-25), having been authorised by the Committee, present this Ninth Report (18th Lok Sabha) on Demands for Grants of the Ministry of Defence for the year 2024-25 on 'Capital Outlay on Defence Services, Defence Planning, Procurement Policy, and Defence Pension (Demand Nos. 21 and 22)'.

2. The Demands for Grants of the Ministry of Defence were laid on 7th February, 2025 in Lok Sabha. The Committee took evidence of the representatives of the Ministry of Defence on 17th February, 2025 and 18th February, 2025. The draft Report was considered and adopted by the Committee at their Sitting held on 12th March, 2025.

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

4. The Committee wish to express their thanks to the officers of the Ministry of Defence and representatives of the Services/Organisations for appearing before the Committee and furnishing the material and information which the Committee desired in connection with examination of the Demands for Grants.

5. The Committee also place on record their appreciation of the assistance rendered to them by the Committee Secretariat.

**New Delhi;
12 March, 2025
21 Phalguna, 1946 (Saka)**

**RADHA MOHAN SINGH
Chairperson
Standing Committee on Defence**

REPORT

CHAPTER - I

CAPITAL OUTLAY ON DEFENCE SERVICES

Introductory

The Committee have learnt that Demand No. 21 of the Ministry of Defence *viz.*, Capital Outlay on Defence Services, caters to acquisition of platforms / equipment / weapons and expenditure on Land and Capital works of the Defence Services and other associated Organizations *viz* DRDO & DoO(C&S) (erstwhile Ordnance Factories). While Revenue expenditure (Demand No. 20) includes expenditure on pay & allowances, transportation, revenue stores (like ordnance stores, rations, petrol, oil and lubricants, spares, maintenance of various platforms/equipments etc), revenue works (which include maintenance of buildings, water and electricity charges, rents, rates and taxes, etc) and other miscellaneous expenditure; Capital expenditure includes expenditure on land, construction works, plant and machinery, equipment, heavy and medium vehicles, Naval Vessels, Aircraft and Aero engines, Dockyards, etc. Re-structuring of Capital budget has been done with effect from FY 2024-25 wherein budgetary allocation of the three Services under common minor heads has been clubbed under the newly introduced Sub Major Head 09 *i.e.* Defence services. Allocation under other minor heads which are not common to the Services has been kept as it is.

Capital Outlay on Defence Services 2025-26

1.2 During examination of Demands for Grants of the Ministry of Defence, it has been observed that for the financial year 2025-26, Rs. 6.81 lakh crore has been allocated to the out of which Rs.4.91 lakh crore is for defence services

estimates. Out of this, Rs.1.8 lakh crore is exclusively for capital expenditure, which is further divided into two categories, that is, allocation for capital acquisition and allocation for other than capital acquisition. Allocation for capital acquisition stands at Rs.1,48,722 lakh crore and other than capital acquisition stands at Rs.31,277 crore.

The Committee have also learnt that allocation under capital head has gone up from Rs.1.72 lakh crore in the financial year 2024-25 to Rs.1.8 lakh crore for financial year 2025-26, which shows an increase of 4.65 per cent. It may be seen that there is no shortfall in the projection and allocation under capital head and Rs.1.8 lakh crore has been allocated against projection of the same amount.

1.3 The breakup of Capital Expenditure, as furnished by the Ministry of Defence, is given below:

Capital Outlay on Defence Service (Grant No. -21)

	2024-25 (BE)	2024-25 (RE)	2025-26 (BE Projection)	2025-26 (BE Allocation)	% increase in BE 25-26 over BE 24-25	% increase in BE 25-26 over RE 24- 25
Capital Acquisition	1,40,691.24	1,30,916.35	1,48,722.80	1,48,722.80	5.40	11.97
Other than Capital Acquisition	31,308.76	28,583.65	31,277.20	31,277.20	-0.10	9.42
Total	1,72,000.00	1,59,500.00	1,80,000.00	1,80,000.00	4.65	12.85

- (i) Capital Budget has two segments viz. Capital Acquisition (CA) and Other Than Capital Acquisition (OTCA).
- (ii) Capital Acquisition budget is also termed as Modernization Budget of Armed Forces to be used for Acquisition of Military Equipment like Aircrafts, Aero-engines, Naval Fleet and Heavy and Medium Vehicles.
- (iii) Other than Capital Acquisition includes Expenditure on Land and Major Infrastructure Projects of Armed Forces, Procurement of Equipment/ Technical Stores for Projects under R&D.

1.4 The Committee infer from the above data that out of the amount of ₹ 1,80,000.00 Crore allocated for Capital Outlay on Defence Services for the Services/ Organisations covered under Defence Services Estimates, ₹ 1,48,722.80 Crore is allocated for Capital Acquisition (Modernisation) Head of the three Services viz. Army, Navy(including Joint Staff) and Air Force.

1.5 The Ministry of Defence, through Power Point Presentation, informed the Committee regarding the fund allocation to the Services and various Organisations/Departments covered under DSE, under Capital Outlay on Defence Services as under:

Service-wise Allocation of Capital Budget

Services	2024-25 (BE)	2024-25 (RE)	2025-26 (BE)	% increase over RE/BE of FY 2024-25
Army	35,664.95	34,226.95	33,400.68	Increase of 4% and 13.44% with respect to BE and RE respectively, in case of 3 Services.
Navy	62,545.98	62,192.98	65,353.82	
Air Force	59,062.07	47,766.14	64,811.68	

DRDO	13,208.00	13,666.93	14,923.82	In case of DRDO and others, there is an increase of 11.60% and 7.32% with respect to BE and RE respectively.	
Others	1,519.00	1,647.00	1,511.00		
Total	1,72,000.00	1,59,500.00	1,80,000.00	4.65% (Over BE)	12.85% (Over RE)

Projections made by Ministry of Defence and allocations made by the Ministry of Finance under Capital Head, Services-wise.

1.6 Details, as provided to the Committee, regarding the projections, allocations made at BE and RE and actual expenditure incurred under Capital heads during the last five Financial Years and BE 2025-26 for the three Services are as follows:

(Rs. in Crore)

Service	BE Projection	BE Allocation	RE Projection	RE Allocation	Actual Expenditure
2020-21					
Army	50,373.60	32,462.38	39,019.17	33,283.28	26,320.93
Navy	43,707.48	25,666.49	50,716.97	36,780.67	41,083.24
Jt. Staff	1,560.83	1,021.79	1,052.31	762.21	583.52
Air Force	66,207.29	43,281.91	72,955.18	55,083.91	58,207.95
DGOF	756.50	756.50	630.00	630.00	376.89
R&D	13,076.36	10,532.87	10,820.59	7,957.87	7,724.30
DGQA	20.00	12.06	12.06	12.06	8.09
Total	1,75,702.06	1,13,734.00			1,34,304.92

			1,75,206.28	1,34,510.00	
2021-22					
Army	51,492.10	36,531.90	38,344.90	25,377.09	25,130.94
Navy	69,088.05	32,050.02	49,039.86	45,050.02	44,456.26
Jt. Staff	1,832.73	1,203.53	971.52	971.52	572.38
Air Force	77,140.56	53,214.77	71,176.39	53,214.77	53,217.19
DGOF	665.00	665.00	3,847.00	4,347.00	4,339.59
R&D	13,522.61	11,375.50	11,375.50	9,875.50	10,263.44
DGQA	20.00	20.00	15.00	15.00	7.17
Total	2,13,761.05	1,35,060.72	1,74,770.17	1,38,850.90	1,37,986.97
2022-23					
Army	46,844.37	32,115.26	32,598.49	32,598.49	36,616.19
Navy	66,111.51	46,323.31	46,323.31	46,323.31	45,222.46
Jt. Staff	1,511.45	1,267.68	1,403.72	1,403.72	869.02
Air Force	85,322.60	56,851.55	56,264.54	53,871.17	44,917.78
DOO(C&S)	3,810.00	3,810.00	3,811.50	3,811.50	3,810.00
R&D	12,375.50	11,981.81	12,628.00	11,981.81	11,497.72
DGQA	20.00	20.00	10.00	10.00	6.84
Total	2,15,995.43	1,52,369.61	1,53,039.56	1,50,000.00	1,42,940.01
2023-24					
Army	37,341.54	37,341.54	33,412.16	33,412.16	28,613.50
Navy	50,966.00	50,966.00	49,656.00	49,656.00	49,859.00
Jt. Staff	1,838.75	1,838.75	1,627.98	1,396.18	903.62

Air Force	58,808.48	58,268.71	58,268.71	58,500.51	60,757.63
DOO(C&S)	1,315.00	1,315.00	1,310.50	1,310.50	1,394.00
R&D	12,850.00	12,850.00	12,942.85	12,942.85	12,723.84
DGQA	20.00	20.00	10.00	10.00	4.69
Total	1,63,139.77	1,62,600.00	1,57,228.20	1,57,228.20	1,54,256.28
2024-25					
Army	35,664.95	35,664.95	34,670.21	34,226.95	22,128.47
Navy	61,193.00	61,193.00	60,488.81	59,728.00	26,171.29
Jt. Staff	1,352.98	1,352.98	2,464.98	2,464.98	798.00
Air Force	59,062.07	59,062.07	59,062.07	47,766.14	29,291.40
DOO(C&S)	1,499.00	1,499.00	1,637.00	1,637.00	1,493.99
R&D	13,208.00	13,208.00	13,666.93	13,666.93	8,038.85
DGQA	20.00	20.00	10.00	10.00	4.67
Total	1,72,000.00	1,72,000.00	172,000.00	1,59,500.00	87,926.67
2025-26					
Army	33,400.68	3,400.68	-	-	-
Navy	63,000.00	3,000.00	-	-	-
Jt. Staff	2,352.82	2,352.82	-	-	-
Air Force	64,811.68	64,811.68	-	-	-
DOO(C&S)	1,496.00	1,496.00	-	-	-
R&D	14,923.82	14,923.82	-	-	-
DGQA	15.00	15.00	-	-	-
Total	180,000.00	80,000.00	-	-	-

Note:- (i) Expenditure figures in respect of FY 2024-25 are upto December, 2024.

(ii) RE 2024-25 and BE 2025-26 are subject to approval of the Parliament.

1.8 When enquired about mismatch between the allocations and expenditures with respect to the Capital Budget, the Ministry of Defence submitted as under:—

“कई माननीय सदस्यों ने यह विषय उठाया है कि बजट एस्टीमेट के मुकाबले यूटिलाइजेशन कम हुआ है। मैंने अपने ओपनिंग रिमार्क्स में भी इसके बारे में बताया है। बहुत सारे केसेज़ में कॉन्ट्रैक्ट्स अवॉर्ड किए गए हैं, लेकिन विभिन्न कारणों से वे उपकरण समय पर नहीं आ पाए हैं। मैंने रशिया का जिक्र किया है। उनके पास से पांच एसफोर100 सिस्टम्स आने हैं, जो कि बहुत भारी कैपिटल एक्सपेंडिचर है, जिनमें से तीन सिस्टम्स आ गए हैं और दो हेल्ड अप हैं, क्योंकि उनका विवाद शुरू हो गया था, जिससे वे समय पर कॉन्ट्रैक्ट्स नहीं दे पाए हैं। वैसा ही कुछ इश्यू इजराइल के उपकरण के साथ हुआ है। माननीय सदस्यों ने एचएएल का भी जिक्र किया है। उस केस में सप्लाय चैन इश्यूज़ के कारण डिलीवरी में डिले हुआ है। इन कारणों की वजह से हम पिछले साल बजट एस्टीमेट का पूरा यूटिलाइजेशन नहीं कर पाए हैं। अभी भी हमारी कोशिश है कि हम ज्यादा से ज्यादा कॉन्ट्रैक्ट्स अवॉर्ड करें और जो वास्तविक बीई है, उस तक पहुंचने या उसको पार करें। इसमें जो बड़ा मुद्दा है, I would like to focus on that. For a long time, we have not been awarding contracts quickly enough in our country because the process of procurement has been taking too much time. Regarding the process of procurement, we will show you a slide presentation in a while. But at a broad level, I want to emphasize that this is the year of reform for the Ministry of Defence. Our hope is that by the end of this year, we will squeeze our procurement timelines by ironing out the bottlenecks and delays in two or three different areas, particularly in terms of delays in finalisation and preparation of the RFPs, which should be ready upfront with us, in field evaluation trials, which sometimes take two to three years and can be replaced by some amount of digitization and simulation, and finally on things like negotiations, etc., where inordinate time has been spent. It is with that kind of a reform in mind that I am saying that in the current year, we will probably hit two and a half to three times the highest level of contract awards ever that the Ministry of Defence has ever achieved.

Once you sign up those large contracts, most of it with the Defence industry, then you can focus on contract fulfilment and on project management to ensure that delivery schedules are met, and based on the milestones that are prescribed under the delivery schedule, you can also start making payments quickly. So, our intention is that we will speed up procurement timelines, give more orders to domestic industry, and thereafter ensure that utilization picks up. From the Ministry of Finance, I have been given full assurance that whatever Capex requirement is there for the Armed Forces, that will be met. The delay actually has been in terms of absorptive capacity, in terms of our ability to spend that money quickly, both in the domestic industry and in terms of global orders because of various geopolitical factors. We hope, that situation will now change, some of these delivery schedules will be expedited, and we will have a better track record in terms of fully utilizing our BEs. So, I can only assure the Standing Committee that we are trying to speed up our procurement processes to ensure that full utilization is done, and you will see the results in the coming years.”

1.9 During oral evidence of the representatives of the Ministry of Defence in connection with examination of Demands for Grants 2025-26, the Committee observed that the capital allocation for Army decreased in comparison with BE 2024-25 whereas the Navy’s capital allocation registered an increase. The Defence Secretary furnished the reasons for this difference as under:

“As you would appreciate, the Naval and the Air platforms tend to be much more expensive compared to the equipment bought for the Army like vehicles and small arms, which do not have the same kind of cost that a Rafael or a modern ship has. That is why the amounts are larger for the Navy and the Air Force. The projection for these amounts for Navy and the Air Force is built on 10-year and 5-year capability plans that the services themselves project, and it is based on the kind of modernization that they have in mind in terms of new platforms. So, these inputs on how

the breakup will be is really based on inputs from the three services, based on their requirement and their ongoing modernization plans, which are categorised into 10-year, 5-year and 2-year modernization plans.”

