



PARLIAMENT OF INDIA
RAJYA SABHA

**DEPARTMENT-RELATED PARLIAMENTARY
STANDING COMMITTEE ON INDUSTRY**

THREE HUNDRED AND THIRTY- SECOND REPORT

ON

DEMANDS FOR GRANTS (2026-27)

PERTAINING TO

THE MINISTRY OF HEAVY INDUSTRIES

(Presented to the Rajya Sabha on 11th March, 2026)

(Laid on the Table of Lok Sabha on 11th March, 2026)

PARLIAMENT OF INDIA



RAJYA SABHA

Rajya Sabha Secretariat, New Delhi
March 2026 / Phalgun 1947 (Saka)

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COMPOSITION OF THE COMMITTEE

(Constituted w.e.f. 26th September, 2025)

RAJYA SABHA

1. **Shri Tiruchi Siva - Chairman**
2. Shri Masthan Rao Yadav Beedha
3. Shri Mahendra Bhatt
4. Shrimati Sulata Deo
5. Shrimati Seema Dwivedi
6. Dr. WanweiroyKharlukhi
7. Shri Jose K. Mani
8. Dr. Parmar JashvantsinhSalamsinh
9. Shri Neeraj Dangi¹
10. Shrimati Sangeeta Yadav

LOK SABHA

11. Shri Afzal Ansari
12. Shri Hanuman Beniwal
13. Shri Chandan Chauhan
14. Shrimati Veena Devi
15. Shri Arvind Dharmapuri
16. Shri Sudheer Gupta
17. Shri Subbarayan K.
18. Dr. Ganapathy Rajkumar P.
19. Shri Hasmukhbhai Somabhai Patel
20. Km. Sudha R.
21. Shri Khalilur Rahaman
22. Shri Rakesh Rathor
23. Dr. Mallu Ravi
24. Shri Konda Vishweshwar Reddy
25. Shri ParshottambhaiRupala
26. Shri Daroga Prasad Saroj
27. Shri Pradeep Kumar Singh
28. Shri Bibhu Prasad Tarai
29. Shri E. Tukaram
30. Shrimati Smita Uday Wagh
31. Shri Rajabhau Parag Prakash Waje

SECRETARIAT

1. Ms. Garima Jain, Joint Secretary
2. Ms. Niangkhanem Guite, Director
3. Shri Sammer Kapoor, Deputy Secretary
4. Shri Prabhakar Singh, Under Secretary
5. Shri Sunil Kumar, Senior Secretariat Assistant
6. Shri Deepak Rathee, Senior Secretariat Assistant

¹ Nominated as a Member of the Committee w.e.f. 23.12.2025, vice Dr. Abhishek Manu Singhvi

INTRODUCTION

I, the Chairman of the Department-related Parliamentary Standing Committee on Industry, having been authorised by the Committee, present this Three Hundred and Thirty-Second Report on the Demands for Grants (2026-27) of the Ministry of Heavy Industries (MHI).

2. The Committee examined the Demands for Grants (2026-27) of the Ministry of Heavy Industries under Rule 272 of the Rules of Procedure and Conduct of Business in the Council of States (Rajya Sabha).

3. The Committee took oral evidence from the Secretary and other officers of the Ministry of Heavy Industries, as well as from representatives of the CPSEs and organisations under its administrative control, on 19th February 2026. The Committee places on record its appreciation of the Ministry's representatives for appearing before it and for furnishing the material and information sought in connection with the examination of the Demands for Grants (2026–27).

4. In formulating its observations and recommendations, the Committee has relied primarily on the following documents:

- i. Background notes and presentation furnished by the Ministry;
- ii. Replies to the Secretariat's questionnaire;
- iii. Submissions and inputs received from stakeholders, along with responses to the queries, comments, and suggestions raised by Members during the Committee's sittings;
- iv. Annual Report (2025-26) of the Ministry;
- v. Budget Speech 2026 of the Hon'ble Finance Minister; and
- vi. Economic Survey (2025-26).

5. The Committee considered and adopted this Report at its sitting held on 10th March 2026.

6. For ease of reference, the Committee's observations and recommendations are printed in **bold** throughout the Report.

New Delhi
10th March, 2026
Phalgun , 1947 (Saka Samvat)

Tiruchi Siva
Chairman
Department-related Parliamentary
Standing Committee on Industry

ACRONYMS

ACC	Advanced Chemistry Cell
ADAS	Advanced Driver Assistance Systems
AE	Actual Expenditure
AAI	Airports Authority of India
AAT	Advanced Automotive Technology
ARAI	Automotive Research Association of India
ATT	Ashok Travels & Tours
AVNL	Armoured Vehicles Nigam Limited
AYCL	Andrew Yule & Company Limited
BARC	Bhabha Atomic Research Centre
BE	Budget Estimates
BEV	Battery Electric Vehicle
BEL	Bharat Electronics Limited
BEML	Bharat Earth Movers Limited
BHEL	Bharat Heavy Electricals Limited
BIFR	Board for Industrial and Financial Reconstruction
BLCL	Balmer Lawrie & Company Limited
BPCL	Bharat Petroleum Corporation Limited
B & R	Bridge & Roof Company (India) Limited
CAG	Comptroller and Auditor General of India
CBU	Completely Built Unit
CCI	Cement Corporation of India Limited
CEFCs	Common Engineering Facility Centres
CESL	Convergence Energy Services Limited
CDRD	Central Design and Research Department
CIE	Construction and Infrastructure Equipment
CIF	Cost, Insurance and Freight
CMTI	Central Manufacturing Technology Institute
CNC	Computer Numerical Control
CoEs	Centres of Excellence
CPSE	Central Public Sector Enterprise
Cr.	Crore
CSIR-CMERI	Council of Scientific and Industrial Research – Central Mechanical Engineering Research Institute
DDM	Direct Debit Mandate
DFG	Demands for Grants
DVA	Domestic Value Addition
EMC	Electromagnetic Compatibility
EMPS	Electric Mobility Promotion Scheme
EPC	Engineering, Procurement and Construction

EPIL	Engineering Projects (India) Limited
EV	Electric Vehicle
EVMS	Electric Vehicle Manufacturers' Society
EVPCS	Electric Vehicle Public Charging Stations
FAME	Faster Adoption and Manufacturing of Electric Vehicles
FY	Financial Year
GARC	Global Automotive Research Centre
GCC	Gross Cost Contract
GDP	Gross Domestic Product
GoI	Government of India
GSLV	Geosynchronous Satellite Launch Vehicle
HAL	Hindustan Aeronautics Limited
HEC	Heavy Engineering Corporation Limited
HFCV	Hydrogen Fuel Cell Vehicle
HMT I	HMT (International) Limited
HMTL	HMT Limited
HMT MTL	HMT Machine Tools Limited
HPCL	Hindustan Petroleum Corporation Limited
HSL	Hindustan Salts Limited
ICE	Internal Combustion Engine
ICAT	International Centre for Automotive Technology
IEBR	Internal and Extra Budgetary Resources
IL	Instrumentation Limited
IMTEX	Indian Machine Tool Exhibition
IMTMA	Indian Machine Tool Manufacturers' Association
IOCL	Indian Oil Corporation Limited
IPRs	Intellectual Property Rights
IRCTC	Indian Railway Catering and Tourism Corporation Limited
ISRO	Indian Space Research Organisation
IIT	Indian Institute of Technology
kWh	Kilowatt-hour
LoCQ	Letter of Confirmation of Demand Quantity
LTC	Leave Travel Concession
MHI	Ministry of Heavy Industries
MoF	Ministry of Finance
MSME	Micro, Small and Medium Enterprises
MT	Metric Tonne
MVA	Mega Volt Ampere
NAB	National Automotive Board
NATRAX	National Automotive Test Tracks
NCR	National Capital Region
NdFeB	Neodymium-Iron-Boron

NEPA	National Newsprint and Paper Mills Limited
NHAI	National Highways Authority of India
NITI Aayog	National Institution for Transforming India
OEM	Original Equipment Manufacturer
OBC	Other Backward Classes
OEE	Overall Equipment Effectiveness
OMCs	Oil Marketing Companies
PF	Provident Fund
PBT	Profit Before Tax
PLI	Production Linked Incentive
PLI ACC	Production Linked Incentive for Advanced Chemistry Cell Battery Storage
PLI AUTO	Production Linked Incentive for Automobile and Auto Components
PM E-DRIVE	PM Electric Drive Revolution in Innovative Vehicle Enhancement
PM-eBus Sewa	Prime Minister e-Bus Sewa Scheme
PMP	Phased Manufacturing Programme
PSM	Payment Security Mechanism
PSU	Public Sector Undertaking
PV	Photovoltaic
PWD	Persons with Disabilities
R&D	Research and Development
RE	Revised Estimates
REIL	Rajasthan Electronics & Instruments Limited
REPM	Rare Earth Permanent Magnet
Rs.	Rupees
SC	Scheduled Caste
SDSC SHAR	Satish Dhawan Space Centre – Sriharikota
SMEC	Scheme to Promote Manufacturing of Electric Passenger Cars
SPMEPCI	Scheme to Promote Manufacturing of Electric Passenger Cars in India
SSL	Sambhar Salts Limited
ST	Scheduled Tribe
UTs	Union Territories
USD	United States Dollar
VAHAN	National Vehicle Registration Portal
VTL	Vertical Turning Lathe

CHAPTER 1: OVERVIEW OF THE MINISTRY

MANDATE, VISION AND ORGANISATIONAL ROLE

1.1 The Ministry of Heavy Industries (MHI) is the nodal Ministry of Government of India responsible for policy formulation and programme implementation to strengthen three core sectors — Automotive, Capital Goods and Heavy Electrical Engineering — with emphasis on technology up-gradation, domestic manufacturing depth and green transition.

Vision	Mission
To have a globally competitive, green & technology-driven heavy industry manufacturing sector, including automotive and capital goods sectors, which propels growth and job creation.	To facilitate Auto, Heavy Electrical & Capital Goods Sectors to be globally competitive, growth oriented and profitable and to provide all necessary support to CPSEs to improve their overall performance.

1.2 The Ministry is the policy architect, scheme implementer and institutional enabler — coordinating CPSEs performance, testing & homologation infrastructure, and demand-side incentives that accelerate localisation and green mobility.

