



Seven New Defence Public Sector Units (DPSUs)

Why in News

The Prime Minister dedicated the **seven defence Public Sector Undertakings (PSUs)**, created **through the restructuring of the Ordnance Factory Board (OFB)**, to the nation.

- India's goal under '[Atmanirbhar Bharat](#)' (self-reliant India) is to make the country, on its own, into a big military power.

Key Points

- **About:**

- **Dissolution and Amalgamation:**

- The Union government **ordered the dissolution of the four-decade-old Ordnance Factory Board (OFB) and amalgamated 41 factories under seven new state-owned companies** to manufacture defence hardware ranging from munitions to heavy weapons and vehicles.

- These new companies are headquartered in five cities.

- OFB was an umbrella body for the ordnance factories and related institutions, and was a subordinate office of the Ministry of Defence (MoD). It was a conglomerate of 41 factories, 9 training Institutes, 3 regional marketing centres and 5 regional controllers of safety.

- It was headquartered at Kolkata.

- All **employees of the erstwhile OFB** (Group A, B and C) belonging to production units will be transferred to the corporate entities on deemed deputation for a period of two years without any change in their service conditions as central government staff.

- **Seven New Companies:**

- Munitions 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.

- **Significance:**

- The concerns have been raised regarding **high costs, inconsistent quality and delay in supply of OFB products** by the armed forces.
- The new structure will help **overcome these various shortcomings** in the existing system of OFB and **encourage these companies to become competitive and explore new opportunities** in the market including exports.

- **Self-Reliance in Defence Sector:**

- **Corporatisation of OFB.**

- **Revised FDI Limit:** The **Foreign Direct Investment (FDI) limit** in defence

manufacturing **under automatic** route is **raised from 49% to 74%**.

- **Defence Industrial Corridor**: The government has proposed to establish two Defence Industrial Corridors in Uttar Pradesh and Tamil Nadu each.
- **Project Management Unit (PMU)**: The government is expected to begin time-bound defence procurement and faster decision making by setting up a Project Management Unit (for contract management purposes).
 - The **Defence Acquisition Procedure (DAP) 2020** has been unveiled.
- **Reduction in Defence Import Bill**: The government will **notify a list** of weapons/platforms banned for imports and thus such items can only be purchased from the domestic market.
 - Separate budget provision for domestic capital procurement.

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