Highlights of Capital Outlay Budget 2024-25

1.10 The following are some of the highlights of the Capital Outlay Budget 2024-25:

- (i) For the financial year 2025-26, Rs. 6.81 lakh crore has been allocated to the Ministry of Defence, out of this, Rs. 1.8 lakh crore is for the exclusively capital expenditure, which is further divided into two categories, i.e. allocation for capital acquisition (Rs. 1,48,722.80 crore) and allocation for other than capital acquisition (Rs. 31,277.20 crore).
- (ii) Allocation under capital has gone up from Rs. 1.72 lakh crore in the financial year 2024-25 to Rs. 1.8 lakh crore for financial year 2025-26, with an increase of 4.65 per cent. No shortfall in the projection and allocation under capital head as Rs. 1.8 lakh crore has been allocated against projection of the same amount.
- (iii) Capital allocation budget is also termed as modernisation budget of the armed forces and is used for acquisition of military equipment and platforms, naval fleet and heavy and medium vehicles, etc. Other than capital acquisition includes expenditure on land and major infrastructure projects of the armed forces, procurement of equipment and technical source for the projects under DRDO.
- (iv) An overall increase of 4.65 per cent in BE of 2025-26 over BE of 2024-25 and 12.85 per cent over RE of 2024-25 is seen in service wise allocations. In case of three services, there is an overall increase of 4% and 13.44 % with respect to BE and RE respectively. There is an

- increase of 11.6 % over BE of 2024-25 and 7.3 % over RE of 2024-25 in DRDO and others for next financial years.
- (iv) There is growth in capital outlay on defence services during the last five years. An increase of Rs. 66,000 crore from Rs.1.14 lakh crore in 2021 to Rs.1.8 lakh crore in 2025-26 in capital budget is seen. On year-on-year basis, it shows a growth rate of 9.6 per cent during the last five years.
- (ivi) The budgetary allocation on major components of expenditure - 27 % expenditure is planned on aircraft and aero engine and 35 % on other equipment. To elaborate further, other equipment includes armaments, guns, tanks, electronics, surveillance equipment, radars and aviation equipment, etc. Share of expenditure on naval fleet and naval dockyard is 14 % and three % respectively. DRDO capital budget accounts for eight per cent and seven per cent of capital budget is planned for infrastructure projects of the armed forces.
- (ivii) There has been growth of defence modernisation budget over last five years. There is an increase of Rs.58,674 crore which is 65 per cent from Rs.90,000 crore to Rs.1.49 lakh crore in defence modernisation budget over the last five years. It shows an increase of 10.5 per cent compounded annual growth rate on year-on-year basis in the last five years.
- (iviii) In order to make defence forces self-reliant in defence manufacturing and technology, MoD took an initiative for earmarking of defence modernisation budget for the defence industries from 2021. For financial year 2025-26, 75 % of the capital acquisition budget of Rs. 1.49 lakh crore has been earmarked for acquisition through domestic industries and this amount comes to Rs. 1.12 lakh crore. So,

25 % of the domestic share, which is Rs. 27,886 crore, has been further earmarked for acquisition of capital assets through domestic private industries during FY 2025-26. In the current financial year 2024-25, against target of Rs. 1.05 lakh crore, procurement amounting to Rs. 71,608 crore has already been realized through domestic industries and against target of Rs. 26,379 crore from domestic private industries, procurement of Rs. 18,000 crore has been realized till January, 2025.

Growth of Indian Capital Budget in comparison to Central Budget and Gross Domestic Product (GDP)

1.11 The total Defence Budget (including MoD (Civil) and Defence Pensions) is Rs. 6,21,940.85 Crore for the year 2024-25, which is 12.90% of total Central Government Expenditure and 1.91% of GDP for the year 2024-25. Also, Capital Budget {includes Capital portion of MoD(Civil)} of Ministry of Defence for 2024-25 is approximately 16.40% of the total capital expenditure of the Central Government Expenditure.

Data on growth of Defence Budget (all four Grants) in comparison to central budget and GDP, in absolute and relative terms, for the last five years is given below:

(Rs. in Crore)					
Year	Defence Expenditure	Total CGE (Actuals)	Def. Exp % of CGE	GDP	Def. Exp % of GDP
2019-20(Actual)	4,52,996	26,86,330	16.86	2,01,03,593	2.25
2020-21(Actual)	4,85,681	35,09,836	13.84	1,98,54,096	2.45
2021-22	5,00,681	37,93,801	13.20	2,35,97,399	2.12

(Actual)					
2022-23 (Actual)	5,73,098	41,93,157	13.67	2,69,49,646	2.13
2023-24 (Actual)	6,09,504	44,42,542	13.72	2,95,35,667 (1 st RE)	2.06
2024-25 (BE)	6,21,941	48,20,512	12.90	3,26,36,912 (PE)	1.91

Note: GDP figures from FY 2019-20 to 2023-24 are as per Economic Survey 2023-24 – Table 1.6-Components of GDP at Current Prices and for FY 2024-25 are from Budget at a Glance (2024-25).

CGE figures for Actuals from 2019-20 to 2023-24 and 2024-25(BE) are as per Budget at a Glance of FY 2021-22 to 2024-25.

A **juxtaposed** comparison of the data on defence spending *vis-à-vis* that of other countries is difficult due to lack of uniformity in treatment of different components of expenditure and non-availability of reliable published data. Nevertheless, based on inputs from Stockholm International Peace Research Institute (SIPRI) Military Expenditure Database, data on defence budget in respect of neighbouring countries and some advanced countries, including defence spending as percentage of their GDP and share of government spending, is given below:

[In current US \$ Million]

Country	2021			2022			2023		
	Def. exp.	% of GDP	% of govt. exp	Def. exp.	% of GDP	% of govt. exp	Def. exp.	% of GDP	% of govt. exp
<i>China</i>	285930.5	1.61	4.93	291958.4	1.62	4.88	296438.6	1.67	4.97
<i>Pakistan</i>	11649.4	3.39	18.36	10358.10	3.16	15.93	8521.2	2.80	14.45

USA	806230.20	3.42	8.04	860692.20	3.34	9.32	916014.70	3.36	9.06
Russia	65907.7	3.61	10.31	102366.60	4.69	12.94	109454.4	5.86	16.14
UK	65136.2	2.07	4.51	64081.6	2.07	4.71	74942.8	2.26	5.15

Source: SIPRI Military Expenditure Data Base

Ratio for Capital and Revenue outlay

1.12 Details of Revenue and Capital expenditure in respect of Army, Navy and Air Forces as well as total outlay and corresponding ratio for the last five years, as provided to the Committee by the MoD, are given below:

(Rs. in Crore)					
Year	Service	Outlay		Ratio	
		Revenue	Capital	Revenue	Capital
2020-21	Army	1,39,903.33	26,320.93	84	16
	Navy	23,166.05	41,666.76	36	64
	Air Force	32,825.23	58,207.95	36	64
	Total Outlay	1,95,894.61	1,26,195.64	61	39
2021-22	Army	1,57,092.05	25,130.94	86	14
	Navy	23,834.99	45,028.64	35	65
	Air Force	34,375.46	53,217.19	39	61
	Total Outlay	2,15,302.50	1,23,376.77	64	36
2022-23	Army	1,70,019.87	36,616.19	82	18
	Navy	30,042.41	46,091.48	39	61
	Air Force	45,667.15	44,917.78	50	50
	Total Outlay	2,45,729.43	1,27,625.45	66	34
2023-24	Army	1,91,602.05	28,613.45	87	13
	Navy	34,261.53	50,762.62	40	60
	Air Force	53,024.91	60,757.63	47	53
	Total Outlay	2,78,888.49	1,40,133.70	67	33
2024-25(BE)	Army	1,91,319.60	35,664.95	84	16
	Navy	32,778.73	62,545.98	34	66
	Air Force	46,223.49	59,062.07	44	56
	Total Outlay	2,70,321.82	1,57,273.00	63	37

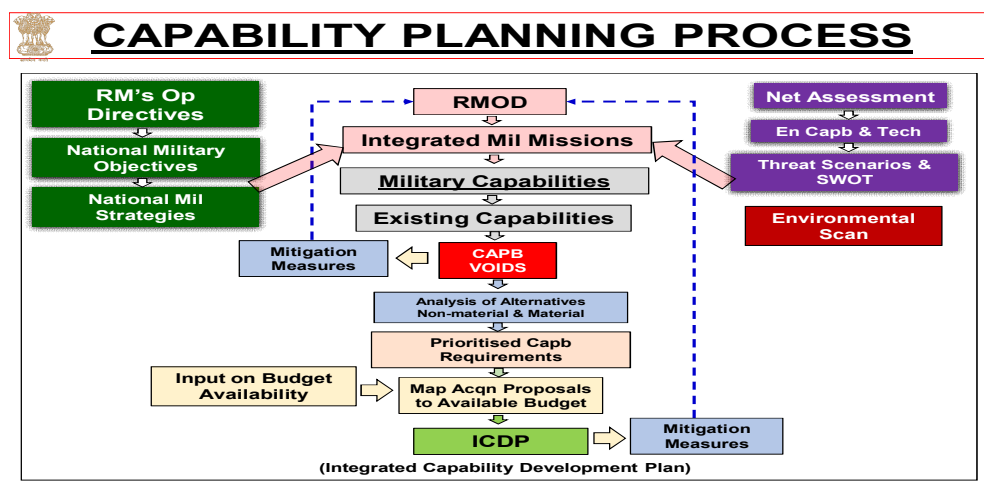
CHAPTER - II

DEFENCE PLANNING

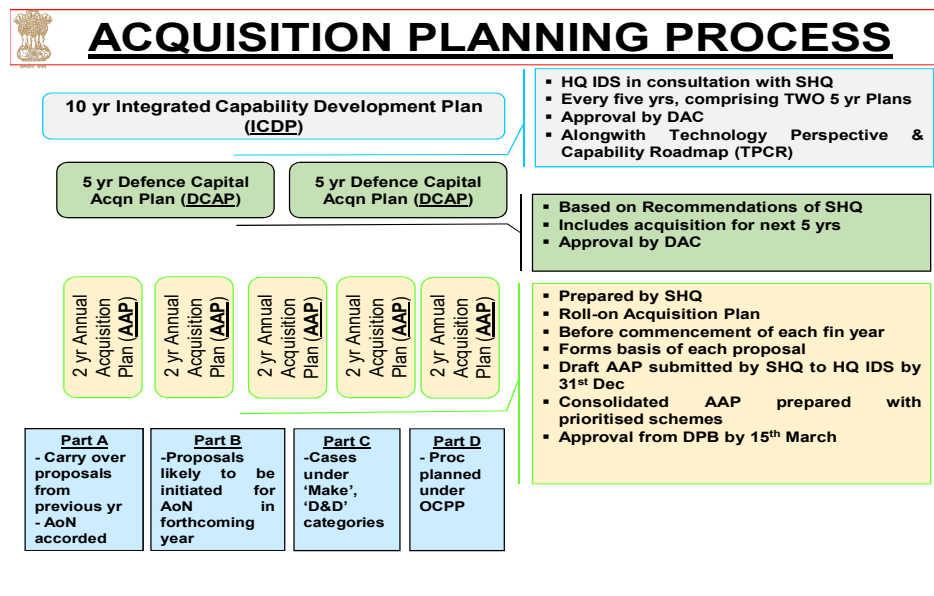
The Committee found that defence planning process, caters to the current and future modernization needs of the Armed Forces which are in terms of weapon platforms, ammunitions, equipment, infrastructure and manpower. Since this is an exhaustive process involving lot of internal and external variables of dynamic nature wherein each factor changing domestically or globally could have an impact on country's war preparedness. It is therefore, imperative that the defence planning has to be dynamic and adaptive. Keeping in mind the diverse need of all the three services, Headquarters, Integrated Defence Staff (HQ IDS) had been made as a single point contact to ensure a joint planning for all the three services. HQ IDS has developed system called the Integrated Capability Development System (ICDS) which is a top down iterative process through which the defence planning is carried out. A brief about various level of planning in the form of flowchart is enclosed below:–

CAPABILITY PLANNING PROCESS

While explaining the capability planning process, the Ministry furnished the following diagram:



2.2 The Ministry also apprised the Committee about the Acquisition Planning Process highlighting the various features of 10 year Integrated Capability Development Plan, 5 year Defence Acquisition Plan and 2 year Annual Acquisition Plan by following chart:



Highlights of Defence Planning Process

- (i) The Defence Planning caters to the current and future modernisation needs of the Armed Forces in terms of various platforms, equipment, ammunition, infrastructure and manpower.
- (ii) As all these modern platforms are complex and technology intensive, Defence Planning takes into account the various security interests in the country, multifarious threats we face, technology and protection capabilities available and the resources required which also mandates that it needs to be dynamic and adaptive. The methodology adopted is the Integrated Capability Development System (ICADS), under the Joint Planning Committee in consultation with all the Services under the Headquarters Integrated Defence Staff.

- (iii) With an objectives of joint and prioritised capability development, as laid down in the Defence Acquisition Procedure – 2020, Headquarters IDS in conjunction with Services has designed a top-down ICADS process following a capability threat-based approach.
- (iv) It starts from culling out the national military objectives from the higher Defence Guidelines, mainly the Raksha Mantri's Operational Directive duly factoring security scenarios and supported by the net assessment of enemy's capability and technology available worldwide.
- (v) This leads to generation of integrated military missions and the required or desired military capabilities to achieve these missions. A comparison of the desired capabilities with existing capabilities is thereafter done, which gives out the capability voids.
- (vi) This is followed by the interactive process of analysis and identification of alternatives to fill these gaps and acquisition of prioritized capabilities required by the three services.
- (vii) The final deliverables of the ICADS process are the 10-year Integrated Capability Development Plan, the five-year Defence Capital Acquisition Plan and the two-year Roll-On Annual Acquisition Plan.
- (viii) The ICADS also recommends diplomatic, economic and information measures required to be undertaken for the capability gaps which may still exist.
- (ix) the 10-year Integrated Capability Development Plan or the ICDP comprises of two five-year plans, prepared by Headquarters IDS in consultation with the service headquarters every five years. This is to be approved by the Defence Acquisition Council.
- (x) The five-year Defence Capital Acquisition Plan is based on the recommendations and the priorities of the Service Headquarters which

- are finalised after due prioritisation process. It includes acquisitions to be undertaken for the next five years which are culled out from the ICDP. Approval again is given by the Defence Acquisition Council prior to its promulgation.
- (xi) Then comes the two-year Annual Acquisition Plan which is prepared by the service headquarters. It is a roll-on acquisition plan prior to commencement of each financial year and forms the basis of each proposal for acceptance of necessity.
 - (xii) The draft Annual Acquisition Plan is submitted by the service headquarters to headquarters IDS by 31st December of each year and thereafter consolidated Annual Acquisition Plan is prepared with prioritised schemes. Approval is accorded by the Defence Procurement Board by 15th of March every year.

CHPATER - III

PROCUREMENT POLICY FOR DEFENCE SERVICES

The Committee understand that policy for procurement of defence equipment for the Armed Forces aims to ensure timely procurement of military equipment, systems and platforms as required by the Armed Forces in terms of performance capabilities and quality standards, through optimum utilisation of allocated budgetary resources. The aim of the defence Acquisition Policy is to ensure timely procurement of defence equipment to meet operational requirement through optimum utilisation of budgetary resources, observing highest degree of probity, public accountability, transparency, fair competition and level-playing field and simultaneously to achieve self reliance in defence equipment production with ultimate aim to develop India as a global defence manufacturing hub. The policy is implemented through the mechanism of Defence Procurement Procedure (DPP).

3.2 Defence Capital acquisition is carried out in accordance with the Defence Procurement Procedure (DPP)/Defence Acquisition Procedure(DAP) and undertaken through Ten years Integrated Capability Development Plan(ICDP), Five Years Defence Capability Acquisition Plan (DCAP) and Annual Acquisition Plan (AAP).The cases listed in the approved Annual Acquisition Plan (AAP) are progressed as per the DPP/DAP provisions and funds allocated and budgeted under the capital Acquisitions heads of concerned Service for the given financial year.