CPSES UNDER MHI

1.3 The Central Public Sector Enterprises (CPSEs) portfolio is the Ministry's primary delivery mechanism for heavy engineering, heavy electrical and capital-goods projects; the table below summarises the CPSE counts, investment base and order-book position:

Metric	Value
Total CPSEs under MHI	21 (16 operational; 4 under closure; 1 non-operational)
CPSEs in liquidation (Official Liquidator)	15
Gross block (16 operating CPSEs)	Rs. 10,768.27 crore (as on 31.03.2025)
Consolidated order book (CPSEs)	Rs. 245,585.16 crore (as on 01.10.2025)
Profitability (16 operating CPSEs)	11 profitable; 5 loss-making

1.4 The consolidated order book provides near-term revenue visibility for several CPSEs, but the presence of five loss-making enterprises highlights structural issues — weak order books for some units, working-capital shortages, surplus/legacy manpower and obsolete plant & machinery — that require targeted restructuring, selective capex and workforce transition measures.

OPERATIONAL CPSES

1.5 The table below lists the 16 operational CPSEs under MHI, their primary activity and recent performance:

S. No.	Operational CPSE	Primary Activity	Turnover FY 2024–25 (Rs Cr.)	Profit Before Tax FY 2024–25 (Rs Cr.)
1	Andrew Yule & Company Limited (AYCL)	Tea production; electrical transformers and industrial engineering equipment.	310.18	(-25.53)
2	Bharat Heavy Electricals Limited (BHEL)	Manufacture of power-plant equipment, turbines, generators, transformers and industrial systems.	28,897.00	725.00
3	Braithwaite Burn & Jessop Construction Company Limited (BBJ)	Heavy civil and bridge construction; infrastructure EPC projects.	173.17	40.09
4	Bridge & Roof Company (India) Limited (B & R)	Civil and mechanical construction; industrial and infrastructure projects.	4516.91	101.84
5	Richardson & Cruddas (1972) Limited (R & C)	Fabrication, pressure vessels, steel structures and industrial engineering services.	8.43	25.46
6	Heavy Engineering Corporation Limited (HEC Ltd.)	Heavy machine building, foundry operations and turnkey engineering projects.	381.40	(-226.99)
7	HMT Limited (HMTL)	Diversified engineering activities including machine tools and ancillary businesses.	21.63	16.10
8	HMT Machine Tools Limited (HMT MTL)	Design and manufacture of machine tools and related equipment.	96.46	(-160.99)
9	HMT (International) Limited (HMT I)	International trading, exports and project execution support.	15.35	1.84
10	Instrumentation Limited (IL), Palakkad	Manufacture of industrial valves, instrumentation and control equipment.	95.86	13.78
11	Rajasthan Electronics & Instruments Limited (REIL)	Electronics, solar PV products and instrumentation solutions.	157.49	(-12.24)
12	Cement Corporation of India Limited (CCI)	Manufacture and sale of cement through public-sector plants.	325.22	31.05
13	The National Newsprint and Paper Mills Limited (NEPA)	Production of newsprint and paper (Nepanagar mill).	31.61	(-111.38)
14	Hindustan Salts Limited (HSL)	Salt production and related chemical products.	3.10	1.75
15	Sambhar Salts Limited (SSL)	Salt extraction and refining from Sambhar Lake.	58.92	9.19
16	Engineering Projects (India) Limited (EPIL)	Turnkey engineering and project execution across industrial sectors.	1,445.25	0.20

AUTONOMOUS BODIES, TESTING AND R&D INFRASTRUCTURE

1.6 MHI's autonomous bodies and national testing/R&D centres are strategic enablers for homologation, advanced testing, and capacity building — essential to shorten time-to-market for Electric Vehicles (EVs), Advanced Driver Assistance Systems (ADAS) and capital-goods technologies. The following table shows the institutions and their primary roles:

Institution	Primary role / relevance
Automotive Research Association of India (ARAI), Pune	Vehicle testing, R&D, homologation and certification; supports Production Linked Incentive (PLI) and EV validation.
Fluid Control Research Institute (FCRI), Palakkad	Flow-meter testing, valve testing and calibration; industrial flow engineering R&D.
National Automotive Board (NAB)	Coordination and policy support for automotive testing infrastructure.
Central Manufacturing Technology Institute (CMTI), Bengaluru	Manufacturing technology R&D, prototyping and industry support [Common Engineering Facility Centres (CEFCs), Centres of Excellence (CoEs)].
International Centre for Automotive Technology (ICAT), Manesar	Homologation, emissions & noise testing, EV/ADAS validation and certification.
Global Automotive Research Centre (GARC), Chennai	Electromagnetic Compatibility (EMC), passive safety, ADAS and vehicle testing; Centre of Excellence capabilities.
National Automotive Test Tracks (NATRAX), Indore	Proving ground for vehicle dynamics, EV and ADAS testing; high-speed and durability tracks.

1.7 These institutions are being upgraded under MHI schemes (e.g., Capital Goods Scheme Phase II, PM Electric Drive Revolution in Innovative Vehicle Enhancement (PM E-DRIVE)) to support EV validation, battery safety testing and Industry 4.0 adoption, thereby reducing homologation timelines and supporting domestic manufacturing.

HUMAN RESOURCES

1.8 CPSEs under MHI are significant employers; the workforce composition, as reported in the Annual Report, highlights scale and social inclusion metrics that inform skilling and redeployment strategies and reproduced below:

Indicator	Figure (as on 31.03.2025)
Total employees (16 operating CPSEs)	45,695
Scheduled Caste (SC)	7,643
Scheduled Tribe (ST)	6,287
Other Backward Classes (OBC)	19,526
Persons with Disabilities (PWD)	909

1.9 Given the large workforce and meaningful SC/ST/OBC representation, any CPSE restructuring must prioritise redeployment, targeted skilling and social safeguards to preserve livelihoods and maintain inclusion.

FLAGSHIP PROGRAMMES

1.10 MHI's flagship schemes listed below combine production incentives, demand creation and institutional upgrades to accelerate localisation, EV adoption and capital-goods competitiveness.

Scheme	Primary objective	Principal instruments
PM Electric Drive Revolution in Innovative Vehicle Enhancement (PM E-DRIVE)	Accelerate EV adoption, charging infrastructure and EV manufacturing ecosystem	Demand incentives (e-vouchers), capital grants for testing upgrades, e-bus procurement support.
Production Linked Incentive (PLI) for Automobile & Auto Components (PLI AUTO)	Promote advanced automotive manufacturing and deep localisation	Sales-linked incentives tied to Domestic Value Addition (DVA) thresholds.
PLI for Advanced Chemistry Cell (ACC) Battery Storage (PLI ACC)	Establish large-scale battery cell manufacturing in India	Production-linked incentives per kWh; capacity allocation and investment commitments.
PM e-Bus Sewa — Payment Security Mechanism (PSM)	Improve bankability of electric bus contracts by providing payment security	Payment security guarantees, escrow mechanisms and viability support.
Scheme for Enhancement of Competitiveness in Indian Capital Goods Sector Phase II	Upgrade capital goods R&D, testing, Common Engineering Facility Centres (CEFCs) and Centres of Excellence (CoEs)	Grants for CoEs/CEFCs, testing centre upgrades, skill development support.
Scheme to Promote Manufacturing of Electric Passenger Cars in India (SPMEPCI)	Attract large investments for electric passenger car manufacturing	Conditional incentives, investment & DVA commitments, limited Completely Built Unit (CBU) import relaxations.
Scheme to Promote manufacturing of Sintered Rare Earth Permanent Magnet (REPM)	Build domestic REPM supply for EV motors and renewables	Capital subsidies and sales-linked incentives to establish sintered NdFeB (Neodymium-Iron-Boron) capacity.

1.11 These schemes are complementary: PLI and SPMEPCI target large-scale manufacturing and investment; PM E-DRIVE and PSM target demand creation and operational viability; Capital Goods Scheme Phase II strengthens testing, CoEs and MSME integration; REPM and PLI-ACC secure critical upstream inputs.

CHAPTER 2: OVERVIEW OF BUDGETARY ALLOCATIONS AND SYSTEMIC ISSUES

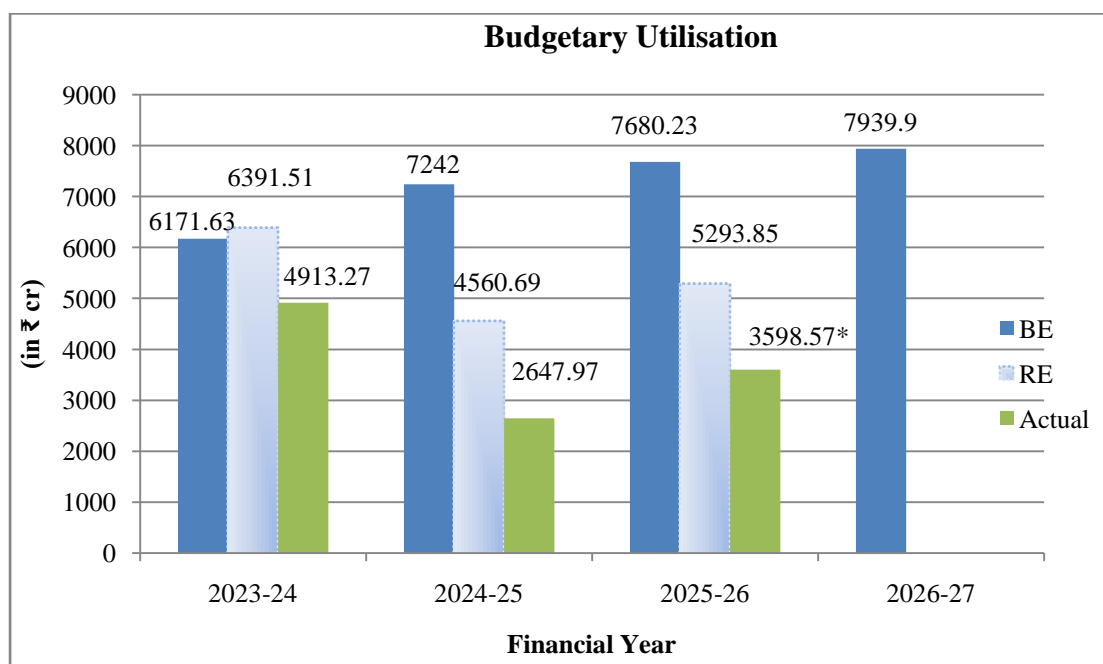
AN OVERVIEW OF THE DEMANDS FOR GRANTS

2.1 The Demands for Grants for the Financial Year 2026-27 of the Ministry of Heavy Industries was presented to the Parliament under Demand No. 48. The year-wise Budget Estimates (BE), Revised Estimates (RE) and Actual Expenditure (AE) of the last three financial years relating to the Ministry of Heavy Industries, along with the Budget Estimates for 2026–27, are as follows:

in ₹ crore

Financial year	BE	RE	Actual expenditure*
2023–24	6,171.63	6,391.51	4,913.27
2024–25	7,242.00	4,560.69	2,647.97
2025–26	7,680.23	5,293.85	3,598.57
2026–27 (BE)	7,939.90	–	–

*Actual for 2025–26 is up to 31.01.2026



2.2 The Committee notes that while BE has increased steadily from 2023–24 to 2026–27, there has been a recurring and substantial compression at the RE stage, especially in 2024–25 and 2025–26, when allocations were reduced by roughly one-third compared to BE. This pattern points to persistent overestimation at the BE stage, delays in scheme roll-out and project approvals, and systemic weaknesses in expenditure planning and monitoring.

