

Indian Ordnance Factories Corporatised: Increasing Efficiency and Quality

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Summary

As a part of its Atmanirbhar Bharat (Self-Reliant India) initiative, the Indian government has undertaken a bold reform in dissolving the Ordnance Factory Board (OFB). This was a proposal that was under deliberation for about two decades but eluded success. Despite strong opposition from the employees' unions, the 41 entities under the OFB have been subsumed into seven autonomous public sector units. It is hoped that this move will lead to efficiency in the functioning of these units, thereby providing the armed forces with quality equipment at competitive rates and in a timely manner.

In a major reform in the defence sector, the Indian government has ordered the closure of the Ordnance Factory Board (OFB). This marks the culmination of a plan mooted two decades ago to streamline the functioning of the ordnance factories across the country. The ordnance factories are the oldest and the largest organisation in the country's defence industry. Their history dates to 1787 when the British established a gunpowder factory in Ishapore near Kolkata. The OFB was a conglomerate of 41 factories, nine training institutes, three regional marketing centres and five regional controllers of safety. Since independence, the Ministry of Defence has wholly owned the OFB and its factories. They manufacture defence equipment to meet indents placed by the three services, which pay them on a cost-plus basis. Since 2004, various committees have recommended the restructuring of the ordnance factories. However, the rather strong trade unions managed to thwart the attempts to reposition the factories. In 2014 itself, the National Democratic Alliance government wanted to change the structure, but employees' unions and officers' associations managed to successfully resist the attempts to restructure.

The resolve of the government to go ahead with the reform process became clear when, in October 2020, it [declared a proposed strike](#) by workers' federations "invalid and illegal". Though the strike was deferred, despite negotiations, no reconciliation could be reached. Seeing the adamant attitude of the unions, the government introduced the Essential Defence Services Ordinance this year primarily to stop ordnance factories workers from resorting to strikes. The government finally managed to push through its plan despite opposition from one of the unions affiliated to Rashtriya Swayamsevak Sangh.

Ordnance factories had become synonymous with poor quality products, delays in delivery and lack of technological advancements. The user of the OFB products, the military, often complained of the poor quality and timeliness of its products. The Comptroller and Auditor General of India had also faulted the functioning of the department, observing that some orders placed in 2009-10 remained to be fulfilled. They were sole producers of ammunition, supplies and weapons used by the armed and paramilitary forces. The products included military and civilian grade arms and ammunition, military vehicles, chemicals for the missile

systems, parachutes, clothing for the troops, electronic and optical devices, general store items, explosives and propellants, among others.

Finally, as a part of the *Atmanirbhar Bharat* (Self-Reliant India) initiative, the government ordered the closure of the state-owned arms manufacturer Ordnance Factory Board from 1 October 2021. This is a part of a series of measures to upgrade the defence industry technologically and qualitatively and make defence supplies competitive. It was also meant to improve the autonomy, accountability and efficiency of ordnance supplies.

Under a new plan drawn up by government, 41 factories have been corporatised and [subsumed](#) into seven new defence public sector undertakings (DPSUs), namely. Munition India Limited, Armoured Vehicles Nigam Limited, Advanced Weapons and Equipment India Limited, Troop Comforts Limited, Yantra India Limited, India Optel Limited and Gliders India Limited. These will be like other government owned DPSUs like Hindustan Aeronautics Limited and Bharat Dynamics Limited, among others. The OFB had about 81,000 employees, knit together into three trade unions that have been protesting the corporatisation for years fearing that it would eventually lead to privatisation and job losses. The government has assured that it is committed to [safeguarding the interests](#) of the employees. It has been decided that all OIFB employees belonging to the production units would be transferred to the corporate entities on deemed deputation initially for a period of two years without altering their service conditions as central government employees. The pension liabilities of the retirees and existing employees will continue to be borne by the government.

In an era of global competitiveness, with a proliferation of technology and modernisation in the defence industry, there was a crying demand for the Indian armed forces to not only be equipped with the best that is available but also at competitive rates. With competing demands on the defence budget, it has become necessary to ensure lean and efficient entities which have the capacity to deliver at competitive rates. Corporatised entities need no longer be funded from the defence budget. They can access markets for resources and ensure better asset utilisation through diversification of products and the manufacturing process. While the move to corporatise is a healthy initiative, corporatisation per se is not a panacea. The DPSUs are replete with inefficiencies and quite a few of them are in the process of being disinvested. However, units such as Bharat Electronics have been able to upgrade technology and work culture by strategic partnerships and accessing export markets. The government has taken a bold step in restructuring an archaic structure that was in a comfort zone totally oblivious of the changing global environment. It is hoped that the newly corporatised entities will revolutionise work ethics and culture, as well as ensure the dead wood amongst its workers is weeded out at the earliest to be able to produce the best and compete with the best.

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