3.3 When asked about the Budget Estimates (BE), Revised Estimates (RE) and Actual Expenditure on Modernisation for capital acquisition for the last five financial years and current year, the Ministry forwarded the following statement:

(₹ in Crore)

Year	BE	RE	Actual
2019-20	80,959.08	90,179.14	91,053.15
2020-21	90,047.80	1,14,320.30	1,18,966.44
2021-22	1,11,463.21	1,13,717.59	1,13,781.27
2022-23	1,24,408.64	1,22,690.98	1,17,330.19
2023-24	1,32,301.27	1,29,528.26	1,29,184.84
2024-25 (Upto Dec, 2024)	1,40,691.24	1,30,916.35	71,272.51

Highlights of Defence Procurement Policy

3.4 During the course of evidence, the representatives of Ministry outlined salient features of the Defence Procurement Policy which in summation is as under:-

- (i) The Defence Capital Procurement is carried out as per the Defence Acquisition Procedure, 2020, a game-changer, which streamlines procurement processes, reducing bureaucratic hurdles and providing greater and equal opportunities to private industry, Micro, Small and Medium Enterprises, defence PSUs and startups.
- (ii) The Defence Acquisition Procedure, 2020 has ensured that modernization of armed forces is carried out in a time-bound manner, meeting their security and operational needs. Various conceptual, structural and procedural reforms were carried out in order to make it relevant to current environmental realities and needs while creating a climate in which Indian defence industry can thrive.

- (iii) Aim of DAP, 2020 is streamlining the complete procedure to procure defence equipment to meet operational requirements within the allocated budget, and ensure complete transparency and probity. By doing so, the aim is also to make India a global defence manufacturing hub. The process is dynamic and kept in sync with the time through constant reviews and improvements.
- (iv) The evolution of this defence procurement policy has come from 2002 when the first time the defence acquisition process was started and since then it has been revised nine times. With every revision, there are new features which have been added to make the policy more robust, current, efficient and aligned to the current Government policies.
- (v) As regards priority of procurement, with the Atmanirbhar Bharat in focus, indigenous design and development has been prioritized to reverse the imbalance between import and indigenous manufacture. The categorizations for acquisition have accordingly been graded to ensure that self-sufficiency in modern equipment is achieved while providing enough avenues for investments and co-production with foreign partners. The first three categories are for procurement from Indian vendors exclusively, and the next two are from global or Indian vendors when the equipment is not available in India. The procedure fosters innovation and research and development in the private sector through the 'Make' categories. It also caters for import substitution for already procured foreign equipment.
- (vi) There are three pillars of the Acquisition Policy. First is the Atmanirbhar Bharat with focus on buy Indian IDDM, i.e. Indigenous Design Development and Manufacture is the highest priority, five

positive indigenization lists, which contain a total of 509 items, which also include highly complex systems, sensors, weapons and ammunition to be manufactured and developed in India and procured from indigenous sources, notification of 5,012 items, which includes assemblies, sub-assemblies, spares and components that will only be procured from Indian industries by the DPSUs etc.

- (vii) Second is 'Make in India' is concerned, with a renewed focus on the manufacturing by facilitating investment, enable establishment of best-in-class infrastructure and make India a defence manufacturing hub. Under this enhancing indigenous content, impetus to MSMEs and startups and increasing the FDI limits to ensure Make in India, setting up of defence industrial corridors in Uttar Pradesh and Tamil Nadu and delivery of offsets through Indian partners etc.
- (viii) Third is 'Ease of Doing Business' to streamlining of defence procurement process in sync with best practices in other sectors which includes various measures like Exchange Rate Variation, the Price Variation Clause, the smaller lot sizes, introduction of Earnest Money Deposit and reduction in the bank guarantees etc.
- (ix) To enhance transparency, all the information is shared on the internet and the technology perspective and capability roadmap also gives the visibility of the armed forces future requirements. Thereafter, all the AoNs and the Request for Information are also made available on all the Government websites. Interactive Policy reviews are conducted with Indian defence industry/associations.
- (x) Some of major recent initiatives have been taken like Business Process Re-engineering(BPR) to improve efficiency and reduce

acquisition time-lines, regular interaction with academia and industries, incorporation of Innovations for Defence Excellence (iDEX) & Acing Development of Innovative Technologies with Index(ADITI) and Technology Development Fund(TDF) Scheme for technology development by startups/ MSMEs, Provision of Indigenous Content for material, Components and Software requirement for Defence Procurement and promoting procurement of advanced technologies from Startups/ MSMEs.

- (xi) There has been a vigorous effort for creation of Domestic Defence Ecosystem by allocation of 75% of modernization defence budget for Domestic Capital Procurement in FY2025-26, Allocation of Funds for prototype development under Make project and allocation of Rs. 449.62 Cr for iDEX & ADITI schemes to encourage startups and innovations.
- (xii) To summarize the Ministry informed that the procurement through domestic industry is the norm and import is taken only as an exception and that too with specific approvals. And as informed that this is the year of reforms the Ministry strive towards the principle of reform, perform and transform.

3.5 During the deliberations, when the Committee desired to know about the impact of 'Make in India' on the existing production policy of the Ministry of Defence, the Ministry stated as under:

"The Policy was updated in 2020. Many initiatives have been taken to promote 'Make in India' in the Defence sector and achieved substitute self-reliance in design, development and manufacture of defence equipment/platform. Few such initiatives are mentioned below:

(i) In order to promote indigenous design and development of defence equipment 'Buy {Indian-IDD (Indigenously Designed, Developed and Manufactured))}' category which was introduced in 2016 and was accorded top most priority for procurement of capital equipment, has been retained in DAP 2020.

(ii) Department of Military Affairs (DMA), Ministry of Defence, has notified Five Positive Indigenisation Lists (PILs):

- (a) 1st Positive Indigenisation list of 101 items on 21st Aug'20,
- (b) 2nd Positive Indigenisation list of 108 items on 31st May'21,
- (c) 3rd Positive Indigenisation List of 101 items on 7th Apr'22 and
- (d) 4th Positive Indigenisation List of 101 items on 19th Oct'22
- (e) 5th Positive Indigenisation List of 98 items on 4th Oct'23

The timelines beyond which the items will be procured from domestic industry, has also been given in these lists. These lists include some high technology weapon systems like artillery guns, assault rifles, corvettes, sonar systems, transport aircrafts, light combat helicopters (LCHs), radars, wheeled armoured platform, rockets, bombs, armoured command post vehicle, armoured dozer and many other items to fulfil the needs of our Defence Services.

(iii) In continuous pursuit of self-reliance in defence manufacturing and to minimize import by DPSUs, DDP/MoD has notified Five Positive Indigenisation list of total 5012 major LRUs/sub-systems/ assemblies/ sub-assemblies/ spares & components:-

- i. 1st Positive Indigenisation list consists of 2851 Sub-systems/Components with the indigenisation timeline of Dec'22 to Dec'24 notified on 27th Dec'21.

- ii. 2nd Positive Indigenisation list consists of 107 strategic important Line replacement units/major sub-assemblies.
- iii. 3rd Positive Indigenisation list consists of 780 strategically important Line Replacement Units (LRUs)/Sub-systems/Components with the indigenisation timeline of Dec'23 to Dec'28.
- iv. 4th Positive Indigenisation list of 928 items on 12th May'23.
- v. 5th Positive Indigenisation list of 346 items on 25th Jun'24.

The details of these items are available on SRIJAN portal for Industry to show their interest. As on **1st December, 2024**, 3010 items out of 5012 have been indigenised.

(iv) The 'Make' Procedure of capital procurement is for greater participation of Indian Defence Industry including private sector, through the following procedures:-

- (i) 'Make-I' category (Government Funded): There is a provision for funding upto 70% of development cost by the Government to Indian industry. In addition, there are specific reservations for MSMEs under the 'Make' procedure. So far, 40 projects relating to Army, Navy & Air Force have been accorded 'Approval in Principle'.
- (ii) 'Make-II' category (Industry funded): Design and development and innovative solutions by Indian vendor, for which no Government funding will be provided. Number of industry friendly provisions such as relaxation of eligibility criteria, minimal documentation, provision for considering proposals suggested by industry. So far, 101 projects relating to Army, Navy & Air Force have been accorded 'Approval in Principle'.

(iii) Make-III (Manufactured in India through ToT from FOEMs): In order to promote Indigenous manufacturing, though not designed / developed indigenously, import substitution for product support of weapon system/equipment held in the inventory of the services, so that Indian firms may manufacture these either in collaboration or with ToT from foreign OEMs. So far, 04 projects relating to Army, Navy & Air Force have been accorded 'Approval in Principle'.

(v) An innovation ecosystem for Defence titled Innovations for Defence Excellence (iDEX) has been launched in April 2018. iDEX is aimed at creation of an ecosystem to foster innovation and technology development in Defence and Aerospace by engaging Industries including MSMEs, Start-ups, Individual Innovators, R&D institutes and Academia and provide them grants/funding and other support to carry out R&D which has potential for future adoption for Indian defence and aerospace needs. A Grant of Rs 498.78 Cr. has already been sanctioned for Scheme for iDEX for the period 2021-22 to 2025-26 (five years). Recently, another scheme under iDEX, named ADITI (Acing Development of Innovative Technologies with iDEX) with a budgetary support of Rs. 750 Cr. for the period 2023-24 to 2025-26 (three years), has also been launched to provide support with grants of up to Rs. 25 Crore, targeting development of cutting edge, critical and strategic technologies. Three editions of ADITI challenges have already been launched.

(vi) Government of India has established Technology Development Fund (TDF) Scheme under 'Make in India' initiative to create an ecosystem for enhancing cutting edge technology capability by inculcating R&D culture in Industry for building indigenous state-of-art systems for

defence applications and import substitution. The scheme has been established to promote self-reliance in Defence Technology as part of the 'Make in India' initiative by encouraging participation of public / private industries especially MSMEs including Start-ups. The procurement will be made under the 'Buy(Indian-IDDM)' Category. Funding under TDF scheme was enhanced from Rs 10 Cr to Rs 50 Cr per project."

Capital Procurement and Annual Acquisition Plan

3.6 The Committee have been informed that Capital procurement cases are taken up by MoD based on Annual Acquisition plans and is being processed as per delegation of financial powers. Three Joint Secretary *cum* Acquisition Managers are the nodal points for capital procurements for each Service respectively. Capital procurement cases upto to ₹300 Cr. are delegated to Services HQs and cases above ₹300 Cr are processed by Ministry of Defence.

'With respect to Acquisition Process the representatives of the Ministry deposed before the Committee that It can be classified in two basic categories. One, the pre-acceptance of necessity and the other, after the acceptance of necessity has been carried out. It is like any other public procurement that the request for information is floated, the inputs from the vendors are then assimilated, and thereafter qualitative requirements are formulated and approved. The scaling and quantity vetting of the equipment is carried out. The case is then moved to the Services Procurement Board, Defence Procurement Board or the Defence Acquisition Council based on the value for grant of acceptance of necessity. Post the grant of the same, the tender or the request for proposal is floated. Based on the bids received, the technical bids are put through technical evaluation and all the vendors who qualify the technical

evaluation, their equipment is put through a field evaluation and staff evaluation and then it passes thorough Technical Oversight Committee, if required, after that it is forwarded for approval of Competent Financial Authority and then the Contract is completed.'

Increasing Dependence on Foreign Suppliers

3.7 The Ministry furnished the following information on Defence equipment/items currently being imported and details of price and country of origin of these equipments :

“During the last financial year (2023-24) and current Financial year 2024-25 (upto December, 2024), total 337 capital acquisition contracts have been signed for capital procurement of defence equipment for Armed forces, out of which 12 contracts have been signed with vendors from foreign countries (Russia, USA and France) for capital procurement of defence equipment.

Capital procurement of defence equipment are undertaken from various domestic as well as foreign vendors, based on threat perception, operational challenges and technological changes so as to keep the Armed Forces in a state of readiness. The equipment so inducted are being optimally exploited for operational purposes by the Defence Services.”

3.8. Information on the expenditure on Defence equipments Service-wise, imported from foreign vendors and acquired from indigenous sources over the last ten financial years under Capital Acquisition budget, forwarded to the Committee, is as under:

“Details of Budget Estimate and procurement made from Domestic and Foreign procurement from Capital Acquisition (Modernisation) Budget for the last ten years and for FY 2024-25 are as under:-

(₹ in crore)				
Year	Total Capital Procurement (Budget Estimates)	Domestic Capital Procurement	Foreign Capital Procurement	Total Procurement
2014-15	75,148.03	39,879.00	25,980.98	65,859.98
2015-16	77,406.69	39,149.63	23,192.23	62,341.86
2016-17	69,898.51	41,872.03	27,278.09	69,150.12
2017-18	69,473.41	43,696.86	29,035.42	72,732.28
2018-19	74,115.99	38,963.68	36,957.06	75,920.74
2019-20	80,959.08	52,920.70	38,156.83	91,077.53
2020-21	90,047.80	76,073.98	42,786.54	1,18,860.52
2021-22	1,13,717.58	74,130.25	39,651.02	1,13,781.27
2022-23	1,24,408.66	79,060.43	38,123.84	1,17,184.27
2023-24	1,32,301.27	93,376.78	35,746.70	1,29,123.48
2024-25 (Upto Dec,2024)	1,40,691.24	62,373.75	8,898.77	71,272.52

3.9 When asked about the details of status of India’s dependence on foreign suppliers for military hardware in the recent past, the Ministry in its written reply submitted as under:

“Government has taken various steps to develop indigenous defence industry for reducing dependency on import of defence equipment. “DAP-2020 has been driven by the tenets of Defence Reforms announced as part of the Atmanirbhar Bharat Abhiyan of the Government of India by

promoting indigenous design, development and manufacturing of defence equipment, platforms, systems and sub-systems. DAP-2020 has introduced the following aspects with focus on boosting indigenous defence capability and reduction of reliance on imports: -

- (i) Notification of lists of weapons/platforms for ban on import.
- (ii) The IC has been enhanced in all procurement categories along with simplification of IC verification methodology.
- (iii) Introduction of Make III category for self-reliance through import substitution.
- (iv) Introduction of new acquisition category Buy (Global - Manufacture in India) to encourage Foreign OEMs to set up 'Manufacturing/maintenance entities' through its subsidiary in India under the new FDI policy.
- (v) Simplification of Make II and iDEX Procedure.

MoD is constantly moving towards import substitution. As shown in the table below for the past 3 years that Domestic Capital Procurement has increased while Foreign Capital Procurement shows a decreasing trend.

Year	Total Capital Procurement (Budget Estimates)	Domestic Capital Procurement	Foreign Capital Procurement	Total Procurement
2021-22	1,13,717.58	74,130.25	39,651.02	1,13,781.27
2022-23	1,24,408.66	79,060.43	38,123.84	1,17,184.27
2023-24	1,32,301.27	93,376.78	35,746.70	1,29,123.48
2024-25 (Upto Dec, 2024)	1,40,691.24	62,373.75	8,898.77	71,272.52

3.10 The Ministry further informed the value of imports in the last five years separately for three Services along with procurement from foreign vendors out of total procurements;

Year	Total Procurement	Procurement from Foreign Vendors
2020-21	1,18,860.52	42,786.54
2021-22	1,13,511.11	40,325.09
2022-23	1,17,015.31	38,123.84
2023-24	1,29,074.25	35,746.70
2024-25	78,209.17	8,898.77

Further, imports for three services (Rs. in Crores) for the period 2020-21 to 2024-25 is as follows:-

Services	2020-21	2021-22	2022-23	2023-24	2024-25
Army	5,027.96	3,614.25	11,696.95	1,471.77	1,217.83
Navy	18,257.37	16,283.62	13,316.44	6,373.96	4,228.81
Air Force	19,501.21	20,427.22	13,110.45	27,900.97	3,452.13
Total	42,786.54	40,325.09	38,123.84	35,746.7	8,898.77

Private Sector Participation

3.11 Enumerating the steps taken by the Ministry towards ensuring level playing field for private defence industry, the Ministry apprised the Committee as under:

“There are enhanced opportunities through D&D categories for private industry which early used to be reserved for DPSUs. After corporatisation of OFBs, all these 41 factories have come at par with private industries. There is parity in securities and payment terms between

DPSUs and private industries. And as stated above incorporation of Innovations for Defence Excellence (iDEX) as well as Acing Development of Innovative Technologies with iDEX (ADITI) as well as the Technology Development Fund, these schemes are basically to promote innovation, research and development, especially for the startups and the MSMEs in the country. Provision has also been laid down to specify the indigenous content in terms of tangible components and software manufactured in India. The Atmanirbhar Bharat initiative has been duly supported by allocation of 75 per cent of modernization in Defence Budget for domestic capital procurement. Rs. 2,037 crore has been allocated for prototype development for the Financial Year 2025-2026, and for iDEX and ADITI Rs. 449.62 crore crore has been allocated.”