2.3 The Committee further notes from the Ministry's replies that overall actual expenditure has risen significantly over the medium term—from ₹1,167.82 crore in 2021–22 to ₹4,913.27 crore in 2023–24 and ₹3,598.57 crore (up to 31.01.2026) in 2025–26—barring a

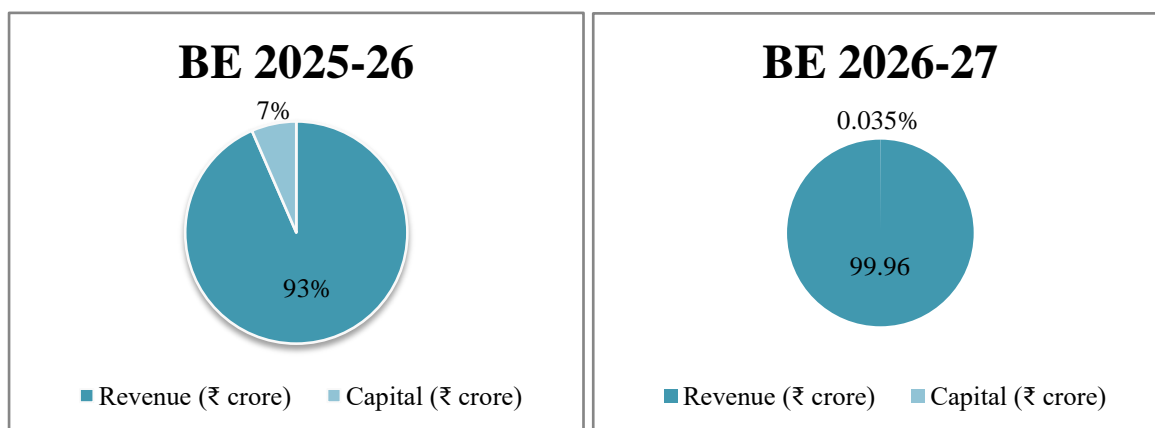
dip in 2024–25 largely on account of CAG (Comptroller and Auditor General of India) observations on e-buses and the nascent stage of e-ambulances and e-trucks under the electric-mobility schemes. As on 31.01.2026, utilisation under RE 2025–26 stands at about 68 per cent and the Ministry expects to utilise more than 99 per cent of its RE by the end of the year.

2.4 The Ministry should institutionalise stricter quarterly and monthly expenditure plans, with corrective action for persistently lagging schemes, so as to prevent bunching of expenditure at the end of the financial year, which is in violation of the Department of Expenditure’s guidelines on prudent expenditure control issued in this regard.

REVENUE–CAPITAL COMPOSITION OF EXPENDITURE

2.5 The trend of allocations under Revenue and Capital Expenditure is as follows:

Year / stage	Revenue (₹ crore)	Capital (₹ crore)	Total (₹ crore)
Actual 2024–25	2,646.42	1.55	2,647.97
BE 2025–26	7,178.23	502.00	7,680.23
RE 2025–26	4,791.27	502.58	5,293.85
BE 2026–27	7,937.08	2.82	7,939.90



2.6 In BE 2026–27, revenue expenditure constitutes about 99.96 per cent of the total, while capital expenditure accounts for barely 0.04 per cent.

2.7 The Committee notes with concern that the expenditure profile reveals an overwhelming predominance of revenue expenditure, with capital expenditure forming a negligible share of the outlay. The Committee also notes that the sharp fall in capital from ₹502.00 crore in BE 2025–26 to ₹2.82 crore in BE 2026–27 is largely due to the dropping of the ₹500 crore loan provision to Convergence Energy Services Limited (CESL) under the Payment Security Mechanism (PSM) for PM-eBus Sewa, which had dominated the capital section in 2025–26. Once this loan is removed, almost the entire demand is recorded under the revenue section.

2.8 The Committee is of the view that, even after recognising this technical factor, the resulting pattern still represents a structural shift away from capital creation, loans and asset formation towards revenue-based disbursements and incentive payments. While higher revenue allocation may be justified to support large incentive schemes and ongoing programme commitments, the near-elimination of capital outlay raises serious concerns regarding sustainable asset creation, technology upgradation and modernisation of stressed public sector enterprises.

2.9 The Committee recommends that, over the medium term, the Ministry undertake a careful review of its expenditure composition with a view to restoring a more balanced mix between revenue and capital outlays. The Committee urges the Ministry to explore the scope for augmenting capital allocations—through re-prioritization within existing ceilings, savings from under-utilised revenue heads or, where necessary, supplementary demands—towards durable industrial assets, modernisation of testing and R&D infrastructure, and time-bound restructuring of stressed CPSEs.

SCHEME-WISE ALLOCATIONS AND STRUCTURAL SHIFTS (BE 2026–27)

2.10 The scheme-wise allocations and year-on-year changes for the major programmes of the Ministry are summarised below:

in ₹ crore							
Sr. No.	Scheme / Head	Actual 2024-25	BE 2025-26	RE 2025-26	BE 2026-27	% change BE 26-27 vs BE 25-26	% change BE 26-27 vs RE 25-26
	Total MHI Demand	2,647.97	7,680.23	5,293.85	7,939.90	+3.4%	+50.0%
1	Enhancement of Competitiveness in the Indian Capital Goods Sector	171.62	120.00	120.00	125.36	+4.5%	+4.5%
2	FAME India (Faster Adoption and Manufacturing of Electric Vehicles)	1,113.95	0.00	1,181.26	0.00	–	–100%
3	PM E-DRIVE Scheme	993.05	4,000.00	1,300.00	1,500.00	–62.5%	+15.4%
4	PM-eBus Sewa (Payment Security Mechanism)	4.92	510.00	510.00	12.00	–97.6%	–97.6%
5	PLI for Automobiles and Auto Components	325.35	2,818.85	2,091.26	5,939.87	+110.7%	+184.1%
6	PLI for ACC Battery Storage	12.28	155.76	13.31	86.01	–44.8%	+546.2%
7	Scheme for Enhancement of Construction and Infrastructure Equipment (CIE)	0.00	0.00	0.00	200.00	<i>New</i>	<i>New</i>

8	Central Manufacturing Technology Institute (CMTI)	18.89	20.03	20.60	22.04	+10.0%	+7.0%
9	Support to CPSEs	1.00	2.23	3.21	2.23	0%	-30.5%
10	Scheme to Promote Manufacturing of Electric Passenger Cars (SMEC)	4.48	12.00	9.00	6.77	-43.6%	-24.8%

2.11 The Committee notes that the budget profile for 2026–27 reflects three major structural shifts. First, there is a substantial scaling-up of the outlay for the PLI Scheme for Automobiles and Auto Components, from ₹2,818.85 crore in BE 2025–26 to ₹5,939.87 crore in BE 2026–27, in line with the increasing number of beneficiaries achieving Domestic Value Addition thresholds and becoming eligible for incentive claims. Second, the legacy FAME India scheme has effectively been phased out in budgetary terms, with no BE provision in either 2025–26 or 2026–27, even though sizeable RE 2025–26 allocations were required to clear past committed liabilities.

2.12 Third, within the electric-mobility cluster, the PM E-DRIVE outlay has been sharply reduced from a highly aspirational BE of ₹4,000 crore in 2025–26 to a more calibrated ₹1,500 crore in 2026–27, reflecting slower-than-anticipated offtake in segments such as e-buses, e-trucks and e-ambulances in the initial years. At the same time, a new Scheme for Enhancement of Construction and Infrastructure Equipment (CIE) with an allocation of ₹200 crore has been introduced under “Industrial Productivity”, signalling policy attention to import-intensive construction and infrastructure equipment.

2.13 The Committee observes that allocations for the Capital Goods Competitiveness Scheme and for CMTI have increased only modestly, by about 4.5 per cent and 10 per cent respectively over BE 2025–26, and remain below or only marginally above the actual expenditure levels of 2024–25. In the Committee’s view, this appears inadequate when juxtaposed with the acknowledged technology gaps, skill shortages and high import dependence in the capital goods sector.

2.14 The Committee recommends that, over the medium term, the Ministry review the relative prioritisation of scheme outlays within the overall ceiling and examine whether incremental resources can be channelled towards technology-deepening interventions—particularly the Capital Goods Scheme, CIE Scheme and CMTI—without undermining the momentum of the flagship PLI and PM E-DRIVE schemes.

RESOURCE ADEQUACY AND MOF CEILINGS

2.15 The Committee notes from the general questionnaire that for 2025–26 the Ministry’s projected resource requirement was ₹9,025.83 crore, against which BE of ₹7,680.23 crore was approved, implying a shortfall of about 14.9 per cent. For 2026–27, the Ministry projected a requirement of ₹9,484.32 crore, while the final BE approved stands at ₹7,939.90 crore, again reflecting a significant downward adjustment relative to assessed needs.

2.16 The Committee takes note of the Ministry's contention that, in 2025–26, the shortfall in BE compared to projected demand did not materially affect the achievement of physical targets in key schemes such as PLI-Auto and PM E-DRIVE, mainly because actual offtake and incentive claims were lower than initially anticipated. However, the Committee is concerned that repeated gaps between projected requirements and approved ceilings may constrain the scale-up of schemes in later years once project pipelines and incentive claims mature.

2.17 The Committee recommends that the Ministry strengthen its internal resource-assessment methodology and engage in early, data-driven consultations with the Ministry of Finance so that critical schemes with multi-year commitments—such as PLI, PM E-DRIVE and CIE—receive predictable and adequate funding trajectories. The Committee further recommends that any significant divergence between projected needs and approved BE, scheme-wise, be transparently placed before the Committee, along with an explanation of the likely impact on physical and financial targets.

