Standing Committee Report Summary

Production of Small Arms in Ordnance Factories

- The Public Accounts Committee (Chair: Mr. K. C. Venugopal) presented its report on the 'Production of Small Arms in Ordnance Factories' on August 12, 2026. It examined CAG report on the same subject for the year ended 2022 with some additional inquiry and recommendations. Ordnance factories refer to defence production units that were set up to manufacture small arms and equipment for entities such as the Indian armed forces, central armed police forces, and state police forces. In 2021, the central government dissolved the Ordnance Factory Board (OFB) grouping its 41 administered factories into Defence Public Sector Undertakings. One of these is the Advanced Weapons and Equipment India Limited (AWEIL). The CAG report and the committee report examined production in three small arms factories, all under AWEIL. Key observations and recommendations of the Committee include:
- **Limited demand:** The Committee observed that between 2015-16 and 2019-20, small arms factories had little to no demand from the armed forces for their main items of production. Demand during this period came largely from security forces under the Ministry of Home Affairs (MHA). However, this demand from MHA was insufficient to fully utilise the capacity of small arms factories. Post corporatisation, AWEIL has to further compete with other manufacturers to get orders. The Committee recommended multi-year rolling demand plan between Army, MHA, state police forces and AWEIL to prevent capacity from remaining idle. Further, it recommended a detailed study of demand patterns and subsequent recalibration of facilities.
- **Accumulation of inventory:** The Committee noted that three selected small arms factories held an inventory of Rs 641 crore as of March 2020. 56% of this was accounted as work-in-progress. Further, it noted that store holdings were 156 to 241 days higher than the prescribed limit of 135 days. It recommended practices such as annual stock verification to manage inventory efficiently. It also recommended that ordnance factories: (i) strengthen inventory management by incorporating cost-efficiency metrics, (ii) improve demand forecasting procedures, and (iii) revise inventory management practices to accommodate demand fluctuations better.
- **Higher operating costs:** The Committee noted cumulative losses of Rs 366 crore across three factories on selected small arms between 2015-16 and 2019-20. Post corporatisation, cumulative losses for the three factories stood at Rs 234 crore between 2023-24 and 2025-26. It noted that high production costs and issue price being fixed below production costs have contributed to the losses. It recommended: (i) benchmarking costs against comparable private defence manufacturers to close the cost gap, and (ii) diversifying products to increase revenue such as by producing sporting and hunting rifles for the domestic licenced civilian market, or spares for private equipment manufacturers.
- **Quality issues:** The products manufactured by ordnance factories undergo quality assessment by the Directorate General of Quality Assurance before acceptance. Between 2015-16 and 2019-20, the Army reported 269 accidents involving four small arms. The Committee noted that products were being returned at a high rate due to quality defects. Further, the same defects were recurring across products. It also noted that AWEIL introduced certain quality improvement measures such as an investigation committee to identify causes and submit remedial measures. It recommended a thorough monitoring mechanism to ensure compliance with new and revamped quality directions. Further, it recommended moving from end-of-line inspections towards in-process quality checks to identify defects earlier.
- **Research and development (R&D) projects:** The Committee noted that none of the R&D projects undertaken by OFB were completed by their originally planned completion dates. Some of these projects were short-closed. The Committee also noted issues such as duplication of R&D efforts across factories. Post corporatisation, the committee noted certain efforts for coordinated product development. It recommended instituting a monitoring mechanism to ensure the timely and successful completion of R&D projects

  The Committee noted that the AWEIL has aimed to invest 2% to 3% of its resources in R&D. It observed that R&D is critical for achieving self-reliance in production and for maintaining national security. It recommended: (i) allocating a larger share of budgetary grants for R&D activities in ordnance factories, and (ii) reviewing ongoing R&D projects to meet armed forces requirements.

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