Offset Clause

3.12 The Ministry apprised the Committee on the Offset Clause under Defence capital Acquisition as under:

“Offsets under Defence Capital Acquisition were introduced in the Defence Procurement Procedure (DPP) in 2005 based on the recommendation of Kelkar Committee. The Offset guidelines in DPP have been amended 6 times thereafter.

As per latest Defence Acquisition Procedure (DAP 2020), offset provisions are applicable only on “Buy Global” categories of capital acquisitions. The offset provisions apply in capital acquisition contracts which are more than ₹ 2,000 Crore. However, the offsets are not applicable to procurements under ‘Fast Track Procedure’ and in ‘Option Clause’ cases if the same was not envisaged in the original contract. No offsets will be applicable in all ab-initio Single Vendor Cases including procurements based on IGA/FMS. It is relevant to note that offset applicability on Indian companies under ‘Buy

Global” cases do not arise in case the indigenization component is 30% or more. Offset contracts are co-terminus with the main procurement contract and signed along with the main procurement contract after approval of Competent Financial Authority (CFA). The period of offset discharge can be extended on exceptional grounds by a maximum period of 02 years. The DAP stipulates eligible products/services for discharge of offset obligations which covers defence products and MRO related to helicopters and aircrafts. The responsibility for fulfilment of offsets obligations lies with the main vendor. However, the vendor is permitted to discharge his obligations through Tier 1 sub-vendors based on their work share. In case of investment and/or transfer of technology, the offset discharge can be permitted by entities other than vendor/Tier-I Sub-vendor on a case to case basis. The vendors are free to select their Indian Offset Partners (IOP) from DPSU/DRDO/Private Industry. The Offset Policy further allows vendors to submit offset details at later stage after signing of the contract i.e. either at the time of seeking offset credits or one year prior to discharge of offset obligations.

Offset obligations can be discharged by any one or a combination of the following avenues as per Defence Acquisition Procedure (DAP) 2020:

SI No.	Discharge Avenue	Indian Offset Partner	Remarks
1	Direct purchase of or executing export order for eligible Products or Services	Private Sector/DPSU	Eligible product/services Listed (Investment in civil infrastructures & training has been excluded)
2	Investment in Defence Manufacturing through FDI or direct investment or JV or through non-	Private Sector/DPSU	Through FDI

Sl No.	Discharge Avenue	Indian Offset Partner	Remarks
	equity route for co-production, co-development and production or licensed production of defence products.		
3	Investment in Transfer of Technology for manufacture of eligible products	Private Sector/DPSU	Through JV/non equity route
4	Acquisition of technology through ToT to Government Institutions & establishments	DRDO/DPSU	
5	Critical Technology Acquisition	DRDO	Critical technologies listed

The key objectives of the offset provisions as contained in DAP 2020 is to leverage capital acquisitions and technology to develop Indian defence industry by:-

- (a)Fostering development of internationally competitive enterprises; and
- (b)Augmenting capacity for Research, Design and Development related to defence products and services.

The offset policy mandates foreign OEM's to discharge offset obligations through a combination of permissible avenues w.r.t. eligible product & services in all procurements cases where cost of the capital acquisitions is ₹ 2000 Crores or more as per DAP 2020."

The policy also provides for “Multipliers” as incentives for offsets in targeted areas, to promote MSME and acquisition of critical technology. The following multipliers are permitted under DAP 2020:

Incentive	Multiplier
Eligible Products	1.0
Components of eligible products	0.5
Investment in defence manufacturing	1.5
Investment in Defence Industrial Corridors for defence manufacturing	2.0
IOP	
MSME	1.5
Private Industry (ToT)	2.0
DPSUs/DRDO (ToT)	3.0
DRDO (Critical Technology)	4.0

3.13 On being asked about the gains of the offset provisions and changes in existing provisions in the new DPP, the Ministry submitted as under:

“As on date, a total of 57 Defence Offset contracts have been signed in MoD. The contracted offset obligations due as on 27.12.2024, is US\$ 8.92 billion against which the vendors have submitted offset claims amounting to US\$ 8.67 billion. Out of the submitted claims, offset claims worth US\$ 6.85 billion have been disposed.

Offset contracts are under different stages of implementation by the foreign OEMs. Once executed, it is estimated that the respective contract shall cause generation of substantial business to Indian industries thus strengthening the defence industrial base. It shall also facilitate the Indian domestic industry to be a vital part of the supply chain of the major global defence industries reaping in more benefits. As a result of offsets, 354 Indian Offset Partners (IOPs) have been created which has contributed to the strengthening of the defence eco-system.

Learning from the experience in implementing the Offset policy over the years since DPP 2005, the Ministry has gradually fine-tuned the Offset Policy and the guidelines thereof to factor in the difficulties encountered in the implementation of the offsets to strengthen the domestic defence

industrial base together with other synergic sectors including civil aerospace and internal security. This has resulted in the enlargement of the available avenues for discharge of offsets together with amplification of the products and services and specifying other measures making them more user friendly, notably :

- (i) Graduating successively from only public enterprises to include both private and public enterprises as offset partners.
- (ii) Specifying and enlarging the products and services qualifying as eligible.
- (iii) Equity and non-equity investments.
- (iv) Investment in kind in terms of transfer of technology/equipment to Indian enterprises, Govt. Institutions and establishments including DRDO through incentivising by higher multiplier upto 4.
- (v) Incentivizing involvement of MSMEs, by inclusion of multipliers.
- (vi) Incentivizing investment in defence manufacturing in Defence Industrial Corridors notified by the Department of Defence Production, MoD.
- (vii) Enabling acquisition of state – of – the – art critical technologies by DRDO.
- (viii) Allowing discharge of obligations through entities other than vendor/Tier-I sub-vendor for investment and/or ToT on a case to case basis.
- (ix) Extension of the discharge timeframe.
- (x) Enhancing the reporting cycle to real time submission of offset claims through online portal (earlier as per DPP 2016 it was on 6 monthly basis)."

3.14 When asked about the challenges, if any, being faced by the Ministry of Defence in executing the offset contracts, the Ministry stated as under:

“Earlier, the vendors were required to give details of Indian Offset Partners, products and work share along with supporting documents in the technical offset proposal as per offset guidelines. However, the vendors have been expressing difficulties in providing these details at technical evaluation stage sighting that these activities would be undertaken number of years later which would then cause seeking changes to the contract. One of the major challenges towards post contract management had been timely and meaningful disposal of contract amendment requests received from the vendors for change of IOP/Product etc. Resolution of these issues was a long drawn out procedure since the earlier DPPs did not have provisions for handling such issues. The resolution of these issues have been catered by introducing an amendment to the offset guidelines after approval of Defence Acquisition Council (DAC), whereby vendors have been given an option to provide details of IOPs and products even after signing of contracts making it more realistic. Further, the process for contract amendment has been made flexible by allowing change of Indian Offset Partners (IOPs) and offset components for the signed contracts.”

3.15 On being asked about instances where offsets as promised could not be materialized and whether any action has been taken in this regard, the Ministry informed the Committee as follows:

“Offset obligations are to be discharged within a time frame that can extend beyond the period of the main procurement contract by a maximum period of two years. The period of the main contract includes the period of warranty of the equipment being procured under the main contract. Offset contracts are long term and complex in nature. These contracts are at

various stages of implementation. Vendors report the offset discharge undertaken through online portal (usually, on quarterly/six monthly basis) which are monitored. The offset guidelines provide for imposition of penalty in case of shortfalls in annual offset discharge by the vendor. In twenty three offset contracts, penalty/interim penalty has been imposed on shortfalls in offset discharge by the vendor. The total penalty that has been imposed works out to be US\$ 88.60 Million.

In order to dis-incentivise vendors from frequent requests of re-phasing of offset obligations to tide over shortfalls and escape penal provisions, the re-phasing clauses have been modified in the Defence Offset Guidelines in DPP 2016 and DAP 2020 w.e.f 08/08/2019. As per the revised provisions, a vendor may, giving reasons, request re-phasing of the offset obligations within the period of the offset contract. The first re-phasing request of the vendor will be processed without any disincentives if the spread of re-phasing is restricted up to the following year. However, if the re-phasing of offset value is proposed over the subsequent years, then 5 % additional obligation will be imposed on re-phased value of every year. The re-phasing request for second and subsequent attempts will be processed by imposing additional 5% on proposed yearly re-phased offset value irrespective of the spread of re-phasing. This yearly additional 5% offset obligation for processing re-phasing request will be over and above the outright financial penalty on shortfall specified at Para 8.11 of Defence Offset Guidelines. Re-phasing will not be permitted beyond the period stipulated in Para 5.2 of the guidelines.”

Foreign Direct Investment (FDI)

3.16 On being asked about the current FDI Limit, the Ministry informed the Committee as under:

“The Government has reviewed the Foreign Direct Investment (FDI) policy in Defence Sector in September 2020 thereby allowing FDI under Automatic Route up to 74% and beyond 74% through Government Route wherever it is likely to result in access to Modern technology or for other reasons to be recorded.”

3.17 Further, the Committee were informed that Current FDI policy facilitates upto 100% by Government route, wherever, it is likely to result in access to modern technology or for other reasons to be recorded. Increasing the automatic route till 100% will nullify the ownership of domestic partner.

3.18 The details of the FDI/JV proposals which have been approved in the Defence Sector in the past five calendar years have been forwarded to the Committee as follows:

The details of FDI/JV proposals which have been approved in the Defence sector in the past five calendar years is as below:-

Name of JV	Activity
2019	
M/s Indo Russian Rifles Pvt Ltd	Design, Development and Production of Kalashnikov Series Rifle.
2020	
M/s Omnidyne Systems Pvt Ltd	Research, Development and Manufacturing of advanced, state of the art, unmanned vehicle systems and related technologies.
M/s Eibit Systems Ltd	Primarily undertaking research and development in the defence sector in India, executing design and development programs and also for engaging in upcoming defence programs in the Indian defence sector as well as in the international market by providing services as a sub-contractor in compliance with applicable law including Defence Procurement Procedure issued by the Government of India, as amended from time to time. Further, the applicant has stated that it will undertake research and development in the Indian defence sector, execute design and development programs, as well as undertake manufacturing of products that do not require

	industrial license.
2021	
M/s Everchem Asia Pvt Ltd	Engage exclusively in holding indirect investment in M/s Calimara Matters Pvt. Ltd, subject to 74% acquisition of M/s Calimara Matter Ltd by M/s Calibre Chemicals.
2022	Nil
2023	
M/s Saab FFVO India Ltd	<p>(a) Design, development, manufacture and assembly of the next- generation.-. reusable man-portable recoilless weapon called Carl-Gustaf M4 (Carl-Gustaf).</p> <p>(b) Manufacturing ancillaries such as a state of the art intelligent optical-electronic sight control system or fire control device, called the FCD558 (FCD).</p> <p>(c) Undertaking critical epoxy-impregnated carbon fibre winding process and manufacturing certain related components, along with their respective connected accessories to be used in the Carl-Gustaf (Carbon Fibre Winding).</p>

CHPATER - IV

DEFENCE PENSIONS

The Committee have learnt that the Pension Division of the Department of Ex-Servicemen Welfare deals with pension policies for the Armed Forces personnel and redressal of their grievances. The total number of defence pensioners in the country are 32,94,181 including 6,14,536 Defence Civilian Pensioners and 26,79,645 Armed forces Pensioners.

Defence Pension Budget

4.2 The Committee have found that Defence Pensions, under the Ministry of Defence provides for Pensionary charges in respect of retired Defence personnel (including Defence civilian employees) of the three Services viz. Army, Navy and Air Force and also employees of erstwhile Ordnance Factories etc. It covers payment of Service pension, gratuity, family pension, disability pension, commuted value of pension, leave encashment etc. The position of budgetary allocation under this head is as under:

2023-24			2024-25			2025-26
BE	RE/MA	Actual Expenditure	BE	RE/MA	Actual Expen. (till 31.01.2025)	
134000.00	142095.00	142095.00	149205.00	157681.00	143209.54	160795.00

***Note Breakup not provided by the MoD**

SPARSH-SYSTEM FOR PENSION ADMINISTRATION (RAKSHA)

4.3 The Committee have learnt that the System for Pension Administration (Raksha) (SPARSH) is being implemented for meeting the pension sanction and disbursement requirements for Armed Forces viz. Army, Navy, Air Force and Defence Civilians. This Pensioner Portal provides a single window for the pensioners to avail the pension related services such as facility to view the pension details, pension entitlements, pensioner profile details, Income Tax forms etc.

4.4 The Committee, through a written submission of the Ministry, have further learnt that total 28.24 lakh Defence Pensioners have been migrated to SPARSH and 1.35 lakh pensioners remain for this task, as on 26.09.2024. A total of ₹ 67,388.45 crore has been disbursed through SPARSH during FY 2024-25 till 31.08.2024.

One Rank One Pension (OROP)

4.5 The Committee have been given to understand that OROP implies that uniform pension be paid to the Armed Forces Personnel retiring in the same rank with the same length of service regardless of their date of retirement. Thus, OROP implies bridging the gap between the rate of pension of the current pensioners and the past pensioners at periodic intervals. OROP was implemented in November 2015 w.e.f. 01.07.2014 with revisions every 5 years in 2019 and 2024. 25.13 lakh Armed Forces Pensioners and family pensioners have benefited from OROP.

PART II

OBSERVATIONS/RECOMMENDATIONS

Ministry of Defence Budget and Demands for Grants 2025-26: An Overview

The Committee are not oblivious of the fact that the Defence Budget is categorised/grouped under four Demands for Grants viz. Demand No. 19 – Ministry of Defence (Civil), Demand No. 20– Defence Services (Revenue), Demand No. 21 – Capital Outlay on Defence Service and Demand No. 22 – Defence Pensions. Demand Nos. 19 and 22 come under Civil/Pension Estimates and Demand Nos. 20 and 21 constitute Defence Services Estimates. Grant Number 20 caters to revenue expenditure which includes expenditure on pay & allowances, transportation, revenue stores (like ordnance stores, ration, petrol, oil and lubricants, spares, maintenance of various platforms / equipment etc), revenue works (which include maintenance of buildings, water and electricity charges, rents, rates and taxes, etc) and other miscellaneous expenditure.