EXPENDITURE PATTERNS AND UNDER-UTILISATION

2.18 The Committee notes that the Ministry has reported a declining trend in RE utilisation in recent years—84.23 per cent in 2022–23, 76.87 per cent in 2023–24 and 58.90 per cent in 2024–25—before an expected improvement in 2025–26, where utilisation is projected to exceed 99 per cent of RE. While the recovery in 2025–26 is welcome, the preceding pattern, as detailed in the Ministry's background note on reasons for surrender across schemes, indicates structural issues in scheme design, approval processes, tendering and project execution that go beyond one-off factors.

2.19 The Committee further notes that in schemes such as PM E-DRIVE and PM-eBus Sewa, utilisation initially lagged because new segments (e-trucks, e-ambulances) and large e-bus tenders required time for standards, guidelines and tender documents to be finalised, and for States and cities to come on board. Similarly, in the PLI-ACC scheme, the gestation period for giga-scale battery manufacturing and dependence on imported capital goods and critical raw materials have delayed commissioning and incentive disbursement.

2.20 Building on the Ministry's own diagnostic analysis in the background note on reasons for surrenders, the Committee recommends that the Ministry identify schemes with a history of chronic under-utilisation or repeated BE-to-RE compression and prepare scheme-specific expenditure-smoothing plans, including front-loading of approvals, early finalisation of guidelines and tender documents, and realistic phasing of targets. The Committee also recommends that the Ministry place before the Committee an annual statement on schemes where a significant share (for instance, more than 30 per cent) of BE has been surrendered or reduced at the RE stage, along with reasons and corrective measures envisioned for avoiding such shortfalls in the future. It may also draw up a workable time-line of action plan for the FY 2026-27 for such schemes.

CONCLUDING OBSERVATIONS

2.21 Overall, the Committee notes that Demands for Grants 2026–27 of the Ministry of Heavy Industries reflect an expansionary stance in terms of total outlay, a decisive tilt towards incentive-based revenue expenditure and flagship schemes in electric mobility and advanced manufacturing, and the introduction of a new CIE scheme. At the same time, the sharp compression of capital outlay, modest enhancement of allocations for the capital goods ecosystem and recurrent BE-to-RE reductions remain areas of concern.

2.22 The Committee strongly recommends that the Ministry use the 2026–27 budget as an opportunity to consolidate gains from PLI and PM E-DRIVE, while simultaneously strengthening capital formation, technology infrastructure and CPSE restructuring through better-balanced allocations, improved utilisation and more transparent reporting of outcomes and slippages over the medium term.

CHAPTER 3: AUTOMOTIVE INDUSTRY

OVERVIEW OF THE AUTOMOTIVE INDUSTRY

3.1 The Indian automotive industry remains a key pillar of the country's industrial and economic architecture and continues to rank among the fastest-growing automotive markets globally. Over the years, leading global automobile manufacturers have established manufacturing and R&D facilities in India, positioning the country as a significant production hub for both domestic consumption and export markets.

3.2 The sector contributes approximately United States Dollar (USD)240 billion (about Rs 20 lakh crore) to the economy, accounting for about 7.1 per cent of India's GDP and nearly 49 per cent of manufacturing GDP, reflecting its systemic importance to overall industrial growth. It is a major employment generator, supporting about 4.2 million direct and 26.5 million indirect jobs across the value chain, including auto components, ancillary industries, logistics and dealerships. From a fiscal perspective, the industry accounts for nearly 15 per cent of total GST collections, while exports valued at around USD 37 billion demonstrate India's deepening integration with global automotive value chains.

3.3 During FY 2024-25, the industry produced over 3 crore vehicles across segments—two-wheelers, three-wheelers, passenger vehicles and commercial vehicles—reflecting broad-based manufacturing capacity and robust domestic demand. Demand was supported by improving macroeconomic conditions, rising consumer confidence and continued urbanisation. The sector is presently undergoing a calibrated transition towards cleaner and more advanced mobility, characterised by increasing adoption of Electric Vehicles (EVs), localisation of critical technologies and strengthening of domestic manufacturing ecosystems, in alignment with national priorities of sustainable growth, energy security and enhanced global competitiveness.

3.4 As informed by the Ministry of Heavy Industries (MHI), the production, sales and export performance of various vehicle categories during FY 2024-25 was as under:

(No. in lakh units)

Category	Production	Sales	Exports	Worldwide Position
2-Wheelers	238.8	196.1	42.0	2 nd
3-Wheelers	10.5	7.4	3.1	1 st
Passenger Vehicles	50.6	43.0	7.7	4 th
Commercial Vehicles	10.3	9.6	0.8	5 th

3.5 The Committee notes that during FY 2024-25, India maintained a strong global position in the automotive sector, ranking 1st in three-wheelers, 2nd in two-wheelers, 4th in passenger vehicles and 5th in commercial vehicles. While exports are significant in two and three-wheelers, export potential in passenger and commercial vehicles remains under-utilised, particularly in higher value-added segments.

3.6 The Committee therefore, recommends that the Ministry of Heavy Industries adopt a focused strategy to enhance automotive exports, especially in passenger and commercial vehicles, through technology upgradation, global standard alignment and improved market access. Simultaneously, sustained holistic policy support may be extended to position India as a global hub for electric vehicle manufacturing and exports by strengthening localisation of EV components, battery technologies and charging infrastructure.

BUDGETARY CONTEXT WITHIN MHI

3.7 In the Demands for Grants (DFG) 2026-27 (Demand No. 48), the automobile and EV ecosystem has emerged as the dominant component of the Ministry's budget. As per the Budget Overview, the combined allocation for Faster Adoption and Manufacturing of Electric Vehicles (FAME), PM E-DRIVE, PM-eBus Sewa, Production Linked Incentive (PLI) for Automobiles and Auto Components, and PLI for Advanced Chemistry Cell (ACC) Battery Storage under the head "Development of Automobile Industry" rises from RE 2025-26 of Rs 5,095.83 crore to BE 2026-27 of Rs 7,537.88 crore, accounting for about 94.9% of the Ministry's total Demand of Rs 7,939.90 crore. Within this, PLI for Automobiles and Auto Components alone is allocated Rs 5,939.87 crore in BE 2026-27, representing about 74.8% of the total Demand.

3.8 The Ministry's overall budget is almost entirely revenue-based in 2026-27, with Revenue expenditure of Rs 7,937.08 crore and a negligible Capital component of Rs 2.82 crore, implying that just 0.04% of the Demand is on the Capital side. Capital outlay has thus fallen sharply from about Rs 502–503 crore in 2025-26 to Rs 2.82 crore in 2026-27, primarily due to the withdrawal of capital provision under PM-eBus Sewa and the absence of new capital projects. In the Committee's view, while revenue-based incentives (subsidies, PLIs, payment security mechanisms) can catalyse private investment in the automotive and EV ecosystem, such a negligible capital budget risks under-investment in public goods such as testing infrastructure, common facilities and charging networks, which are essential for long-term sectoral resilience.

3.9 The Committee observes with concern that there have been large divergences between Budget Estimates (BE) and Revised Estimates (RE) in recent years, especially in major automotive schemes. For 2025-26, PM E-DRIVE, PLI Auto and PLI ACC all saw substantial cuts at RE stage, and utilisation rates against RE in earlier years were also modest. The Committee emphasises that the significantly enhanced outlays proposed for automotive schemes in BE 2026-27 must therefore be supported by realistic implementation plans, credible pipelines of eligible claims and strong monitoring, to avoid repeat patterns of under-utilisation and large RE-stage surrenders.

KEY SCHEMES OF THE MINISTRY UNDER AUTOMOTIVE SECTOR

- PM Electric Drive Revolution in Innovative Vehicle Enhancement (PM E-DRIVE)
- PM e-Bus Sewa – Payment Security Mechanism (PSM)
- Scheme to Promote Manufacturing of Electric Passenger Cars in India (SPMEPCI)
- Production Linked Incentive (PLI) Scheme for Automobiles and Auto Components
- Production Linked Incentive (PLI) Scheme for National Programme on Advanced Chemistry Cell (ACC) Battery Storage

PM ELECTRIC DRIVE REVOLUTION IN INNOVATIVE VEHICLE ENHANCEMENT (PM E-DRIVE)

3.10 The PM Electric Drive Revolution in Innovative Vehicle Enhancement (PM E-DRIVE) Scheme was launched with effect from 1 October 2024 for an initial period of two years, subsuming the earlier Electric Mobility Promotion Scheme (EMPS-2024) which was in force from 1 April 2024 to 30 September 2024. The Scheme has subsequently been extended up to 31 March 2028 and is effective from 1 April 2024 to 31 March 2028 with a total outlay of Rs 10,900 crore; for FY 2026-27, a budgetary allocation of Rs 1,500 crore has been made under the Scheme.

3.11 The key objectives of the Scheme are to: strengthen the electric mobility ecosystem; encourage faster adoption of electric and hybrid vehicles through market creation and demand aggregation; develop a robust domestic manufacturing ecosystem for EVs and their components; promote indigenous technology development including through start-ups and MSMEs; contribute to pollution reduction by promoting cleaner and more efficient transport options; establish adequate public charging infrastructure; upgrade testing agencies; and achieve clearly defined segment-wise targets and financial allocations supporting adoption of more than 28 lakh EVs.

3.12 In its reply to the questionnaire, the Ministry furnished the following year-wise and component-wise picture of scheme outlay and expenditures:

(Rs in crore)

S. No.	Component/ category of vehicles	Scheme Outlay	Actual Expenditure 2024-25	Actual expenditure 2025-26 (till 31/01/2026)	RE 2025-26	BE 2026-27
1	e-2W	1,772.00	667.40	509.88	699.08	193.57
2	e-rickshaws & e-carts	50.00	2.94	2.87	8.74	5.06
3	e-3W (L5)	857.00	318.35	350.57	422.03	64.80
4	e-Ambulance	500.00	-	-	-	8.22
5	e-trucks	500.00	-	-	-	41.93

	Sub-total for Demand Incentive	3,679.00	988.69	863.32	1,129.85	313.59
6	e-Bus	4,391.00	-	-	-	619.50
7	EV PCS	2,000.00	-	-	80.00	328.86
8	Upgradation of testing agencies	780.00	-	-	70.00	227.33
	Sub-total for Grants for creation of capital assets	7,171.00	-	-	150.00	1,175.69
9	Admin Expenses	50.00	4.36	15.38	20.15	10.73
	Total for PM E-DRIVE	10,900.00	993.05	878.70	1,300	1,500.00

3.13 From the above it can be seen that overall utilisation has so far remained concentrated under the demand incentive sub-components, particularly in the e-2W and e-3W (L5) segments, whereas expenditure under e-ambulance and e-truck components has remained nil. It further notes that major capital-intensive components such as e-buses, EV Public Charging Stations (EVPCS) and upgradation of testing agencies have recorded limited or no expenditure in the initial years, indicating that these segments remain at a preparatory stage despite their central importance for long-term ecosystem development.

