



Corporatization of Ordnance Factory Board

Why in News

The Centre's move to corporatize the **Ordnance Factory Board (OFB)** has been strongly opposed by the trade unions.

Key Points

▪ OFB:

- It is an **umbrella body for the ordnance factories** and related institutions, and is currently a **subordinate office of the Ministry of Defence (MoD)**.
 - The **first Indian ordnance factory** was set up in the year **1712** by the Dutch Company as a GunPowder Factory, West Bengal.
- It is a conglomerate of **41 factories, 9 training Institutes, 3 regional marketing centres** and **5 regional controllers of safety**.
- **Headquarters:** Kolkata
- **Significance:** A major chunk of the weapon, ammunition and supplies for not just armed forces but also paramilitary and police forces comes from the OFB-run factories.
- **Production includes:** Civilian and military-grade arms and ammunition, explosives, propellants and chemicals for missile systems, military vehicles, armoured vehicles, optical devices, parachutes, support equipment, troop clothing and general store items.

▪ Corporatization:

- In September 2020, an **Empowered Group of Ministers (EGoM)** for Corporatization was constituted under the chairmanship of the Defence Minister.
 - **Aim:** To oversee and guide the entire process, including transition support and redeployment plan of employees while safeguarding their wages and retirement benefits.
- The corporatization will **result in the conversion of the OFB into (single or multiple) fully (100%) government-owned entities** under **the Companies Act, 2013** like other public sector undertakings.

▪ Reasons for Corporatization:

- **A performance evaluation** by the **Comptroller and Auditor General (CAG)** in its report for 2019 on the OFB highlights a few of the lacunae, which ails this organisation.
 - **Overheads** (expenses not directly attributed to creating a product or service) constitute a staggering 33% of the overall allotted budget for the year.
 - The major contributors being supervision costs and indirect labour costs.
 - **Delayed Production:** The Ordnance factories achieved production targets for only 49% of the items.
 - More than half the inventory (52%) was **store-in-hand**, procured for

manufacture but not used within the year by the factories.

- The **Atmanirbhar Bharat initiative**, also calls for the Corporatisation of OFB for: **'improving autonomy, accountability and efficiency in ordnance suppliers'**.

▪ **Apprehensions:**

- One of the main apprehensions of the employees is that **corporatisation** (ownership and management lies with the government) **would eventually lead to privatisation** (transfer of ownership and management rights to the private player).
- The new corporate entities would not be able to survive the unique market environment of defence products that has very **unstable demand** and **supply dynamics**.
- Restructuring will result in greater autonomy and lesser government control over the corporation but there is a **fear of job loss**.

Way Forward

- The corporatisation of OFB is likely to transform ordnance factories into a modernised, state of the art facility with flexible and better decision making in its functioning.
- Currently the MoD has deferred the ongoing process till the talks with the unions protesting, reach to a meaningful conclusion. This is a welcome step.
- The broader consultation, on all the major concerns, is essential for sensitive issues like corporatization. Here, the need is to have a reflective road-map for the plan. This can help to ease the apprehensions regarding the corporatization.

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