Grant Number 21 caters to Capital expenditure which includes expenditure on land, construction works, plant and machinery, equipment, heavy and medium vehicles, Naval Vessels, Aircraft and Aero engines, Dockyards, etc. During the examination of the subject, the Committee find that re-structuring of Capital budget has been done with effect from FY 2024-25 wherein budgetary allocation of the three Services under common minor heads has been clubbed under the newly introduced Sub Major Head 09 i.e Defence services. Allocation under other minor heads which are not common to the Services remain unchanged. During the examination of Demands for Grants of the Ministry

of Defence for 2025-26, the Committee learn that the total allocated budget for the Ministry of Defence for Financial Year 2025-26 is ₹ 6,81,210.27 crore. Out of this amount, the largest share of 72.19%, i.e. ₹ 4,91,732.30 crore has been allocated for Defence Services Estimates (Grant Number 20 and 21). The Capital Outlay on Defence Services (Grant number 21) has been allocated an amount of ₹ 1,80,000.00 crore. An amount of ₹ 3,11,732.30 crore has been allocated to Defence Services Revenue (Grant Number 20).

Capital Outlay on Defence Services: BE 2025-26 and BE 2024.25

2. The Committee note that the capital budget of defence services is bifurcated into capital acquisition and other than capital acquisition with outlays of ₹1,48,722.80 crore and ₹ 31,277.20 crore respectively in BE 2025-26. The Committee take note of this fact with satisfaction that the total capital outlay of Defence services has registered an increase of 4.65 percent as compared to BE 2024-25. The capital acquisition expenditure which is also known as the modernisation budget of the Defence Services – Army, Navy, Air Force and Joint Staff – reflects an increase of 11.97 percent in comparison with RE 2024-25. Other than the Capital Acquisition segment, which consists of the land and works expenditure of the Armed Forces and the capital budget of DRDO, DGQA and Directorate of Ordnance (Coordination & Services), has seen an increase of 9.42 percent when compared to RE 2024-25. At this stage, the Committee desire that the such increase in allocations be maintained in future also so as to maintain upward trajectory of Capital budget allocation for the Defence Services.

Utilisation of Capital budget

3. The Committee learn that the total allocation under Capital Head at Revised Estimates 2024-25 to Army, Navy, Air Force, Joint Staff, Directorate of Ordnance (Coordination & Services) and R&D stood at ₹ 34,226.95 crore, ₹ 59,728.00 crore, ₹ 47,766.14 crore, ₹ 2,464.98 crore, ₹ 1,637.00 crore and ₹ 13,666 crore, respectively. The Committee, on examination of the budgetary documents in connection with DFG 2025-26, find that barring as per expenditure upto December, 2024 Army and Joint staff, the other Services and Organizations have not been able to fully utilize the funds allocated at RE 2024-25 for Capital Budget. While noting that about 66.4 percent of the grants could be utilized till the completion of the third quarter of the Financial Year, the Committee would like to be apprised as to what are the plans/schemes/channels/trajectory in place for utilizing the remaining 33.6 percent until the time this Financial Year draws to a close. The Committee, at this stage, hope that the Ministry would undertake a pragmatic approach while seeking further allocations at RE stage for making a realistic assessment of the allocations sought.

Ratio of Capital and Revenue Outlay for the Services

4. On scrutiny of the documents provided by the Ministry of Defence in connection with examination of Demands for Grants for the year 2025-26, the Committee note that as per data pertaining to the last five financial years *i.e.* 2020-21 onwards, the 'Revenue' component of the total outlay for the three Services overshadows the 'Capital' component significantly. The overall 'Revenue' to 'Capital Ratio' of the budgetary allocation for the Services stands at , 61:39, 64:36, 65:35, 66:34 67:33 and 63:37 for 2020-21, 2021-22, 2022-23, 2023-24 and 2024-25 respectively. For 2025-26, the

Revenue to Capital ratio stands at 65:35. The Committee are given to understand that Revenue expenditure (Demand No. 20) includes expenditure on pay & allowances, transportation, revenue stores (like ordnance stores, rations, petrol, oil and lubricants, spares, maintenance of various platforms/equipment etc.), revenue works (which include maintenance of buildings, water and electricity charges, rents, rates and taxes, etc) and other miscellaneous expenditure; Capital expenditure includes expenditure on land, construction works, plant and machinery, equipment, heavy and medium vehicles, Naval Vessels, Aircraft and Aero engines, Dockyards, etc. In the considered view of the Committee, both Revenue and Capital expenditure play significant roles in operational preparedness of our Forces. Therefore, the Committee hope that allocations under Capital head need to be suitably matched to balance the ratio of Revenue and Capital outlay for the Services.

Modernization of Defence Forces

5. The Committee after gleaning through the available facts, learn that the Modernisation of Defence Forces is funded through Capital segment of the Defence budget. Modernisation involves the acquisition of new state-of-the-art platforms, technologies and weapon systems to upgrade and augment defence capabilities. They feel that it is a continuous process based on threat perception, operational challenges and technological changes to keep the Armed Forces in a state of readiness to meet the entire spectrum of security challenges. The equipment requirements of the Armed Forces are planned and progressed through a detailed process which includes 15 Year Long Term Integrated Perspective Plan (LTIPP), a 5 year Service-wise Capability Acquisition

Plan, a 2 year roll-on Annual Acquisition Plan and deliberations by the Defence Acquisition Council chaired by the Raksha Mantri. The Committee note that in 2025-26, out of the amount of ₹ 1,80,000 crore allocated for Capital Outlay on Defence Services for the Services/Organisations covered under Defence Services Estimates, ₹ 1,48,722.80 crore is allocated for Capital Acquisition /Modernisation Head of the three Services viz. Army, Navy (including Joint Staff) and Air Force. The Committee also find that the allocation for Modernisation Head of the Services has seen an increase of ₹ 8,000 crore from BE 2024-25. Keeping in view the need for maintaining credible war deterrence at all times, the Committee recommend that enhanced budgetary allocation, if sought, under Capital Head for modernization purpose at Revised Estimates 2025-26 may be given to ensure state-of-the-art weapons/equipment and logistical support for the Armed Forces.

Defence Procurement Policy

6. The Committee find that policy for procurement of defence equipment for the Armed Forces aims to develop the capability of the armed forces and by meeting the security and operational needs. The thrust remain to buy contemporary armaments in a time bound manner. Simultaneously, it also envisages to make India self-reliant in defence equipment production with the ultimate aim to develop India as a global defence manufacturing hub. The policy is implemented through the mechanism of Defence Procurement Procedure (DPP). The Committee also find that the Defence Procurement Procedure, which has been now revised as Defence Acquisition Procedure (DAP) 2020, which is driven by the tenets of Defence Reforms announced as part of Aatmanirbhar Bharat

Abhiyan. In order to promote indigenous design and development of defence equipment 'Buy {Indian - IDDM (Indigenously Designed, Developed and Manufactured))' category which was introduced in 2016 and was accorded top most priority for procurement of capital equipment, has been retained in DAP 2020. The Committee were also informed that Ministry of Defence has notified five positive indigenization lists, which contain a total of 509 items, which also include highly complex systems, sensors, weapons and ammunition which have been included and these will be manufactured and developed in India and procured for indigenous sources. In addition, the D/o Defence Production has also notified 5,012 items which includes assemblies, sub-assemblies, spares and components that will only be procured from Indian industries by the DPSUs. The Ministry in its presentation has stated that DPP, 2002 has been revised nine times and due to diversity of our geographical terrain the procurement manual has to address all eventualities. Though the Committee take cognizance of the fact that the requirements of each of the armed forces are very complex yet the Committee recommend that time bound and determined efforts must be made by all the stakeholders involved in the process of procurement such as the Ministry, DPSUs the Armed Forces and private sector as this is vital for realization of the goal of self-reliance in Defence Sector.

7. The Committee also note from the detail information furnished by the Ministry regarding priorities of procurement with the Atmanirbhar Bharat in focus where indigenous design and development has been prioritized to reverse the imbalance between import and indigenous manufacture which has been further categorized into five categories. The Ministry has further illustrated the Acquisition Process as well where

different stages of trials and approvals before finalizing any procurement contracts has been mentioned. The Ministry, while giving said information have mentioned that all procurements procedures are finished in a time bound manner, however a fixed timeline has not been mentioned. The Committee is of the view that with high level of dynamism in the field of technology such a procedure without a fix timeline can result in technology becoming obsolete and redundant thereby having adverse impact on the security of the country. Furthermore, the dynamism of international geopolitics can also threaten the smooth acquisition due to several unpredictable factors. Therefore, in the wake of dynamism exhibited in terms of technological development and global relations, the Committee recommend that Ministry should try to identify ways in which the defence acquisition can be accelerated in a fix time line without compromising on the transparency and accountability of the process. This would not only help in empowering our forces but will also act as deterrent for the hostile countries. The Committee may be apprised of the action taken in this regard.

Accountability and Transparency in Defence Procurement

8. The Committee note that for ensuring accountability and transparency in Defence Procurement cases, the Ministry has taken various measures like interactive policy reviews with Indian defence industry, use of certification, simulation, visibility of Capability Development Plan to Indian Defence Ecosystem, hosting of policy changes, AoNs, RFI, etc on MoD website, etc. The Committee appreciate the steps taken by the Ministry for ensuring accountability and transparency in the Defence Sector but would also recommend the need

to warrant that all the measures/steps taken are implemented stringently at all levels and a robust monitoring mechanism must be formulated for ensuring fair and timely procurement of weapon systems.

Ensuring Level Playing Field for Private Defence Industry

9. The Committee also note that in order to ensure level-playing field for private defence industry *vis-à-vis* the DPSUs, various measures like enhanced opportunities through DND categories which have been given to the private industry since the Ordnance Factory Board (OFB) has been corporatized, there are seven DPSUs which have been added, and there has been a parity in securities and payment terms between the DPSUs and bank guarantees which were earlier five to ten per cent were reduced to three per cent and they remain at three per cent as on today. The Committee applaud the initiatives taken to attract the private enterprisers in the defence sector but there is still a lot more to be done in this direction. For the private players in defence sector, the Committee would like to recommend that the Ministry should try to encourage indigenous private enterprises instead of foreign conglomerates. Considering long and arduous gestation period in defence manufacturing sector, the Committee would recommend the Ministry to enhance capital procurement and augment design and research assistance for indigenous players in order to create vibrant indigenous private defence manufacturing hub which is also the essence of the Atmanirbhar Bharat program. The Committee would also like to point that existence of flourishing private defence sector would necessitate the need for articulated design and patent laws synchronised with the unique needs of defence manufacturing sector.

Dependence on Foreign Suppliers

10. The Capital procurement of Defence equipment from Indian and foreign vendors is carried out as per the provisions of the extant Defence Procurement Procedure. Various military equipments are being imported from various countries as per the operational requirements of our Armed Forces. The Committee have been informed that during the last financial year (2023-24) and current Financial year 2024-25 (upto December, 2024), total 337 capital acquisition contracts have been signed for capital procurement of defence equipment for Armed forces, out of which 12 contracts have been signed with vendors from foreign countries (Russia, USA and France) for capital procurement of defence equipment and the major defence equipments imported includes Assault Rifles, Missiles, etc. The Committee also note that the value of foreign capital procurement is also going down during the last three years and current year. All these data show that dependence on foreign suppliers is decreasing substantially thus Committee is hopeful that India would soon become self reliant in defence sector.

Self Reliance and Make in India Initiatives

11. The Committee note that the 'Make in India' initiative of the Government is devised to transform India into a global design and manufacturing hub. 'Make in India' in defence sector is primarily driven by providing preference to procurement from Indian vendors under the Defence Acquisition Procedure (DAP), promoting indigenous design, development and manufacture of defence equipment, and other policy measures such as launch of iDEX and ADITI, simplification of Make procedure, introduction of simplified procedure for Make II sub-category,

liberalization of the licensing regime and FDI policy by raising the cap on FDI in the defence sector, simplification of export procedure, streamlining of defence offset guidelines, creation of level playing field between public and private sector, formulation of outsourcing and vendor development guidelines, setting up of 'Technology Development Fund' for R&D with increased participation of public and private sector industry especially Medium, Small and Micro Enterprises (MSME) etc. The proposals for capital acquisition in Defence Procurement Procedure (DPP) are categorized as 'Buy (Indian-IDDMM)', 'Buy (Indian)', 'Buy and Make (Indian)' & 'Buy and Make' with preference over 'Buy (Global)' category, to make the country self-reliant in defence production after deliberations in various committees such as SPB/ DPB/ DAC. The Ministry has also made allocation of 75% of Modernisation Defence budget for Domestic Procurement in FY 2025-26. Similarly, for promoting 'Make in India' several policy measures have been taken by way of revising FDI policy, enhancing indigenous/local contents to minimum 50%, creation of Defence Industrial Corridors in Uttar Pradesh and Tamilnadu and delivery of offsets through Indian partners with higher multipliers etc. The Committee are happy with the progress being made towards promotion of Make in India and making India Atmanirbhar in defence sector.

Offset Clause

12. The Committee note that the Offsets under Defence Capital Acquisition were introduced in the Defence Procurement Procedure (DPP) in 2005 based on the recommendation of Kelkar Committee. The Offset guidelines in DPP have been amended 6 times thereafter. As per Defence Acquisition Procedure (DAP 2020) offset provisions are applicable only on

“Buy Global” categories of capital acquisitions. They apply in capital acquisition contracts which are more than Rs. 2,000 crore. However, the offsets are not applicable to procurements under “Fast Track Procedure” and in “Option Clause” cases if the same was not envisaged in the original contract. Further no offsets will be applicable in all ab-initio Single Vendor Cases including procurements based on Inter Governmental Agreements/Foreign Military Sales (IGA/FMS) and the offset applicability on Indian companies under ‘Buy Global’ cases do not arise in case the indigenization component is 30% or more. The Committee also note that offset contracts are co-terminus with the main procurement contract and signed along with the main procurement contract after approval of Competent Financial Authority (CFA) and the period of offset discharge can be extended on exceptional ground by a maximum period of two years. Further the DAP stipulates eligible products/services for discharge of offset obligations which covers defence products and Maintenance, Repair and Operations (MRO) related to helicopters and aircrafts. Though the responsibility for fulfillment of offsets obligations lies with the main vendor, however, the vendor is permitted to discharge his obligations through Tier 1 sub-vendors based on their work share. In case of investment and/or transfer of technology the offset discharge can be permitted by entities other than vendor/Tier-I Sub-vendor on case to case basis and the vendors are free to select their Indian Offset Partners (IOP) from DPSU/OFB/DRDO/Private Industry. The Offset Policy further allows vendors to submit offset details at later stage after signing of the contract i.e. either at the time of seeking offset credits or one year prior to discharge of offset obligations.

The Committee are given to understand that the vendors have been expressing difficulties in providing the details of Indian offset partners, products and work share along with supporting documents in the technical offset proposal as per offset guidelines at Technical Offset Evaluation Committee (TOEC) stage, sighting that these activities would be undertaken number of years later which would then cause seeking changes to the contract. Another major challenge towards post contract management had been timely and meaningful disposal of contract amendment requests received from the vendors for change of IOP/Product etc. The resolution of these issues have been catered for by introducing an amendment to the offset guidelines with the approval of Defence Acquisition Council, whereby vendors have been given an option to provide details of IOPs and products even after signing of contracts, thereby making it more realistic. Although the Committee appreciate the fact that the process for contract amendment has been made flexible by allowing change of Indian Offset Partners (IOPs) and offset components, for the signed contracts yet there is scope for the Ministry to strive further towards effective implementation of offset guidelines based on the feedback received from the vendors at the grass-root level. Therefore, the Committee recommend that Ministry of Defence play more proactive role in selection of offset partners since the inception of such agreement in order to avert any kind of breach of offset agreement at any level. Furthermore, the Committee is in total concurrence that the success of indigenization of defence sector is adhered to fulfillment of offset agreement *in toto*. Additionally, therefore the Committee recommend that Ministry should work out a mechanism to ensure that all the offset agreements are implemented thoroughly at all level to give momentum to

indigenization programmes. The violators of offset agreement may be penalized appropriately keeping the security perception in mind. The Committee may be apprised of the action taken in this regard.