3.14 Further, while the overall allocation for PM E-DRIVE is Rs 1,500 crore in BE 2026-27, the allocation under demand incentives has been reduced sharply to about Rs 313.59 crore as against the revised allocation of Rs 1,129.85 crore in FY 2025-26. This reduction comes at a time when several key capital-heavy segments are yet to demonstrate substantial on-ground progress, raising concerns that reduced demand-side support could dampen adoption momentum before the ecosystem is fully established.

SEGMENT-WISE PHYSICAL PROGRESS AND IMBALANCES

3.15 The Ministry apprised the Committee of the segment-wise original and revised outlays and EVs incentivised as on 31.01.2026:

Segment	Original Outlay	Revised Outlay	EVs incentivized
	(A)	(B)	(C)
e-2W	24,79,120	24,79,120	14,31,133
e-rickshaw & e-cart	1,10,596	39,034	3,602
e-3W(L5)	2,05,392	2,88,809	2,21,600
e-trucks	5,643	5,643	0
e-ambulances	0	0	0
Demand Incentive	28,00,751	28,12,606	16,56,335
e-Buses	14,028	14,028	0
Total	28,14,779	28,26,634	16,56,335

(Nos.)

3.16 A total of 16,56,335 vehicles have been incentivised against a revised target of 28,26,634 EVs—an achievement of about 58.6%. Progress is heavily concentrated in e-2W (14,31,133 units) and e-3W (L5) (2,21,600 units), with the e-3W (L5) segment having already achieved its revised target, leading to closure of incentives for this category on 26.12.2025.

3.17 By contrast, strategically important categories such as e-trucks and e-buses have recorded nil achievement, and the e-rickshaw & e-cart segment has reached only 3,602 units against a revised outlay of 39,034. The Committee is concerned that this pronounced imbalance dilutes the broader objective of comprehensive electrification across multiple transport segments, including high-emission commercial and public transport vehicles.

3.18 The Committee further notes that targets in the e-rickshaw & e-cart segment have been sharply reduced from 1,10,596 to 39,034 due to lower recorded demand, even as industry sources such as the Electric Vehicle Manufacturers' Society (EVMS) report approximately 4.75 lakh unregistered e-rickshaws operating without proper certification, registration or insurance. In the Committee's view, regulatory gaps and proliferation of unauthorised vehicles, rather than genuine lack of demand, are depressing uptake of compliant vehicles and undermining both safety and revenue.

3.19 The Committee, therefore, recommends that:

- a. Demand incentives for e-2Ws be extended up to 31.03.2028, the terminal year of PM E-DRIVE, with a calibrated tapering mechanism to avoid policy shocks in a segment that has shown strong adoption and supports large-scale livelihoods.**
- b. The original target of 1,10,596 e-rickshaws & e-carts be restored, incentives extended up to 31.03.2028, and coordinated enforcement measures undertaken with States and enforcement agencies to curb unauthorised production and operation of non-compliant vehicles.**
- c. A revised and enhanced target for e-3W (L5) be worked out and incentives resumed up to 31.03.2028, given the continued prevalence of diesel three-wheelers in NCR and major cities.**

E-TRUCKS AND E-AMBULANCES

3.20 The Committee notes that guidelines and Phased Manufacturing Programme (PMP) for e-trucks were issued in 2025 and one model has received PMP certification, while development of e-ambulances remains under preparation. The Scheme envisages incentivising about 5,643 e-trucks up to 31.03.2028, including a reserved target of 1,100 e-trucks for deployment in Delhi.

3.21 However, despite the availability of budgetary support, implementation in these segments remains at a preparatory stage, with nil physical achievement and no expenditure, delaying both fund utilisation and anticipated environmental benefits. The Committee is of the view that timely operationalisation of e-trucks and e-ambulances is critical for reducing emissions in urban freight and emergency services.

3.22 The Committee, therefore, strongly recommends that the Ministry:

- a. Establish clear and non-negotiable timelines for finalising guidelines, model approvals and manufacturer onboarding in these segments.**
- b. Put in place a structured monitoring mechanism with defined milestones and a detailed action plan indicating expected commencement of financial outgo, projected uptake and expenditure during the remaining scheme period.**

E-BUSES

3.23 The Committee notes that Tender-I for deployment of 10,900 e-buses has been concluded and CESL has issued Letters of Confirmation of Demand Quantity (LoCQ) to selected bidders on 30.12.2025. A second tender for deployment of 2,900 e-buses under Phase-II was floated on 09.01.2026 with bid submission up to 10.03.2026, indicating that demand aggregation and tendering for large-scale deployment are underway.

3.24 Recognising that public transport buses are a major source of urban vehicular emissions, the Committee stresses that environmental and economic gains will accrue only once buses are deployed on roads within stipulated timelines.

3.25 The Committee, therefore, recommends that the Ministry:

- a. Ensure strict adherence to implementation timelines following tender finalisation, including timely contract signing, deployment and commencement of operations in identified cities.**
- b. Establish a robust monitoring framework with clear milestones and furnish a comprehensive implementation schedule indicating expected deployment timelines, financial outgo and anticipated environmental benefits.**

EV PUBLIC CHARGING STATIONS (EVPCS)

3.26 The Committee notes that preparatory steps for the EVPCS component—amendment of the PMP, appointment of BHEL as Project Implementation Agency, issuance of operational guidelines and revision of benchmark costs by the Bureau of Energy Efficiency—have been completed. However, utilisation of funds under this head has remained limited, even though a robust, accessible and reliable charging network is essential for sustained EV adoption.

3.27 The MHI furnished the subsidy structure under EVPCS to the Committee as given below:

Category	Description	Subsidy on Upstream	Subsidy on Charger
A	State / Central Govt./ PSUs owned Offices & Premises: Govt. Offices /Residential Complexes /Hospitals/ Edu. Inst., CPSEs & Other Govt. Establishments	100%	100%
B	Locations Owned/ Controlled/ Managed By State/ Central Govt. or their PSUs(Locations Not Covered In Category A) Eg. Railway Stations, Airports (AAI), ROS of OMCS (i.e., IOCL, BPCL HPCL), Metros, Municipal Parking, Toll Plazas & Way Side Amenities (NHAI) etc.	80%	70%
C	All Other Locations Not Included In Categories A & B	80%	NA
D	Battery Swapping / Battery Charging Stations	80%	NA

3.28 The Committee takes note of the differentiated structure of subsidy in EVPCS and is of the view that limited support for chargers in Categories C and D may restrain private investment and slow expansion of charging networks in commercially important and high-demand locations.

3.29 The Committee recommends that the Ministry:

- a. Review the existing subsidy structure to provide calibrated support for chargers in Categories C and D and encourage greater private participation.**
- b. Finalise a time-bound rollout plan with measurable milestones and improve coordination with States and other agencies so that allocations under this critical segment are utilised in a timely manner.**

UPGRADATION OF TESTING AGENCIES

3.30 The Committee notes that for upgradation of four testing agencies—ARAI (Pune), ICAT (Manesar), GARC (Chennai) and NATRAX (Indore)—BHEL has been appointed as Designated Procurement Agency and Bridge and Roof Company (India) Limited as Designated Execution Agency. Tenders worth about Rs 622.45 crore have been floated for equipment procurement, but budgetary utilisation remains nil so far.

3.31 The Committee highlights that modern, well-equipped testing agencies are crucial to avoid delays in certification and approvals for EVs and components, which could otherwise become a bottleneck for achieving the Government’s goal in PM E-DRIVE and related schemes.

3.32 The Committee, therefore, recommends that the Ministry:

- a. Ensure expeditious completion of procurement and early commencement of upgradation works under a clearly defined and time-bound framework.**
- b. Put in place robust monitoring and coordination mechanisms so that testing infrastructure development keeps pace with EV ecosystem expansion.**

PENDING CLAIMS AND PROCESSING DELAYS

3.33 The Ministry, in its reply to the questionnaire, informed the Committee that the following claims are under process and pending disbursement for reimbursement to the OEMs:

Segment	EVs for which claims are under process, as on 31/01/2026 (Nos.)
e-2w	2,07,734
e-3w: e-rickshaw/e-cart	744
e-3w: L5	24,110
Total	2,32,588

3.34 The Committee notes that, as on 31.01.2026, claims relating to 2,32,588 electric vehicles are under process for reimbursement to OEMs. The bulk of pending claims relate to the e-two wheeler segment, which constitutes a major share of EV adoption in the country.

3.35 The Committee further notes the reasons submitted by the Ministry that delays in claim processing were primarily attributed to non-integration of certain State vehicle registration portals with the National Vehicle Registration Portal (VAHAN) portal and the availability of masked customer name data on VAHAN, which hindered verification. The Committee takes note that the Ministry has engaged with the concerned authorities and that integration with Telangana has been completed and access to unmasked data has been enabled as of June 2025, following which pending claims have reportedly been processed.

3.36 While the corrective steps taken are noted, the Committee is of the view that such systemic and data-integration issues should have been anticipated and resolved at the initial stage of Scheme implementation, given the technology-driven nature of EV incentive disbursement.

3.37 Accordingly, the Committee recommends that the Ministry give a vigorous push in the following areas to accelerate the momentum of claim-processing for OEMs:

- a. Establish a robust and fully integrated digital verification mechanism with all States/UTs to ensure seamless, real-time validation of vehicle registration data and to prevent recurrence of similar bottlenecks.**

- b. Institutionalise a time-bound framework for processing and disbursing eligible claims, particularly in high-volume segments such as e-two wheelers, so that OEMs do not face working capital constraints due to reimbursement delays.**
- c. Recognise that timely disbursement of incentives is critical for maintaining industry confidence and sustaining momentum in EV adoption across segments.**

INTRODUCTION OF SUBSIDY MECHANISM FOR ELECTRIC 4-WHEELERS

3.38 In its reply to the questionnaire, the Ministry informed the Committee that electric four-wheelers (e-4Ws) are presently not covered under the PM E-DRIVE Scheme. The Committee notes with concern that, despite steady growth in electric mobility, the penetration of e-4Ws remains modest when compared to two- and three-wheelers. One of the primary constraints is the significantly higher upfront cost of e-4Ws vis-à-vis conventional Internal Combustion Engine (ICE) vehicles, which acts as a deterrent for prospective buyers.

