

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

**NEW DELHI
27 MARCH 2023**

**Performance Audit Report on “Production of Small Arms in Ordnance
Factories” Presented in Parliament**

Performance Audit Report No. 5 of the Comptroller and Auditor General of India on “Production of Small Arms in Ordnance Factories” was presented in Parliament here today.

Production of Small Arms in Ordnance Factories

Eight weapon manufacturing factories, which were under the Weapon, Vehicles and Equipment (WV&E) group of the erstwhile OFB, have been grouped, post corporatization of OFB, under one DPSU - M/s Advanced Weapons and Equipment India Limited (M/s AWEIL), headquartered at Kanpur.

Three weapon manufacturing factories *viz.* Rifle Factory Ishapore (RFI), Small Arms Factory Kanpur (SAF) and Ordnance Factory Trichy (OFT) manufacture small arms (e.g., Rifles, Machine Guns, Carbines, Pistols, Anti-riot/Tear Gas/Pump Action Gun, *etc.*) for issue to the Armed Forces, Paramilitary Forces (MHA) and the States/UTs including Police. A few small arms such as Sporting Rifle, Revolver, *etc.* are also issued to civil trade customers.

The Performance Audit was undertaken in these three small arms manufacturing factories to assess the overall performance of OFB in manufacturing of small arms covering the five-year period from 2015-16 to 2019-20 in respect of 12 selected small arms.

The major findings in the Performance Audit Report are:

- **Production Performance**

Ordnance Factories’ production of small arms was meant for meeting the needs of the Armed Forces, mainly Army. However, during the period from 2015-16 to 2019-20, the small arms factories have witnessed either no demand or very less demand from the Armed Forces. As a result, factories were mostly dependent on the orders of the MHA. Non-receipt of further demand from Army as well as insufficient demand from MHA coupled with shortfall in production in respect of major items issued to MHA,

led to idling of production capacity in the three factories. Significantly less issue of selected small arms with reference to their production targets was observed.

Non-achievement of production targets within the financial year due to quality issues as well as non-receipt/late receipt of advance payment from the State Police Organisation /private customers led to accumulation of high inventory (72 per cent of the total cost of production as on 31 March 2020), which was an area of concern in the small arms factories. Work-in-Progress alone constituted 56 per cent of the total inventory as of March 2020.

- **Quality of Small Arms**

The Factories have a system of multi-tiered quality checks involving the Factory's own Quality Control (QC) sections and the Senior Quality Assurance Establishments (SQAE), an arm of Director General of Quality Assurance, attached to each Factory. Deficiencies in input material inspection and stage/inter-stage checks during manufacturing process by QC of the Factory against prescribed quantum and parameters, resulted in recurrent "Return for Rectification" (RFR) on the same grounds by SQAE.

The Army reported a significant number of accidents involving four of the selected small arms during 2015-16 to 2019-20. The nature of defects observed in the accidents by the Defect Investigation (DI) Committee indicated mainly quality problems in various components, deviation in the hardness measurements and non-conformance of input material with the specifications. DI also failed in ensuring timely investigation of the causes of accidents and taking prompt remedial measures to avoid their recurrence.

- **Cost effectiveness of production of small arms**

The small arms factories operated with high levels of overheads (supervision and indirect labour charges) which contributed to increase in the unit cost of production. Further, the issue price was fixed much lower than the actual cost of production in the three previous years which was on the higher side. This resulted in a wide gap between the unit cost of production and the unit issue price of the item. Consequently, three small arms factories had to bear a cumulative loss of ₹ 366 crore in issue of 12 selected small arms during the period from 2015-16 to 2019-20.

- **Research and Development projects for small arms**

The Board planned to develop new and more modern small arms but failed to meet the milestones and expectations projected in the Perspective Plan 2016-17 to 2018-19. The R&D projects, which were taken up simultaneously with the Perspective Plan,

also failed to meet their objectives. During this period, the Armed Forces had resorted to import of small arms for their operational requirements.

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