Foreign Direct Investment

13. The Committee note that the Government has reviewed the Foreign Direct Investment (FDI) policy in Defence Sector in September 2020 thereby allowing FDI under Automatic Route up to 74% and beyond 74% through Government Route wherever it is likely to result in access to Modern technology or for other reasons to be recorded. The Committee note that this FDI limit was increased from 49% to 74% to ensure that it will come along with the technology also and the FDI limit has also been made attractive enough as it facilitate up to 100% through Government Route. The Committee are of the considered view that the Ministry should ensure that despite raising the limits of FDI to as high as 74%, the purpose of self reliance should not be hampered. Furthermore, the Committee note that current FDI policy facilitate up to 100 per cent by Government route wherever, it is likely to result in access to modern technology or for other reasons to be recorded. The Ministry also submitted that consequently increasing FDI through automatic route to 100 per cent will nullify the ownership of domestic partner. The Committee, therefore, recommend that in addition to the measures taken for making FDI more attractive, focused efforts may be undertaken by the Ministry to strengthen indigenous R&D base of the country and increase coordination between the public and private sector within the country, so that the indigenous defence sector is encouraged to develop and

manufacture technologies/systems/accessories independently which are presently being acquired through the FDI route.

Defence Planning

14. The Committee have been informed that the Defence Planning process caters to the need of the current and future modernization need of the Armed Forces. The Committee understand that since this is an exhaustive process involving lot of internal and external variables of dynamic nature, it needs to be dynamic and adaptive. The Committee have been informed that keeping in mind the diverse need of all the three services, Headquarters Integrated Defence Staff(HQ IDS) had been made as a single point contact to ensure a joint planning for all the three services. The Committee are happy to note that HQ IDS has developed Integrated Capability Development System(ICDS) which carries out the defence planning through an interactive process. The Committee have been informed that Integrated Capability Development Plan will be prepared which will comprise Five Year Defence Acquisition plan and Two-Year Annual Acquisition Plan which will factor in budgetary projections. The Committee believe that planning under ICDP should be in tandem with changing nature of modern warfare which demands more focus on automation, velocity and application of Artificial Intelligence(AI).

Defence Pensions

15. The Committee observe that Defence Pensions, under the Ministry of Defence provides for pensionary charges in respect of retired defence personnel (including defence civilian employees) of the three services and employees of erstwhile ordnance factories etc. The Committee have been informed that the total number of defence personnel in the country

is 32,94,181 including 6,40,536 defence civilian pensioners and 26,79,645 armed force pensioners. The Committee note that the System for Pension Administration (Raksha) (SPARSH) is being implemented for making the pension sanction and disbursement for the armed forces. They are happy to note that a total of 28.24 lakh defence pensioners have been migrated to SPARSH and a total of Rs. 67,388.45 crore has been disbursed through SPARSH in FY 2024-25 till August 2024. While appreciating the efforts made by the Ministry in migrating a large number into SPARSH, the Committee, in this regard, recommend that migration of the remaining pensioners be expedited at an early date.

New Delhi;
12 March, 2025
21 Phalguna, 1946 (Saka)

RADHA MOHAN SINGH
Chairperson
Standing Committee on Defence

STANDING COMMITTEE ON DEFENCE (2024-25)

Minutes of the Seventh Sitting of the Standing Committee on Defence (2024-25)

The Committee sat on Monday, the 17th February, 2025 from 1100 hrs. to 1700 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Radha Mohan Singh — Chairperson

MEMBERS

Lok Sabha

2. Dr. Rajeev Bharadwaj
3. Captain Viriato Fernandes
4. Shri Rahul Gandhi
5. Shri Mohammad Haneefa
6. Ms. S. Jothimani
7. Shri Lumba Ram
8. Shri Jagannath Sarkar
9. Shri Jagadish Shettar
10. Shri Virendra Singh
11. Shri Kesineni Sivanath
12. Shri Richard Vanlalhmangaiha

Rajya Sabha

13. Shri Naresh Bansal
14. Shri Shaktisinh Gohil
15. Shri Prem Chand Gupta
16. Shri Muzibulla Khan
17. Shri Praful Patel
18. Shri Dhairyashil Mohan Patil
19. Shri Sanjay Singh
20. Dr. Sudhanshu Trivedi

SECRETARIAT

1. Dr. Sanjeev Sharma— *Joint Secretary*
2. Shri Tirthankar Das — *Director*
3. Shri Tenzin Gyaltzen --- *Deputy Secretary*

LIST OF WITNESSES

Ministry of Defence

Capital Outlay on Defence Services

- | | | |
|-----|----------------------------------|---------------------|
| 1. | General Anil Chauhan | CDS & Secretary,DMA |
| 2. | Rajesh Kumar Singh | Defence Secretary |
| 3. | Sanjeev Kumar | Secretary (DP) |
| 4. | Dr. S V Kamat | Secretary (DDR&D) |
| 5. | Dr. Niten Chandra | Secretary (ESW) |
| 6. | Sugata Ghosh Dastidar | FA(DS) |
| 7. | Air Mshl SP Dharkar | VCAS |
| 8. | Vice Admiral Krishna Swaminathan | VCNS |
| 9. | Lt Gen NS Raja Subramani | VCOAS |
| 10. | Lt Gen JP Mathew | CISC |
| 11. | Lt Gen Pratik Sharma | DCOAS (Strat) |
| 12. | Samir Kumar Sinha | AS & DG(Acq) |
| 13. | Lt Gen Ulhas Kirpekar | DG FP |
| 14. | Ms. Dipti Mohil Chawla | AS, DoD |
| 15. | Vice Admiral Atul Anand | AS, DMA |
| 16. | Rajesh Sharma | Addl. FA(RS) & JS |
| 17. | Maj Gen G S Choudhry | JS(Army & TA)/ DMA |
| 18. | Manish Tripathi | JS(Parliament) |
| 19. | Subhash Kumar | Director (Budget) |

Procurement Policy & Defence Planning

- | | | |
|----|--------------------|-----------------------|
| 1. | Gen. Anil Chauhan | CDS & Secretary (DMA) |
| 2. | Rajesh Kumar Singh | Defence Secretary |

3.	Sanjeev Kumar	Secretary (DP)
4.	Dr. S V Kamat	Secretary (DDR&D)
5.	Dr. Niten Chandra	Secretary (ESW)
6.	Sugata Ghosh Dastidar	FA(DS)
7.	Vice Admiral Sanjay Vatsayan	DCIDS(PP&FD)
8.	Samir Kumar Sinha,	AS & DG(Acq)
9.	Siddhartha Singh Longjam	AS & FA(Acq)
10.	Dr. Ajay Kumar	JS & AM (LS)
11.	Dharmendra Kumar Singh	JS & AM (Air)
12.	Dinesh Kumar	JS & AM(MS)
13.	AVM GK Mohan	ADG Acq Tech (Air)
14.	Maj Gen Tarun Agrawal	ADG Acq Tech (Army)
15.	Rajesh Sharma	Addl. FA(RS) & JS
16.	Sanjay Kumar	Addl. FA(SK) & JS
17.	Amit Satija	JS(DIP)/DDP
18.	Manish Tripathi	JS(Parliament)
19.	Subhash Kumar	Director (Budget)

Indian Army

1.	Gen. Anil Chauhan,	CDS & Secretary (DMA)
2.	Sugata Ghosh Dastidar	FA(DS)
3.	Vice Admiral Atul Anand	Addl. Secy., DMA
4.	Lt Gen NS Raja Subramani	VCOAS
5.	Lt Gen Pratik Sharma	DCOAS (Strat)
6.	Lt Gen Rahul R Singh	DCOAS (CD&S)
7.	Lt Gen Ulhas Kirpekar	DGFP
8.	Lt Gen VPS Kaushik	AG
9.	Lt Gen VMB Krishnan	QMG
10.	Ms. Dipti Mohil Chawla	AS, DoD
11.	Maj Gen Sandeep Narang	ADG Proc(B)
12.	Maj Gen GS Choudhry	JS(Army & TA)/ DMA
13.	Rajesh Sharma	Addl. FA(RS) & JS
14.	Subhash Kumar	Director (Budget)

Indian Air Force

1.	Gen. Anil Chauhan,	CDS & Secretary (DMA)
2.	Sugata Ghosh Dastidar	FA(DS)
3.	Vice Admiral Atul Anand	Addl. Secy., DMA
4.	Air Mshl SP Dharkar	VCAS
5.	Air Mshl Tejinder Singh	DCAS
6.	Ms. Dipti Mohil Chawla	Addl. Secy., DoD
7.	AVM Vikram Gaur	JS(Air), DMA
8.	Rajesh Sharma	Addl. FA(RS) & JS
9.	Subhash Kumar	Director (Budget)

Indian Navy

1.	Gen. Anil Chauhan	CDS & Secretary (DMA)
2.	Sugata Ghosh Dastidar	FA(DS)
3.	Vice Admiral Krishna Swaminathan	VCNS
4.	Vice Admiral Atul Anand	Addl. Secy., DMA
5.	Ms. Dipti Mohil Chawla,	Addl. Secy., DoD
6.	Rear Admiral Vikram Menon	JS (Navy)
7.	Rear Admiral Alok Ananda	ACNS (P&P)
8.	Rajesh Sharma	Addl. FA(RS) & JS
9.	Subhash Kumar	Director(Budget)

Joint Staff

1.	Gen. Anil Chauhan	CDS & Secretary (DMA)
2.	Sugata Ghosh Dastidar	FA(DS)
3.	Lt Gen JP Mathew	CISC
4.	V Adm Sanjay Vatsayan	DCIDS (PP&FD)
5.	Rear Admiral Puruvir Das	ACIDS (T&I)
6.	Ms. Dipti Mohil Chawla,	Addl. Secy., DoD
7.	AVM Manish V Patel	ACIDS(FP & Adm)
8.	Rajesh Sharma	Addl. FA(RS) & JS
9.	Subhash Kumar	Director (Budget)

Indian Coast Guard

- | | | |
|----|--------------------|-------------------|
| 1. | S Paramesh | DG ICG |
| 2. | Dipti Mohil Chawla | Addl. Secy., DoD |
| 3. | Pawan Kumar Sharma | JS(Coast Guard) |
| 4. | ADG AP Badola | ADG CG |
| 5. | Rajesh Sharma | Addl. FA(RS) & JS |
| 6. | Subhash Kumar | Director (Budget) |

Directorate General of Defence Estate

- | | | |
|-----|-------------------------|-------------------|
| 1. | Ms. Dipti Mohil Chawla, | Addl. Secy., DoD |
| 2. | Sugata Ghosh Dastidar, | FA(DS) |
| 3. | Meena Balimane Sharma | SADG |
| 4. | Valeti Premchand | Addl. DG |
| 5. | Nigar Fatima | Addl. DG |
| 6. | Sonam Yangdol | Addl. DG |
| 7. | Vibha Sharma | Addl. DG |
| 8. | Shreyas M Patel | DDG |
| 9. | Rakesh Mittal | JS(Lands & Works) |
| 10. | Rajesh Sharma | Addl. FA(RS) & JS |
| 11. | Subhash Kumar | Director (Budget) |

Border Roads Organization

- | | | |
|----|-------------------------|-------------------|
| 1. | Samir Kumar Sinha | AS & DG(Acq) |
| 2. | Ms. Dipti Mohil Chawla | AS, DoD |
| 3. | Sugata Ghosh Dastidar | FA(DS) |
| 4. | Lt Gen Raghu Srinivasan | DGBR |
| 5. | Rakesh Mittal | JS(BR) |
| 6. | Rajesh Sharma | Addl. FA(RS) & JS |
| 7. | Subhash Kumar | Director (Budget) |

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them of the agenda for the Sitting *i.e.* oral evidence of the representatives of Ministry of Defence in connection with examination of Demands for Grants for the year 2025-26.

3. Thereafter, the Chairperson welcomed the Defence Secretary and Chief of Defence Staff (CDS) along with, the representatives of the Armed Forces and Ministry of Defence to the Sitting of the Committee convened to deliberate on the subjects 'General Defence Budget, Department of Military Affairs (DMA), Ministry of Defence (Civil), Capital Outlay on Defence Services, Procurement Policy and Defence Planning, Army, Air Force, Navy, Joint Staff, Coast Guard Organisation (CGO), Directorate General Defence Estate (DGDE) and Border Roads Organization (BRO)' in connection with examination of Demands for Grants of the Ministry of Defence for the year 2025-26.

4. Subsequently, drawing attention to the Direction 55(1) of the Directions by the Speaker, Lok Sabha to treat the deliberations of the sittings as 'confidential', he requested the representative of the Ministry to give an overview of the subject after introducing themselves.

5. Thereafter, the Defence Secretary initiated the discussion by giving an overview of Defence Services Estimates and other Demands for Grants of the Ministry of Defence for 2025-26. The highlights of the brief given by the Defence Secretary are as under:

- (i) The total outlay for Ministry of Defence is Rs 6,90,710.27 crore which is approx 13.45 percent of Budgetary Estimates of the country;
- (ii) Out of total allocation, Rs. 4,19,731.30 crore has been allotted for Defence Services Estimates, Rs. 28,682.97 crore for MoD (Civil) and Rs. 1,60,795.00 crore for Defence pensions;
- (iii) Seventy-five percent of Defence Modernization budget has been earmarked for domestic industry in FY 2025-26; and
- (iv) Out of total allocation for Ministry of Defence for the financial year 2025-26 is Rs. 6.81 lakh crore, out of which Rs. 4.92 lakh crore, *i.e.* 72 %, is allocated for the defence forces;

6. Then, a Power Point Presentation on **General Defence Budget** was made before the Committee. This was followed by detailed deliberations on the following issues:

- (i) The total Defence Budget for 2024-25 *i.e.* BE Rs. 6,90,710.27 crore is an increase of 4.65 percent in Defence Budget in comparison to BE 2024-25;
- (ii) Defence Service Estimates which is almost seventy-three percent of the total Defence Budget;

- (iii) Enhancement in Non-salary revenue outlays allocation for the Defence Services in BE 2025-26 in comparison to BE 2024-25;
- (iv) Increase in revenue and capital budget as compared to previous year allocation;
- (v) Total allocation for revenue expenditure for the Defence Forces is Rs.3.12 lakh crore, which is 10.24 per cent and 4.88 per cent higher than the BE and the RE of the current financial year 2024-25.;
- (vi) Rs. 28,682 crore (4.21 %) is allocated (civil) budget, out of the total Rs. 4.92 lakh crore, Rs. 3.12 lakh crore is for the revenue expenditure, and Rs. 1.8 lakh crore is for the capital expenditure for the financial year 2025-26;
- (vii) total defence budget is 13.45 per cent of the total expenditure of the Government of India which is at Rs. 50.65 lakh crore, 9.53 per cent higher than the budget estimate of the 2024-25;
- (viii) 30 per cent of the expenditure is on the salary and allowances, 28 per cent on the capital head, 24 per cent on the defence pensions and 18 per cent on non-salary expenditure;
- (ix) The revenue expenditure of MOD is 12.39 per cent of the Government of India revenue expenditure which is at Rs. 39.44 lakh and capital expenditure of MOD is 17.16 per cent of the Government of India capital expenditure which is at Rs. 11.21 lakh crore.;
- (x) Capital Budget has been increased by Rs. 66,266 Cr (58.26%) in the 1st 5 years which showed a growth rate of 9.62 % Compounded Annual Growth Rate in the last 5 Years;
- (xi) Budget allocation for modern warfare to equip Armed Forces;
- (xii) Modernisation of defence equipments;
- (xiii) Quantity of defence equipments exported by DPSUs and Private Sector;
- (xiv) Reasons for emergency procurement of defence equipments;
- (xv) Inclusion of all indigenous products in Srijan portal
- (xviii) Increase in Defence allocation to meet actual requirement keeping in view current security scenario;
- (xix) Planning for upgradation and modernisation of conventional arms;
- (xx) Strategy for achieving complete indigenization and self-reliance in Defence sector;
- (xxi) Comparison with neighboring countries regarding expenditure on equipments and development of infrastructure.