3.39 The Committee further observes that while incentives are available to manufacturers under the Production Linked Incentive (PLI) Scheme for Automobile and Auto Components, such incentives are supply-side interventions aimed at boosting domestic manufacturing and value addition. These measures, though important, do not directly mitigate the affordability gap faced by end consumers. In the absence of a calibrated, consumer-oriented subsidy mechanism, the transition in the four-wheeler segment—particularly among middle-class and private buyers in urban and metropolitan regions—may remain slow and sub-optimal, thereby limiting the overall decarbonisation potential of the transport sector.

3.40 In view of the above, the Committee strongly recommends that the Ministry:

- a. Urgently consider introducing a targeted and time-bound consumer incentive mechanism for electric four-wheelers under the PM E-DRIVE framework or through a dedicated sub-scheme.**
- b. Structure such incentives in a calibrated manner linked to battery capacity, vehicle efficiency, and price caps to ensure fiscal prudence while effectively bridging the upfront cost differential between EVs and ICE vehicles.**
- c. Institute a periodic impact assessment mechanism to evaluate whether manufacturing-linked incentives under the PLI Scheme are translating into tangible reductions in retail prices and improved consumer accessibility and furnish a report at the time of submitting ATR on the Report.**

3.41 The Committee is of the firm view that demand-side incentives are essential to accelerate mass adoption, deepen EV penetration in the personal mobility segment, and

achieve national objectives relating to energy security, reduction of oil imports, and mitigation of vehicular emissions.

FAME INDIA PHASE II – SETTLEMENT OF LIABILITIES AND TRANSITION

3.42 The Committee notes that the FAME India (Faster Adoption and Manufacturing of Electric Vehicles in India) scheme, which played a key role in the initial phase of EV promotion, had an Actual expenditure of Rs 1,113.95 crore in 2024-25 and an allocation of Rs 1,181.26 crore in RE 2025-26, primarily to settle committed liabilities. However, there is **zero allocation** for FAME India in BE 2026-27, indicating that budgetary support for the scheme has effectively ceased and that new EV promotion is being routed primarily through PM E-DRIVE.

3.43 The Committee is of the view that this transition must be managed effectively to ensure timely clearance of all pending claims under FAME and to avoid uncertainty for beneficiaries who invested on the basis of earlier incentives. It emphasises that the Ministry should provide a clear, quantified statement of outstanding liabilities and a time-bound plan for their settlement, while also ensuring design continuity and predictability in the shift from FAME to PM E-DRIVE.

PM E-BUS SEWA – PAYMENT SECURITY MECHANISM (PSM)

3.44 The Committee was informed that the PM e-Bus Sewa – Payment Security Mechanism (PSM) Scheme was notified on 28 October 2024 with a total outlay of Rs 3,435.33 crore to mitigate payment security risks under the Gross Cost Contract (GCC) model for e-buses. The Scheme envisages assured payment security for coverage of 38,000 or more e-buses for up to 12 years for each bus deployed under the scheme, aiming to structurally address payment default risks that have historically constrained private participation in urban bus operations.

3.45 The Committee observes that Standard Operating Procedures were issued on 30 May 2025, the first tender for 10,900 e-buses has been concluded through CESL, and 18 States have reportedly submitted Direct Debit Mandates (DDMs) with the Reserve Bank of India. It notes, however, that while Rs 500 crore was provisioned as capital support under PSM in 2025-26, the allocation in BE 2026-27 has been reduced to just Rs 12 crore (Revenue only), with no fresh capital provision, even though large-scale deployment is still at an early stage.

3.46 The Committee considers the PSM to be a critical enabler for e-bus deployment and recommends that the Ministry:

- a. Ensure time-bound operationalisation of all approved tenders and closely monitor the conversion of awarded contracts into actual deployment of buses.**
- b. Track payment performance of Public Transport Authorities, instances of PSM invocation and overall fiscal exposure, and periodically review the**

adequacy and sustainability of the PSM structure over the 12-year concession period.

SCHEME TO PROMOTE MANUFACTURING OF ELECTRIC PASSENGER CARS IN INDIA (SPMEPCI)

3.47 The Committee was informed that the Scheme to Promote Manufacturing of Electric Passenger Cars in India (SPMEPCI) was notified on 15 March 2024 to attract investment from global EV manufacturers and promote India as a manufacturing destination for electric passenger cars. The Scheme requires a minimum investment of Rs 4,150 crore (USD 500 million), mandates commissioning of manufacturing facilities within three years and prescribes phased Domestic Value Addition (DVA) thresholds of 25% in three years and 50% in five years.

3.48 Approved applicants are allowed to import limited volumes of Completely Built Units at a concessional customs duty of 15% for five years, subject to minimum CIF value and annual quantity caps, with the total duty foregone capped by a ceiling tied to committed investment. The application window remained open till 21 October 2025; however, no applications were received. BE 2026-27 provides only a modest allocation of Rs 6.77 crore for this Scheme.

3.49 The Committee is concerned that the absence of applications, despite the strategic importance of the electric passenger car segment, indicates a possible misalignment between the scheme design and prevailing industry expectations or global investment conditions. The Committee, therefore, recommends that the Ministry undertake a comprehensive review of SPMEPCI in consultation with global and domestic stakeholders, with a view to recalibrating investment thresholds, value-addition timelines, or incentive structures, while ensuring that the core objectives of domestic manufacturing, higher DVA, climate commitments and reduced import dependence remain fully protected.

PRODUCTION LINKED INCENTIVE (PLI) SCHEME FOR AUTOMOBILES AND AUTO COMPONENTS

3.50 The PLI Scheme for Automobiles and Auto Components, launched in September 2021 with a total outlay of Rs 25,938 crore, aims to strengthen India's position as a global hub for advanced and sustainable automotive manufacturing. It comprises the Champion OEM Incentive Scheme for Battery Electric Vehicles (BEVs) and Hydrogen Fuel Cell Vehicles (HFCVs) across all segments and the Component Champion Incentive Scheme for Advanced Automotive Technology components and aggregates.

3.51 The Scheme provides sales-linked incentives—ranging from 13–18% for Advanced Automotive Technology (AAT) vehicles and 8–13% for AAT components, with an additional 5% for BEV/HFCV components—subject to a stringent Domestic Value Addition (DVA)

requirement of at least 50%, certified by designated testing agencies. The Scheme commenced with a gestation period in FY 2022–23, with incentives payable for five consecutive financial years from FY 2023–24 to FY 2027–28, and disbursements scheduled from FY 2024–25 to FY 2028–29 based on verified performance outcomes and fulfillment of the prescribed minimum investment thresholds by participating firms.

3.52 Budget-wise, the Committee notes the following pattern from submission furnished by the MHI:

Year	BE	RE	Actuals	% w.r.t. RE
2023-24	604.00	483.77	2.63	0.54
2024-25	3500.00	346.87	325.37	94
2025-26	2818.85	2091.26	2061.74	98.59
2026-27	5939.87	--	--	--

3.53 The Committee observes that while utilisation against RE has improved in recent years, there have been substantial downward revisions from BE at the RE stage, indicating either over-estimation in budgeting or slower-than-anticipated implementation during scheme roll-out. It further notes that PLI Auto alone accounts for nearly three-fourths of the Ministry's total Demand for 2026-27, magnifying fiscal and implementation risks if projections do not materialise as expected.

3.54 The Committee, therefore, recommends that the Ministry:

- a. Adopt conservative, pipeline-based budgeting for PLI Auto with quarter-wise expenditure roadmaps tied to verified applicant claims, avoiding repeat BE-RE slippages.
- b. Establish a high-level monitoring mechanism with monthly progress reviews of approved applicants' capacity commissioning, sales scaling, and DVA certification to ensure timely incentive disbursement.
- c. Analyse and address segment-specific bottlenecks (e.g., OEM eligibility thresholds excluding domestic start-ups) through calibrated eligibility relaxations while maintaining fiscal safeguards.
- d. Prepare contingency plans including reallocation of unutilised funds to high-performing segments or complementary schemes like PM E-DRIVE, with quarterly status reports to the Committee.

ELIGIBILITY CRITERIA AND PARTICIPATION CONCERNS

3.55 The Committee notes the following eligibility thresholds as per the guidelines furnished by the MHI:

Eligibility Criteria	Auto OEM	Auto-Component
Global group Revenue (from automotive and/or auto component manufacturing)	Minimum ₹ 10,000 crore.	Minimum ₹ 500 crore.
Investment	Global Investment of Company or its Group Company(ies) in fixed assets (gross block) of ₹ 3,000 crore.	Global Investment of Company or its Group Company(ies) in fixed assets (gross block) of ₹150 crore.

3.56 The Committee observes that stringent global revenue and investment thresholds for Auto OEM eligibility (minimum global group revenue of Rs 10,000 crore and fixed-asset investment of Rs 3,000 crore) may limit participation of emerging domestic manufacturers and EV-focused start-ups. It therefore recommends calibrated flexibility or differentiated criteria for high-potential domestic players, especially in e-2W, without compromising financial safeguards.

PERFORMANCE STATUS

3.57 The Committee also notes that more than 4 years have passed since the launch of scheme. While investment target is near achievements, it has not translated into desired employment generation and sales. As on 31 December 2025, cumulative investment under the Scheme stands at Rs 39,081 crore against a five-year projection of Rs 42,500 crore, while incremental sales amount to Rs 41,121 crore against a target of Rs 2,31,500 crore and employment generated is 61,241 persons against a projection of 1,48,147. Incentive disbursement of Rs 2,378 crore up to 31 January 2026 remains a small proportion of the total outlay as shown in the table below:

Parameter	Projections for 5 years	Actuals (Cumulative) till Dec-25
Investment	Rs. 42,500 crore	Rs. 39,081 crore
Employment	1,48,147	61,241
Incremental Sales (Base Yr FY19-20)	Rs. 2,31,500 crore	Rs. 41,121 crore
Incentive Disbursement	Rs. 25,938 crore	Rs. 2,378 crore*

* Up to 31.01.2026

3.58 Accordingly, the Committee recommends that the Ministry:

- a. Adopt more realistic budgeting based on actual implementation capacity and pipeline of claims and prepare a clear, quarter-wise expenditure roadmap for 2026-27 to avoid large BE–RE divergences.
- b. Intensify monitoring of approved applicants to ensure timely commissioning of capacities and faster scaling-up of production, particularly in Zero Emission Vehicle segments, and analyse sector-wise performance to identify bottlenecks affecting sales and employment generation.

