

## **PROPOSED CORPORATE STRUCTURE OF OFB**

### **Structure**

- OFB at Board level will be given a status of Maharatna PSU.
- OFB can be the holding Company with freedom to reorganize the Units under its control.
- Internal Restructuring would be examined by a Reputed External Consultant. Restructuring will be done based on MNC functioning like Lockheed Martin, BAE Systems.
- OFB would get dispensation independent of Ministry to forge partnership with Private Sector as per Policy approved by MOD. OFB may be allowed to form JVs with 49% equity of GOI.
- Chairman OFB would be given suitable representation in Defence Procurement and Defence Production Board.
- OFB shall have the mandate to foray into allied Business like Homeland Security, Space based Warfare etc.

### **Ownership:**

- Existing P&M, land and building etc will be owned by OFB Corporation.
- OFB Corporation will have full powers for making use of assets and land at its discretion for business purpose including lease for joint ventures or fully owned subsidiaries etc.
- OFB shall be free to offer ESOPs to its employees and Board of Directors.
- While formation of Corporation, ESOP will be offered to all existing employees on a subsidized basis for an amount equal to salary of one Year.

### **Orders from GOI:**

- OFB Corporation shall take the orders on nomination basis for the products in current portfolio of OFB, as being done at present.
- OFB Corporation will get the orders from services on nomination basis for new products whatever OFB corporation is a designated production agency for development and production of new products.
- In Make Category Projects, Buy and Make Category, special preference 15 % above L1 price would be given to OFB.

### **Finance:**

- Working capital for next 5 years is to be provided by DDP.
- One time corpus fund is to be provided.
- Capital investment for ongoing and sanctioned projects is to be provided.
- OFB shall be given fund from Technology Development Fund set up by GOI.

### **Procurement:**

- OFB shall be free to frame its MM Manual for long term partnership with capable Private sector in line with Maruti Suzuki .
- OFB shall suitably build Supply Chain around it with special treatment to Long Term Partners.

### **Service Conditions:**

- All existing employees and officers of OFB organization will be on deputation for 5 years to OFB Corporation. Salaries and perks as per existing rules with increase in DA from time to time and 7<sup>th</sup> CPC recommendations etc. may be given till next 5 years.
- All Employees will be given 5 Years Extra benefit for exercising the VRS Option. That means any employee with 15 Years of Service as the date of formation of Corporation can get full pensionary benefits. VRS scheme would be funded by GOI.

### **Internal Pricing and Orders**

- OFB Corporation will decide the price and quantity for which orders will be placed on various Ordnance Factories and or vendors as per requirement and delivery schedules.
- OFB Corporation will be free to place orders based on business and strategic requirements of vendors or Ordnance Factory Units.

### **Budget and Salary:**

- OFB Corporation will control the budget and administrative decisions for all the Ordnance Factory Units. However, salary of all the employees will be provided by Government of India for next 5 years.
- In case of losses, the Central Government shall support OFB by way of loan for 30% of the total shortfall and by way of equity investment for balance 70% of the amount.

### **Restructuring**

- OFB Corporation will hire the consultants as per requirements.

### **HR**

- OFB will have their own Cadre of Finance Professionals to take over Accounting & Finance Function from IDAS Officers.
- Posting of HODs will be decided on Selection Basis.
- UPSC will continue with Recruitment of Officers for next 5 Years.
- VRS scheme shall be suitably funded by GOI.

### **Preferential Allotment**

- OFB would be given preferential allotment of Land in the Defence/ Aerospace SEZs.

## **Liability**

- GOI will take liability for any Liabilities like Pension arising out of the current serving employees.
- GOI will ensure that there is no political interference in its functioning.
- The Government will provide sovereign guarantee for raising of loans.

## **Taxation and Pricing**

- Imposition of corporate tax for any autonomous entity has to be correlated with increase in price of the Product, for which Indian Armed Forces would allow automatically.
- OFB shall have the benefit of MSMEs for next 5 Years.

## **Relationship with MOD & Board functioning**

- No Proposal of OFB would be required to be routed through DDP the same is approved by the Board where Ministry is represented.
- Principle of empowerment requires that OFB should be allowed to take decisions in a businesslike manner and is accountable for its performance. At the same time Ministry should not interfere with functioning of OFB. The following relationship has been suggested at para 2.12 Study Group headed by Shri Arjun Sengupta for PSUs.

## **Status of Board Members:**

- Status of Chairman and Members would continue to be that of Secy and Spl Secretary.
- Government nominees to OFB should not be less than the rank of Addl Secy to Govt of India.

## **Accounting**

- Net worth of OFB should be based on valuation on current market rate in place of book value. This would help in framing JVs of higher values.

## **Audit**

- OFB would take advice from CAG to engage any auditing firm in addition to / in lieu of audit by CAG.

## **Merit Considerations**

- Like Indian Armed Forces, Rules of Reservation will cease to apply for OFB.
- All Government orders shall cease to be applicable to OFB unless otherwise the same is considered appropriate by OFB, since OFB is a business oriented organisation. OFB will intimate the MOD for reasons in writing why such rules would not be made applicable to OFB.

## **Powers of OFB:**

- OFB would be given free hand to set up Offices/Units abroad.

- OFB shall be given dispensation to acquire startups.
- OFB shall be given dispensation for M&A, purchase of IPRs.
- OFB should have full powers for any business expenses for brand and image building through Corporate Social Responsibility/ Marketing/ Publicity

The powers to the OFB shall be except for the following list for prior approval from Ministry as follows:

- Capital expenditure beyond Rs 1000 (Same as Navaratna Cat I) or 15 % of net worth in single project or 30% of net worth in all JVs and subsidiaries . Net worth would be based on current valuation on going concern basis.
- Formation of JV / subsidiary beyond equity limitation of Rs 1000 crore with limit of 15% of net worth of the OFB in any one project and 30% of the net worth of OFB in all joint ventures / subsidiaries put together
- Giving an employee a commission on the profits of the business/ giving share of the enterprise if it contradicts approved policy guidelines in this regard
- The plans of development and capital budget of the enterprise, and also the revenue budget, if there is an element of deficit in it, which is proposed to be met by the government.
- Share of profit to the Board of Directors

Further, the powers of the Central Government shall be exercised through OFB save for the negative list above. The DGOF and Chairman would exercise the powers of administrative head of Central Government department. However, the budget would be through the budget of MOD.

Residual powers shall be with the OFB.