7. The representatives of the Ministry of Defence then gave a Power Point Presentation on **Capital Outlay on Defence Services, Procurement Policy and Defence Planning** which was followed by discussion on a wider gamut of issues encompassing the following:

- (i) Defence Planning to cater current and further modernisation needs of the Armed Forces in terms of platforms, equipment, ammunitions, infrastructure and manpower;
- (ii) Allocation under capital head has been gone up from 1.72 Lakh Crore in FY 2024-25 to 1.8 Lakh crore in FY 2025-26, an increase in 4.65%;
- (iii) Capital allocation budget is also termed as modernisation budget of the armed forces and issued for acquisition of military equipment;
- (iv) 75% (Rs. 1,48,722 crore) of Capital Acquisition Budget has been earmarked for domestic industries;
- (iv) The overall increase in capital outlay of 4.65 per cent in BE of 2025-26 over BE of 2024-25 and 12.85 per cent over RE of 2024-25;
- (v) Capital outlay on defence services in FY 2025-26 is 1.80 Lakhs crores, has been increased by 58% in the last 5 years;
- (vi) Mission Atmanirbharta and Earmarking of Fund for Domestic Industries.
- (vii) Growth in Defence Capital Acquisition (Modernization) Budget from FY 2020-21 to FY 2025-26;
- (viii) Defence Acquisition Procedure (DAP)-2020 for Defence Procurement Policy has been revised nine times during 2002-2020;
- (ix) Defence procurements carried out as per Defence Acquisition Procedure (DAP)- 2020;
- (x) Fundamental Philosophy for acquisition process;
- (xi) Defence Acquisition Policy which aims to ensure timely procurement of defence equipment to meet the operational requirements;
- (xii) Priority of procurement of defence equipments;
- (xiii) Basic categories for classification of acquisition process i.e. pre-AoN and Post-AoN;
- (xiv) Three pillars of Atmanirbharta i.e. Atmanirbhar Bharat, Make in India and ease of doing business;
- (xv) Push for domestic defence ecosystem in FY 2025-26;

- (xvi) Allocation of 75% of Modernisation Defence budget in FY 2025-26.
- (xvii) Aero India 2025.
- (xviii) Visibility of Capability Development Plan to Indian Defence Cosystem.
- (xix) Indigenization of various weapons and platforms including missiles, submarines, LCA, etc.;
- (xx) Promotion of 'Make in India' aspects in domestic production ;
- (xxi) Transparency in the defence acquisition process;
- (xxii) Ensuring level playing field between the DPSUs and the Private Players;
- (xxiii) Parity in securities and payment terms between DPSUs and industry.
- (xxiv) Recent initiative in DAP;
- (xxv) Recent Initiatives in Indigenous Content (IC) for Material, Components and Software for Defence Procurement .
- (xxvi) Development of domestic defence ecosystem through enhanced avenues and increase vendor base.
- (xxvii) Ensuring Level Playing field for private defence industry.
- (xxviii) Reduction of Timelines for Defence Procurement.

***(The witnesses then withdrew and representatives
of Department of Military Affairs and the Army came in)***

8. The Chief of Defence Staff gave an overview of the working of the three forces following which a Power Point presentation on the Army was made. This was followed by detailed deliberations on following issues:

- (i) Maintaining of territorial Integrity by Army;
- (ii) Security situation in border areas of the country;
- (iii) Strengthening of Border Area Development programme in border areas by army;
- (iv) Extension of Year of Transformation initiatives;
into a Decade of Transformation from 2023 to 2032;
- (v) Logistic operations in High Altitude Areas;
- (vi) Infrastructure development in northern and western borders;
- (vii) Induction of state-of-the art weapon system and platforms;
- (viii) 6G initiatives to the latest National Quantum Mission;
- (ix) Training of Army with friendly foreign countries;

- (x) Contribution of Army in Military Diplomacy;
- (xi) Role of women officers in Army;
- (xii) Contribution of Army in management of natural disasters and calamities relief;
- (xiii) Indian Army AI Incubation Centre has been started;
- (xiv) Modernization through induction of indigenous weapons and platforms;
- (xviii) Schemes to enhance security infrastructure, surveillance, research and development and fighting abilities of Army;
- (xix) Transform Indian Army into an Atmanirbhar Future Ready Force;
- (xx) Project NAMAN has been started by Indian Army;
- (xxi) Mission Olympics for 2036;
- (xxii) Funds for Ex-servicemen Contributory Health Scheme(ECHS);
- (xxiii) AGNIPATH Scheme has been started;
- (xxiv) Participation in United Nations peacekeeping operations by March, 2025;
- (xxv) Training of 17 Lakh National Cadet Corps cadets including Six lakh girls every year;
- (xxvi) Budgetary allocation to Army;
- (xv) Contribution in sports by Army;
- (xvi) Role of Army towards humanitarian assistance and speedy relief during calamities;
- (xvii) Medical assistance and health care of veterans;

***(The officials of Army then withdrew
and officials of Air Force came in)***

9. Thereafter, a Power Point presentation on the Air Force was made. This was followed by detailed deliberations on following issues:

- (i) Integrated Air Command and Control System;
- (ii) Anti Piracy Joint Maritime operation
- (iii) Propelling India to become an aerospace power
- (iv) Air Defence: Surface to air guided weapon;
- (v) Air Exercises;
- (vi) Joint Air-Ground –Sea exercises;
- (vii) Promoting AGNIPATH Scheme;

- (viii) Reduction in carbon emission;
- (ix) Promoting growth in civil aviation;
- (x) Promoting service in cyber and CRYPTO;
- (xi) Increasing induction of women in IAF as Empowerment of Women;
- (xii) Enabling operations through technology infusion;
- (xiii) Upgradation of Fighter Aircrafts upto 4th Generation capability;
- (xiv) Indigenous upgradation of Su-30MKI;
- (xv) Shortage of authorized squadrons strength;
- (xvi) Study to analyze the major reasons for the delay of LCA;
- (xvii) Joint air-ground-sea exercises;
- (xviii) Promoting and commitment for Atmanirbharta in Air Force;
- (xix) Role of Air Force towards human assistance and disaster relief operations;
- (xx) Decline in accident rates in Air Force;
- (xxi) Increase in Budget Estimate (BE) for the year 2025-26 as compared to the previous year 2024-25.

***(The officials of Air Force then withdrew
and officials of Navy came in)***

10. Consequently, a power point presentation on the Navy was also made before the Committee following which deliberations on the following issues were held:

- (i) More allocation in Budget Estimates, Capital Budget and Revenue Budget of 2025-26 in comparison to Budget Estimates, Capital Budget and Revenue Budget of 2024-25;
- (ii) Maritime threats and challenges from traditional and non traditional sources;
- (iii) Maritime security operations by Navy;
- (iv) Area of operations of Navy to Africa and Australia continents;
- (v) Bilateral and Multilateral exercises with friends by foreign countries;
- (vi) Indian Ocean Region (IOR) maritime information hub linkages with 25 national and 50 multinational centres;
- (vii) Role of Navy in Multi-National contracts;
- (viii) `Projection of growth of the number of ships and submarines;
- (ix) Anti-piracy operations by Navy;

- (x) Anti-Narcotics Operations by Navy;
- (xi) HADR/SAR operations by Navy;
- (xii) Promoting Coastal Security;
- (xiii) Role of women officers in Navy;
- (xiv) Promotion of Atmanirbharta through various projects;

***(The officials of Navy then withdrew
and officials of Joint Staff came in)***

11. Following the discussion on the Navy, a power point presentation on Joint Staff was made. Members raised various queries related to the following:

- (i) Promoting jointness and integration of Armed Forces;
- (ii) Formulation of policy on Joint Capabilities, Training and Functional aspects;
- (iii) Financial planning and oversight of joint staff organizations;
- (iv) Defence Crisis Management Group for coordination of Armed Forces during humanitarian assistance and disaster relief operations;
- (v) Coordination of strategic defence intelligence;
- (vi) Integrated Capability Development Plan (ICDP) and indigenization;

***(The witnesses then withdrew and representatives of the
Ministry of Defence and Indian Coast Guard came in)***

12. After a brief introduction of the officials of Indian Coast Guard, a Power Point Presentation on the working of Indian Coast Guard was made. This was followed by discussion on following points:

- (i) More allocation in BE 2025-26 as compared to BE 2024-25;
- (ii) Safety and protection of artificial islands and offshore oil terminals;
- (iii) Protection of fishermen including assistance at sea;
- (iv) Preservation and protection of marine environment;
- (v) Prevention and control of marine pollution;
- (vi) Assistance to customs and other authorities in anti-smuggling operations;

- (vii) Securing life and property at sea;
- (viii) Assistance in collection of scientific data;
- (ix) Enforcement of maritime enactments.

***(The officials of Indian Coast Guard then withdrew
and officials of Directorate General Defence Estates came in)***

13. Followed by brief introduction of the officials of Directorate General Defence Estates (DGDE), a Power Point Presentation on the working of Defence Estates Organisation was made. This was followed by discussion on following points:

- (i) Allocation in BE in FY 2025-26;
- (ii) Provisions relating to Municipal Administration of notified cantonments, land acquisition, post acquisition, land survey, etc.;
- (iii) Duties of cantonment Board *i.e.* sanitation, drains and sewerage, water supply, primary education, health, roads, street lights and survey, etc.;
- (iv) Status of cantonment board schools;
- (v) Infrastructure and facilities in cantonment board hospitals;
- (vi) Environment and waste management works;
- (vii) Skill development programmes and centres;
- (viii) Industrial training institutes in cantonment Board;
- (ix) Provision of eChhawani-Digital portal for online municipal services;
- (x) Bhoomi Raksha IT module was started in 2022;
- (xi) New initiatives *i.e.* polythene Kachra Bank and E-Waste Drives/Bank
- (xii) Proposal from the State Government for provision of Defence Land;
- (xiii) Issues such as access to roads etc. faced by general public in Cantonment areas and efforts for resolution of these issues;
- (xiv) Enforcement of building laws in cantonment area;
- (xv) Removal of encroachment on the Defence land in the cantonment area;
- (xvi) Policy regarding handing over of Defence institutions to civil municipal bodies adjoining the cantonment areas;

***(The representatives of Directorate General Defence Estates
withdrew and representatives of Border Roads Organization came in)***

14. After a Brief introduction of the officials of Border Roads Organization (BRO), a Power Point presentation on Border Roads Organization was made. The deliberations were held on the subject on following points:

- (i) Budgetary figures for BRO for 2025-26;
- (ii) Role of BRO during the peace and in war periods;
- (iii) Involvement of Government Agencies like NHAI, CPWD, Ministry of Road Transport and Highways by BRO;
- (iv) Construction of roads in Ladakh;
- (v) Shortage of manpowers particularly engineers in BRO;
- (vi) Challenging terrain, unfavourable climate and difficult security situation faced by BRO;
- (vii) Construction of Indo-China Road under India-China Border Roads(ICBR);
- (viii) Initiation of Engineering Procurement and Construction to boost efficiency; and
- (ix) Strategic projects being executed in J&K, Himachal Pradesh, Uttarakhand, Ladakh, Mandi, Manali, Pithauragarh Sikkim, West Bengal, Meghalaya;

15. The Chairperson, then thanked the representatives of the Ministry of Defence for extensive discussion on the Demands for Grants and for responding to the queries of the Members. The Chairperson also requested the representatives to furnish information (which was not readily available) to the Secretariat expeditiously.

16. A copy of verbatim record of the proceedings has been kept on record.

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE (2024-25)

**Minutes of the Eighth Sitting of the Standing Committee on
Defence (2024-25)**

The Committee sat on Tuesday, the 18th February, 2025 from 1100 hrs. to 1740 hrs. in Committee Room `D`, Parliament House Annexe, New Delhi.

PRESENT

Shri Radha Mohan Singh — *Chairperson*

MEMBERS

Lok Sabha

2. Dr. Rajeev Bharadwaj
3. Shri Captain Viriato Fernandes
4. Shri Mohamad Haneefa
5. Shri S. Jagathratchakan
6. Ms Jothimani
7. Shri Ravindra Shukla alias Ravi Kishan
8. Shri Shashank Mani
9. Shri Lumba Ram
10. Shri Jagannath Sarkar
11. Shri Jagadish Shettar
12. Shri Virendra Singh
13. Shri Kesineni Sivanath
14. Shri Richard Vanlalhmangaiha

Rajya Sabha

15. Shri Naresh Bansal
16. Shri Prem Chand Gupta
17. Shri Muzibulla Khan
18. Shri Sanjay Singh
19. Shri Sudhanshu Trivedi

SECRETARIAT

- | | | | |
|----|----------------------|-----|------------------|
| 1. | Dr. Sanjeev Sharma | — | Joint Secretary |
| 2. | Shri Tirthankar Das | — | Director |
| 3. | Shri Tenzin Gyaltzen | --- | Deputy Secretary |

LIST OF WITNESSES

Ministry of Defence

Defence Public Sector Undertakings (DPSUs)

S. No.	Name & Designation (Shri/Smt./Mr./Ms.)	Designation
1.	Sanjeev Kumar	Secretary (DP)
2.	Sugata Ghosh Dastidar	FA(DS)
3.	DiptiMohil Chawla	AS, DoD
4.	Rajeev Prakash	JS(NS)
5.	ShalabhTyagi	JS(P&C)
6.	Amit Satija	JS(DIP)
7.	Dr. GarimaBhagat	JS(LS)
8.	Dr. DK Sunil	CMD, HAL
9.	Manoj Jain	CMD, BEL
10.	Cmde A Madhavarao	CMD, BDL
11.	Shantanu Roy	CMD, BEML
12.	N GowriSankara Rao	MIDHANI
13.	Cmde PR Hari	CMD, GRSE
14.	Sanjeev Singhal	CMD, MDL
15.	Brajesh Kumar Upadhyay	CMD, GSL
16.	Cmde Hemant Khatri	CMD, HSL
17.	Rajesh Sharma	Addl FA (RS) & JS
18.	Subhash Kumar	Director (Budget)

Directorate of Ordnance (Coordination and Services)- (New DPSUS)

S. No.	Name & Designation (Shri/Smt./Mr./Ms.)	Designation
1.	Sanjeev Kumar	Secretary (DP)
2.	Sugata Ghosh Dastidar	FA(DS)
3.	DiptiMohil Chawla	AS, DoD

4.	GarimaBhagat	JS(LS)
5.	Sanjeev Gupta	DGO(C&S)
6.	SunitaMansukhani	DDG(Budget)
7.	Sanjay Mehrishi	DDG(NDCD)
8.	Rakesh Ojha	Director (Operations), MIL
9.	Sanjay Dwivedi	CMD, AVANI
10.	AK Maurya	Dir.(Ops) & CMD (Addl Charge), AWEIL
11.	Dr. SK Saxena	Dir(Fin) & CMD(Addl Charge), TCL
12.	MC Balasubramaniam	CMD, GIL
13.	Rakesh Singh Lal	Dir(Fin.), YIL
14.	TusharTripathi	CMD, IOL
15.	BirendraPratap	DDG(NDCD-I)
16.	Rajesh Sharma	Addl FA (RS) & JS
17.	Subhash Kumar	Director (Budget)