PRODUCTION LINKED INCENTIVE (PLI) SCHEME FOR NATIONAL PROGRAMME ON ADVANCED CHEMISTRY CELL (ACC) BATTERY STORAGE

3.59 The Committee notes that the PLI Scheme for ACC Battery Storage, launched in May 2021 with an outlay of Rs 18,100 crore, aims to create 50 GWh of ACC manufacturing capacity (plus 5 GWh for niche technologies) through a technology-agnostic, performance-linked framework. Beneficiary firms must set up a minimum of 5 GWh capacity with investment of about Rs 225 crore per GWh, meet DVA milestones (25% within two years, 60% within five years) and are eligible for quarterly subsidies capped at 20% of sale price.

3.60 Year-wise budgetary allocation and actual utilization - The breakup of approved financial roadmap versus actual allocations is as follows:

3.61 As furnished to the Committee, the approved scheme outlay (at time of notification) is given below:

Budgetary Provision	FY	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	Total
	Subsidy (₹ Cr)	Setting Up of Manufacturing Facilities		2,700	3,800	4,500	4,300	2,800	18,100

3.62 Actual budget allocations and utilization:

Year	Budget Estimates (BE)	Revised Estimates (RE)	Actuals	% w.r.t. RE
2024-25	250.00	15.42	12.28	79.63
2025-26	155.76	13.31	9.71	72.95
2026-27	86.01	-	-	-

3.63 The Committee expresses serious concern over the disconnect between the approved outlay and the meagre utilisation and allocations made so far, which fall far short of the originally envisaged subsidy path of Rs 2,700 crore in 2024-25, Rs 3,800 crore in 2025-26 and Rs 4,500 crore in 2026-27.

3.64 The Committee, therefore, recommends that the Ministry:

- a. Conduct immediate beneficiary-wise review with status report within 3 months; grant conditional timeline extensions only for verifiable constraints, with capacity reallocation for non-performers.
- b. Align BE 2026-27 allocations to match approved subsidy path with quarterly monitoring and independent audits.
- c. Pragmatically calibrate early-year DVA (include R&D/software), expedite domestic testing upgrades, diversify critical mineral sourcing.
- d. Integrate MSMEs/start-ups via cluster incubation, subsidised testing, and tech transfer mandates; prioritise LFP (Lithium Iron Phosphate)/sodium-ion chemistries.

BENEFICIARY-WISE STATUS AND CAPACITY COMMISSIONING

3.65 The MHI furnished to the Committee, the following status of beneficiary firms:

S. No.	Beneficiary firms under PLI ACC Scheme	Capacity Awarded (MWh)	Commissioned Capacity (MWh)	Capacity Under Commissioning (MWh)
1.	ACC Energy Storage Pvt. Ltd.	5,000	0	5,000
2.	Ola Cell Technologies Pvt. Ltd.	20,000	1,000	19,000
3.	Reliance New Energy Battery Storage Ltd.	5,000	0	5,000
4.	Reliance New Energy Battery Ltd.	10,000	0	10,000
	TOTAL	40,000	1,000	39,000

(Note: 1GWh = 1,000 MWh)

3.66 It may be noted that, out of 50 GWh, only 40 GWh has been awarded so far and just 1 GWh has been commissioned, with the remaining 39 GWh under commissioning and no incentives yet disbursed due to non-fulfilment of eligibility conditions.

3.67 The Committee recognises that the Scheme remained in gestation up to December 2024, that lithium-ion cell technology is niche and evolving, and that export controls and supply-chain issues have impeded project execution. Nevertheless, it is of the firm view that allocations must be aligned more closely with the Scheme's approved financial roadmap and that timely course correction is essential to preserve India's window of opportunity in advanced batteries.

3.68 The Committee, therefore, recommends that the Ministry:

- a. **Undertake an immediate beneficiary-wise review, place a detailed status report before the Committee and consider granting a one-time conditional extension of timelines linked to clear milestones where delays are attributable to genuine systemic constraints, with provision for reallocation of unutilised capacities in persistent non-performing cases.**
- b. **Adopt a phased and pragmatic enforcement of DVA thresholds, broaden the definition of DVA to include R&D and software, and strengthen domestic testing infrastructure to reduce dependence on overseas facilities.**

3.69 The Committee also underlines the importance of securing reliable access to critical minerals, diversifying supply chains, supporting R&D in alternative chemistries and integrating MSMEs and start-ups into the ACC value chain through cluster-based incubation and affordable testing facilities. It believes that without these parallel measures, giga-scale ACC manufacturing may not achieve its intended objectives of localisation, value addition and export competitiveness.

CRITICAL MINERALS AND SUPPLY CHAIN RESILIENCE

3.70 The Committee expresses deep concern over India's dependence on rare earth and critical minerals which are largely imported and dominated globally by a few countries, particularly China. China exercises overwhelming dominance in the global rare earth and critical minerals value chain—contributing nearly 70% of global mining output and commanding more than 90% of the processing capacity. Further, the recent imposition of export restrictions on key rare earth magnets by China has resulted in a supply chain bottleneck, impacting Indian industries, including electric vehicle manufacturers.

3.71 For the PLI–ACC Scheme, these developments represent a direct and immediate threat. The success of the programme hinges on uninterrupted access to critical minerals required for Advanced Chemistry Cell (ACC) manufacturing. Any disruption jeopardizes domestic value-addition targets, delays commissioning of projects, and risks eroding investor confidence. The Committee reiterates that given batteries constitute 35–40% of the cost of an electric vehicle (the single largest component), domestic ACC manufacturing is indispensable for lowering EV prices, strengthening energy security, generating employment, and building export competitiveness. Without a secure and diversified mineral supply base, the Scheme's transformational potential may remain unrealized.

3.72 To ensure the PLI–ACC Scheme remains on track and India retains momentum in the EV sector, the Committee strongly recommends the following urgent and strategic interventions:

- a. Strengthen supply resilience by deepening diplomatic and commercial engagement with resource-rich nations and swiftly operationalizing offtake agreements and joint ventures to secure diversified mineral imports.**
- b. Accelerate domestic exploration, processing, refining, and recycling initiatives under national missions relating to critical minerals.**
- c. Support technology diversification, with targeted investments in R&D for alternative chemistries, rare-earth-free motor technologies, and advanced battery systems tailored to Indian conditions, thereby reducing long-term vulnerabilities to supply shocks.**

INTEGRATION OF MSMES AND STARTUPS

3.73 From the submissions of the Ministry, the Committee observed that giga-scale ACC manufacturing is highly capital-intensive and will largely be undertaken by major corporations. However, the sustainability and innovation potential of the sector depend equally on the participation of MSMEs and startups, which can significantly contribute to the development of cathode and anode materials, separators, electrolytes, battery management systems (BMS), and recycling technologies. At present, high entry barriers, lack of

incubation support, and limited testing infrastructure restrict their integration into the value chain.

3.74 The Committee is of the considered view that without the meaningful participation of these enterprises, the objectives of the PLI–ACC Scheme—particularly localization, value addition, and the creation of a robust domestic supply chain—may not be fully realized.

3.75 The Committee, therefore, recommends that the Ministry:

- a. Establish cluster-based incubation centres and affordable testing facilities in proximity to ACC hubs. This would lower entry barriers, foster innovation, and enable MSMEs and startups to complement large manufacturers in strengthening the domestic battery manufacturing ecosystem.**
- b. Recognise that such integration will not only broaden the scope of the PLI–ACC Scheme but also accelerate technology development, generate employment, and reduce long-term import dependence.**

CONCLUDING OBSERVATIONS ON THE AUTOMOTIVE SECTOR

3.76 In light of the above, the Committee notes that the automotive and EV ecosystem has become the central focus of MHI's Demands for Grants, with the bulk of the Ministry's resources channeled into PM E-DRIVE, PM e-Bus Sewa (PSM), PLI Auto and PLI ACC. While this reflects the sector's strategic importance for growth, jobs, exports and decarbonisation, it also concentrates fiscal and implementation risks in a few large schemes, even as capital expenditure and institutional infrastructure support remain relatively modest.

3.77 The Committee is of the considered view that for this ambitious resource commitment to yield commensurate outcomes, the Ministry must: (i) improve the realism of budgeting and BE–RE forecasting; (ii) address structural and operational bottlenecks in scheme design and execution; (iii) strengthen convergence between demand-side and supply-side interventions; and (iv) ensure that the benefits of automotive sector growth are broad-based across regions, firm sizes and technology segments.

CHAPTER 4: CAPITAL GOODS SECTOR

OVERVIEW

4.1 The capital goods sector, comprising plant, machinery, equipment and accessories required for manufacturing and services, continues to be a strategic backbone of industrialisation, contributing about 1.9 per cent to GDP and supporting large-scale direct and indirect employment. The sector is central to national objectives such as Make in India and Atmanirbhar Bharat, as it underpins capacity creation and technological upgradation across core industries including power, infrastructure, mining, transportation and manufacturing.

4.2 The major sub-sectors of the capital goods industry include machine tools, dies, moulds and press tools, textile machinery, printing machinery, earthmoving, construction and mining machinery, plastic processing machinery, food processing machinery and process plant equipment. These segments exhibit differing patterns of domestic capability, import dependence and export competitiveness, which must inform targeted policy support rather than a one-size-fits-all approach.

4.3 The Ministry's overall support to the capital goods ecosystem is currently channelled mainly through the Scheme for Enhancement of Competitiveness in the Indian Capital Goods Sector – Phase II (Capital Goods Scheme) and a new Scheme for Enhancement of Construction and Infrastructure Equipment (CIE), along with grant-in-aid to the Central Manufacturing Technology Institute (CMTI). In the Committee's view, the scale and design of these interventions need to be aligned more closely with the sector's size, rising import intensity in critical segments and the ambitions of an investment-led growth strategy.