**Directorate General of Quality Assurance (DGQA)& Directorate General of
Aeronautical Quality Assurance (DGAQA)**

S. No.	Name & Designation (Shri/Smt./Mr./Ms.)	Designation
1.	Sugata Ghosh Dastidar	FA(DS)
2.	Dipti Mohil Chawla	AS, DoD
3.	N Manoharan	DG, DGQA
4.	S.K. Kapoor	ADG, HQ DGAQA
5.	Rajesh Sharma	Addl. FA(RS) & JS
6.	Subhash Kumar	Director (Budget)

Defence Research and Development Organisation (DRDO)

S. No.	Name & Designation (Shri/Smt./Mr./Ms.)	Designation
1.	Dr. SV Kamat	Secretary, DDR&D
2.	Sugata Ghosh Dastidar	FA(DS)
3.	DiptiMohil Chawla	AS, DoD
4.	Mangal Lal Chand	DS&DG(TM)
5.	U. JeyaSanthi	OS & DG(HR)
6.	Dr. Chandrika Kaushik	OS & DG(PC&SI)
7.	Dr. Manu Korulla	OS & DG(R&M)
8.	Sunil Sharma	OS & Director, DPARO&M
9.	Dr. SumitGoswami	Sc 'G' & Director, P&C

10.	Vedveer Arya	Addl FA (VA) & JS
11.	Rajesh Sharma	Addl. FA(RS) & JS
12.	Subhash Kumar	Director (Budget)

Department of Ex-Servicemen Welfare (Defence Pension, Welfare of Ex-Servicemen & Ex-Servicemen Contributory Health Scheme (ECHS))

S. No.	Name & Designation (Shri/Smt./Mr./Ms.)	Designation
1.	Dr.Niten Chandra	Secretary, ESW
2.	Sugata Ghosh Dastidar	FA(DS)
3.	Dipti Mohil Chawla	AS, DoD
4.	MayankTewari	JS(ESW)
5.	Lt Gen VPS Kaushik	AG
6.	V Adm Sanjay Bhalla	COP
7.	AVM Updesh Sharma	ACAS(Accts & AV)
8.	Dr. Mayank Sharma	Special CGDA
9.	Maj Gen Manoj Natarajan	MD, ECHS
10.	Maj Gen SBK Singh	DG(R)
11.	Lt Gen Ulhas Kirbekar	DGFP
12.	Rajesh Sharma	Addl. FA(RS) & JS
13.	Subhash Kumar	Director (Budget)

Directorate General Armed Forces Medical Services (DGAFMS)

S. No.	Name & Designation (Shri/Smt./Mr./Ms.)	Designation
1.	Sugata Ghosh Dastidar	FA(DS)
2.	Dipti Mohil Chawla	AS, DoD
3.	Surg VAdm Arti Sarin	DGAFMS
4.	Maj Gen Manas Chatterjee	Addl. DGAFMS
5.	Rajesh Sharma	Addl. FA(RS) & JS
6.	Subhash Kumar	Director (Budget)

National Cadet Corps (NCC)

S. No.	Name & Designation (Shri/Smt./Mr./Ms.)	Designation
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1.	Sugata Ghosh Dastidar	FA(DS)
2.	Dipti Mohil Chawla	AS, DoD
3.	Lt Gen Gurbirpal Singh	DG NCC
4.	AVM PVS Narayana	ADG(A)
5.	Pawan Kumar Sharma	JS(Trg.)
6.	Rajesh Sharma	Addl. FA(RS) & JS
7.	Subhash Kumar	Director (Budget)

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them of the agenda for the Sitting i.e. oral evidence of the representatives of Ministry of Defence in connection with examination of Demands for Grants for the year 2025-26.

3. Thereafter, the Chairperson welcomed the representatives of Ministry of Defence to the Sitting of the Committee convened to deliberate upon Defence Public Sector Undertakings (DPSUs), Directorate of Ordnance(Coordination and Services)-New DPSUs, Directorate General of Quality Assurance (DGQA), Directorate General of Aeronautical Quality Assurance (DGAQA), Defence Research and Development Organisation (DRDO), Department of Ex-Servicemen Welfare (Defence Pension, Welfare of Ex-Servicemen and Ex-servicemen Contributory Health Scheme (ECHS), Directorate General of Armed Forces Medical Services (DGAFMS) and National Cadet Corps(NCC) in connection with examination of Demands for Grants of the Ministry of Defence for the year 2025-26.

4. Later, drawing attention to Direction 55(1) of the Direction by the Speaker, Lok Sabha to treat the deliberations of the sittings as 'confidential', he requested the representatives of the Ministry to give an overview of the subject after introducing themselves.

5. After formal introduction, the Secretary, Defence Production initiated the discussion by highlighting the works of the department which includes production of defence equipment in country, incorporating the components of indigenization, export of defence products, inclusion of new technologies in defence and creating an ecosystem of defence manufacturing wherein MSMEs, Start-Ups and private sector can participate . The highlights of the brief given by the Secretary are as under:

- (i) Export of defence product till 31.01.2025 is Rs. 18,487 Cr, is expected to cross 23000 Cr. In FY 2025-26:

- (ii) Export of defence products increased up to Rs 21,000 crores in the year 2023-24 from Rs. 686 crores in the 2013-14 ;
- (iii) Substantial steps taken towards 'Make in India' and achieving 'Atma Nirbhar Bharat'.
- (iv) A new portal 'SRIJAN' has been launched to promote indigenization by participation of MSMEs and Start ups. On this portal 32,000 defence components were listed for indigenization out of which process of indigenization of 12-13,000 components have been done. It is likely to be increased drastically by 2028-29. Consequently import of such components will be stopped.
- (v) Increase in R&D Budget;
- (vi) ADITI Scheme has been launched to promote Export;
- (vii) Export Promotion Cell (EPC) has ben set up to boost Export.
- (viii) Open General Export License (OGEL) scheme has been launched to boost Defence Exports.

6. Thereafter, a Power Point Presentation was made by the representatives of nine Defence Public Sector Undertakings (DPSUs) viz. Hindustan Aeronautics Limited, Bharat Electronics Limited, Mazagon Dock Shipbuilders Limited, Garden Reach Shipbuilders and Engineers Limited, Goa Shipyard Limited, Bharat Dynamics Limited, Mishra Dhatu Nigam Limited, BEML Limited and Hindustan Shipyard Limited. This was followed by detailed deliberations on the following issues:

- (i) Financial Data comprising turnover and profit made by said DPSUs;
- (ii) Status of Order Book Positions of DPSUs;
- (iii) Various measures undertaken to increase export and minimize import;
- (iv) Modernisation activities taken by all DPSUs;
- (v) Measures taken towards indigenization and achieving 'Atma Nirbharta';
- (vi) Initiative taken for technological advancements in light of latest warfare techniques.
- (vii) Optimum focus on investment in research and Development;
- (viii) Share of FDI and FII in DPSUs along with foreign investment by DPSUs; and

- (ix) Utilisation of CSR fund.

(The representatives of the DPSUs then withdrew and representative of Directorate of Ordnance(Coordination and Services) came in.)

7. After introduction of the representative of Directorate of Ordnance (Cord. & Serv.), a brief overview regarding seven new DPSUs was presented by the Secretary. Then representatives of new DPSUs made a Power Point Presentation before the Committee. This was followed by detailed deliberations on the following issues:

- (i) Types of products being manufactured by these new DPSUs;
- (ii) Financial performance comprising turnover and profit made by these new DPSUs;
- (iii) Status of Order Book Positions;
- (iv) Challenges in transfer and merger of employees;
- (v) Financial Assistance being given by Government to these DPSUs;
- (vi) Diversification in products being manufactured ;
- (vii) Merger of existing seven DPSUs to synchronize their productions;
- (viii) Various initiatives being taken towards technological upgradation;

The Chairperson commended their journey despite several challenges being faced by new DPSUs.

(The witnesses then withdrew and representatives Directorate General of Quality Assurance (DGQA)& Directorate General of Aeronautical Quality Assurance (DGAQA came in.)

8. The representatives of the Department gave an overview of the the organization with the help of a Power Point Presentation which was followed by deliberations on the following issues/topics:

- (i) Restructuring of DGQA (Director General Quality Assurance);
- (ii) DGQA Role in Induction of New System;
- (iii) Ministry of Defence Schemes for Defence Industries to promote Atmanirbhar Bharat;

- (iv) Defence Export Promotion Schemes;
- (v) Defence Testing Infrastructure Scheme;
- (vi) Reforms and Initiatives by DGQA for Ease of Doing Business;
- (vii) DGAQA (Directorate General of Aeronautical Quality Assurance) is a Regulatory authority for Quality Assurance & Final Inspection of Military Aviation stores for use by IAF, Army Aviation, Naval Aviation, ICG Aviation, BSF etc;

(The witnesses then withdrew and representatives of Defence Research and Development Organisation (DRDO) came in.)

9. The representatives of the Department gave an overview of the the organization with the help of a Power Point Presentation which was followed by deliberations on the following issues/topics:

- (i) An overview of functions of DRDO;
- (ii) New initiative taken to meet changing requirements in defence sector;
- (iii) Technology Development Fund;
- (iv) Opening of Centre of Excellence for promotion of R&D in academia;
- (v) Initiative to Atma Nirbhar Bharat in defence technologies and systems;
- (vi) Induction of women scientists;
- (vii) Upgradation in drone detection and anti missile technology;
- (viii) Progress in landmine detection;
- (ix) Investment in R&D;
- (x) Monitoring of ongoing projects for timely delivery; and
- (xi) Vacancy and attrition rates in DRDO.

(The witnesses then withdrew and representatives of Department of Ex-Servicemen Welfare (Defence Pension, Welfare of Ex-Servicemen & Ex-Servicemen Contributory Health Scheme (ECHS)) came in.

10. The representatives of the Department gave an overview of the the organization with the help of Power Point presentation. This was followed by detailed deliberations on the following issues/topics:

- (i) Armed Forces Veterans (Ex-Servicemen) including pensioners;

- (ii) Armed Forces Veterans (Ex-Servicemen) Contributory Health Scheme (ECHS) along with services provided by the Poly clinics;
- (iii) Initiatives undertaken for the welfare schemes of ESM through Directorate General of Resettlement;
- (iv) Key Functions of Kendriya Sanik Boards;
- (ix) Status and beneficiaries of Marriage Grants and Children Education Grants;
- (x) Challenges to generate employment for ESM and measures undertaken to resolve them;
- (xi) Measures taken for stress management and mental health of ESM;

(The witnesses then withdrew and representatives of Directorate General Armed Forces Medical Services (DGAFMS) came in.)

11. The representatives of the Department gave an overview of the the organization with the help of a Power Point Presentation which was followed by deliberations on the following issues/topics:

- (i) Delivery of Comprehensive Medical Care of highest standards during operations as well as peacetime within the country;
- (ii) AFMS provides medical care in both War & Peace;
- (iii) Training and Medical Research in AFMS;
- (iv) Preventive Healthcare in AFMS;
- (v) Collaborative research, training & faculty exchange program through MoUs;
- (vi) Artificial Limb Centre, has been established in Pune;
- (vii) Satellite-based Warship Assistance and Support Tele Helpline (SWASTH) has been established for consultation:
- (viii) 'RUKMANI' a dedicated military communication satellite primarily used by the Indian Navy has been launched;
- (xi) Artificial Limb Centre has been set up in Pune for providing State-of-the art prostheses for amputee soldiers;

- (x) Tele MANAS (Mental health Assistance and Networking Across States cell has been established at AFMC with the assistance of NIMHANS Bangalore and IIIT Bengaluru;
- (xi) Armed Forces Centre for Computational Medicine (AFCCM) was inaugurated by The Hon'ble President of India, in Dec, 2023 in Pune;
- (xii) Frozen RBC storage has been established for frozen RBC storage At AFTC, Delhi;
- (xiii) Providing Humanitarian Assistance and Disaster Relief;
- (xiv) AFMC was awarded the prestigious President's Colour in 2023;

(The witnesses then withdrew and representatives of Directorate General National Cadet Corps (NCC) came in.)

12. The representatives of the Department gave an overview of the the organization with the help of a Power Point Presentation which was followed by deliberations on the following issues/topics:

- (i) Annual training camps;
- (ii) Adventure Camps;
- (iii) Mountaineering Expeditions;
- (iv) Social Service and Community Development (SSCD) Efforts;
- (v) Women Empowerment;
- (vi) Awareness about environmental hazards;

13. The Chairperson, then, thanked the representatives of the Ministry of Defence for extensive discussion on the Demands for Grants and for responding to the queries of the Members. The Chairperson also requested the representatives to furnish information to the Secretariat expeditiously.

14. A copy of verbatim record of the proceedings has been kept on record.

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE (2024-25)

**MINUTES OF THE NINTH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2024-25)**

The Committee sat on Wednesday, the 12th March, 2025 from 1500 hrs. to 1530 hrs.
in the Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri Radha Mohan Singh - Chairperson

MEMBERS

Lok Sabha

2. Dr. Rajeev Bharadwaj
3. Shri Karti P. Chidambaram
4. Shri Ranjit Dutta
5. Captain Viriato Fernandes
6. Shri Mohmad Haneefa
7. Ms. Jothimani
8. Shri Lumba Ram
9. Shri Jagannath Sarkar
10. Shri Jagadish Shettar
11. Shri Virendra Singh
12. Shri Richard Vanlalhmangaiha

Rajya Sabha

13. Shri Naresh Bansal
14. Shri N. Chandrasengharan
15. Shri Muzibulla Khan
16. Shri Dhairyashil Mohan Patil
17. Shri Sanjay Singh
18. Dr. Sudhanshu Trivedi

SECRETARIAT

- | | | | |
|----|----------------------|---|------------------|
| 1. | Dr. Sanjeev Sharma | - | Joint Secretary |
| 2. | Shri Tirthankar Das | - | Director |
| 3. | Shri Tenzin Gyaltsen | - | 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) **Demands for Grants of the Ministry of Defence for the year 2025-26 on 'General Defence Budget, Border Roads Organisation, Indian Coast Guard, Directorate General Defence Estates, Welfare of Ex-Servicemen and Defence Research and Development Organisation (Demand Nos. 19, 20 and 21)';**
- (ii) **Demands for Grants of the Ministry of Defence for the year 2025-26 on 'Army, Air Force, Navy, Joint Staff, Ex-Servicemen Contributory Health Scheme and Directorate General of Armed Forces Medical Services (Demand Nos. 20 and 21)';**
- (iii) **Demands for Grants of the Ministry of Defence for the year 2025-26 on 'Capital Outlay on Defence Services, Defence Planning, Procurement Policy and Defence Pensions (Demand Nos. 21 and 22)'; and**
- (iv) **Demands for Grants of the Ministry of Defence for the year 2025-26 on 'Defence Public Sector Undertakings, Directorate of Ordnance (Coordination and Services– New DPSUs), Directorate General of Quality Assurance, Directorate General of Aeronautical Quality Assurance and National Cadet Corps (Demand Nos. 20 and 21)'.**

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

4. The Committee, then, 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.

5. ****Does not pertain to the report****

The Committee then adjourned.*****