RECENT PERFORMANCE AND STRUCTURAL TRENDS

4.4 The Committee notes from the Annual Report 2025-26 that over the five-year period from 2020-21 to 2024-25, production in key capital goods sub-sectors has grown, but with pronounced divergence across segments. Production of process plant equipment rose from ₹21,938 crore to ₹31,505 crore, earthmoving and mining machinery from ₹29,021 crore to ₹80,750 crore, and printing machinery from ₹10,058 crore to ₹29,716 crore, reflecting strong domestic demand linked to infrastructure and industrial expansion. Machine tools production more than doubled from ₹6,602 crore to ₹14,286 crore, though this growth has been insufficient to keep pace with the surge in demand reflected in rapidly rising imports.

4.5 At the same time, the Committee observes that import growth has outpaced production in several segments, especially where technologies are advanced or precision-intensive. Imports of machine tools increased from ₹5,965 crore in 2020-21 to ₹18,686 crore in 2024-25, while textile machinery imports rose from ₹8,096 crore to ₹16,417 crore and food processing machinery imports from ₹1,965 crore to ₹10,850 crore over the same period.

4.6 The Committee expresses concern that export performance, though positive in some segments, has not kept pace with import growth, resulting in a widening trade deficit in capital goods. For example, exports of process plant equipment increased from ₹6,248 crore in 2020-21 to ₹10,968 crore in 2024-25, and exports of earthmoving and mining machinery from ₹1,816 crore to ₹6,800 crore, yet the aggregate import bill in key machinery categories has risen faster than exports.

4.7 The Committee is of the view that this pattern reflects a dual reality: domestic manufacturers are scaling up capacity and participating more actively in export markets, but India remains heavily dependent on imported equipment and components in technologically intensive niches. Unless this structural gap is addressed through focused technology development, scale-up and ecosystem support, import intensity will remain high even as overall production increases.

4.8 Capital goods sub-sector trends (2020-21 and 2024-25)

in ₹ crore

Sub-sector	Production 2020-21	Production 2024-25	Imports 2020-21	Imports 2024-25	Exports 2020-21	Exports 2024-25
Machine tools	6,602	14,286	5,965	18,686	531	1,472
Dies, moulds and press tools	12,294	18,400	6,000	9,400	973	2,300
Textile machinery	5,093	10,461	8,096	16,417	3,307	2,242
Printing machinery	10,058	29,716	6,814	12,651	1,012	2,584
Earthmoving and mining machinery	29,021	80,750	1,166	4,250	1,816	6,800
Plastic processing machinery	3,710	4,827	1,860	4,405	1,348	2,428
Food processing machinery	10,250	15,249	1,965	10,850	4,555	4,562
Process plant equipment	21,938	31,505	3,024	7,645	6,248	10,968

Note: Figures for FY 2024-25 are estimated

IMPORT DEPENDENCE AND STRATEGIC VULNERABILITIES

4.9 Import-to-production ratios are particularly adverse in machine tools, textile machinery and food processing machinery, where imports either match or exceed domestic output in value terms. In machine tools, for instance, imports in 2024-25 (₹18,686 crore) exceeded domestic production (₹14,286 crore), while textile machinery saw imports of ₹16,417 crore against production of ₹10,461 crore, indicating deep dependence on foreign suppliers for high-end equipment and critical components.

4.10 Further, the Ministry's submissions that technology gaps, shortage of skilled manpower, fragmented supply chains and unfair competition from low-cost imports, including obsolete or refurbished machinery, continue to constrain the growth and competitiveness of the domestic capital goods sector. The Committee is concerned that, in the

absence of adequate safeguards and quality standards enforcement, low-quality imports can crowd out domestic manufacturers and discourage adoption of indigenously developed technologies. The Ministry has further informed that the import-to-production ratio for capital goods machinery as a whole stands at about 41.1 per cent, down from 53.9 per cent in 2022-23, indicating some progress but still reflecting substantial external dependence.

4.11 The Committee is of the view that high import dependence in critical capital equipment such as machine tools, power transmission equipment and heavy castings entails strategic vulnerabilities, especially in the context of global supply chain disruptions and export restrictions on advanced technologies. Reducing import intensity in these segments is essential not only for industrial resilience but also for maintaining policy space in an increasingly technology-contested global environment.

4.12 The Committee recommends that the Ministry, in consultation with industry associations and user Ministries, undertake a granular, product-wise analysis of import dependence in capital goods, identify 20–30 high-impact product lines (such as multi-axis Computer Numerical Control (CNC) machine tools, advanced textile machinery and high-capacity construction equipment) and prepare a time-bound indigenisation roadmap with measurable import-substitution and export targets.

4.13 The Committee further recommends that the Government strengthen enforcement of quality control orders and standards to curb the import of obsolete and sub-standard machinery, while simultaneously rationalising inverted duty structures that disadvantage domestic manufacturers in high-value segments. Public procurement policies should explicitly prioritise domestically manufactured capital goods meeting prescribed quality and localisation criteria, with clear annual reporting on progress.

CAPITAL GOODS SCHEME – PHASE II

4.14 The Scheme for Enhancement of Competitiveness in the Indian Capital Goods Sector – Phase II was notified on 25 January 2022 with a total financial outlay of ₹1,207 crore, including budgetary support of ₹975 crore and industry contribution of ₹232 crore. The Scheme comprises six components, covering technology innovation portals, Centres of Excellence (CoEs), skilling (Qualification Packs at higher skill levels), Common Engineering Facility Centres (CEFCs), testing and certification centres and industry accelerators for technology development.

4.15 Under Phase II, 29 projects with a total project cost of about ₹891 crore and Government contribution of about ₹715 crore have been sanctioned, including 7 CoEs, 4 CEFCs, 6 testing and certification centres, 9 industry accelerators and 3 Qualification Pack projects. The Scheme has so far led to development of more than 100 niche technologies in sectors such as machine tools, automotive, additive manufacturing and welding, generated revenue of about ₹309 crore, and yielded 80 patent filings and 18 granted Intellectual Property Rights (IPRs).

4.16 CAPITAL GOODS SCHEME PHASE II – FUND UTILISATION

Year	Allocation at RE stage (₹ crore)	Actual expenditure (₹ crore)
2022-23	199.60	199.24
2023-24	187.20	83.84
2024-25	184.00	183.65
2025-26*	120.00	99.43

*Expenditure up to 08.02.2026.

4.17 The Committee notes the year-wise fund utilisation pattern under Phase II: allocations at the revised estimate stage and actual expenditure were ₹199.60 crore and ₹199.24 crore in 2022-23, ₹187.20 crore and ₹83.84 crore in 2023-24, ₹184.00 crore and ₹183.65 crore in 2024-25, and ₹120.00 crore and ₹99.43 crore (up to 8 February 2026) in 2025-26. While utilisation has been near-full in 2022-23 and 2024-25, the sharp under-utilisation in 2023-24 points to implementation delays and project-level bottlenecks.

4.18 The Committee is of the view that, although the Scheme has delivered encouraging outcomes in terms of technology development, patents and institutional infrastructure, the pace of commercialisation and diffusion into the broader manufacturing base remains modest. In particular, MSMEs and tier-II and tier-III suppliers often lack the risk capital, technical capacity and market linkages required to absorb new technologies developed under Centre of Excellence (CoEs) and accelerators.

4.19 Accordingly, the Committee recommends that the Ministry accord highest priority to accelerating industry adoption of technologies developed under the Capital Goods Scheme – Phase II by: (i) setting explicit commercialisation and domestic value-addition targets for each CoE and accelerator project; (ii) establishing dedicated technology-transfer and handholding cells to work with MSMEs and clusters; and (iii) linking a defined share of Scheme funding to demonstrable outcomes such as licensed technologies, pilot production lines and reduction in import intensity for identified product categories.

4.20 The Committee further recommends that the Ministry institute a robust quarterly monitoring framework for the Scheme, with project-wise physical and financial milestones, and place a consolidated utilisation and outcomes statement in the public domain each year. Future budgetary allocations for the Scheme may be calibrated to past utilisation and outcome performance, so that scarce resources are channelled to high-impact, implementation-ready projects.

SCHEME FOR ENHANCEMENT OF CONSTRUCTION AND INFRASTRUCTURE EQUIPMENT (CIE)

4.21 A new Scheme for Enhancement of Construction and Infrastructure Equipment (CIE) was announced in the Union Budget 2026-27 with an initial provision of ₹200 crore in 2026-27 and a total financial outlay of ₹14,300 crore over seven years. The Scheme aims to

promote domestic manufacturing of high-value construction and infrastructure equipment and critical components that are either fully imported or characterised by low domestic value addition.

4.22 CIE Scheme – incentive outlay phasing

Financial year	Incentive outlay (₹ crore)
2029-30	2,150
2030-31	2,600
2031-32	3,550
2032-33	3,550
2033-34	1,800
Total	13,650

(Note: Additional provision of ₹150 crore for administrative expenses and ₹500 crore for testing infrastructure takes the total CIE Scheme outlay to ₹14,300 crore.)

4.23 The Ministry has informed that the domestic CIE market is valued at about ₹1.03 lakh crore and faces significant import dependence, with around 10 per cent of equipment fully imported and roughly 40 per cent of the market comprising equipment with domestic value addition below 30 per cent. The Scheme seeks to enhance domestic value addition to at least 30 per cent for fully imported equipment and 50 per cent for high-import equipment and components, and is expected to catalyse new investment of about ₹17,000 crore, generate around 10 lakh jobs and raise exports from ₹6,800 crore to ₹25,500 crore by 2032-33.

4.24 The Committee is of the view that the CIE Scheme has the potential to address a critical gap in the capital goods ecosystem by targeting large, fast-growing and technology-intensive segments such as tunnel-boring machines, high-capacity cranes, off-highway trucks and specialised construction equipment. However, the Committee underlines that outcomes will depend on timely operationalisation, transparent beneficiary selection, and effective coordination with user Ministries responsible for roads, railways, metros, mining and urban development.

4.25 The Committee also notes that with only ₹200 crore allocated in the first year and bulk incentive disbursement not expected before FY 2029-30, the operational and monitoring architecture must be put in place well in advance so that the initial years are used productively for scheme design, beneficiary selection and capacity building rather than procedural delays.

4.26 The Committee recommends that the Ministry ensure that the CIE Scheme is operationalised in a time-bound manner, with clear eligibility criteria, competitive selection of beneficiaries and strict domestic value-addition thresholds. The Committee further recommends that the Ministry publish an annual CIE Scheme progress report detailing investment realised, domestic value-addition achieved, import substitution in identified equipment categories and export performance, to enable close parliamentary oversight.

INSTITUTIONAL ECOSYSTEM: CMTI, TESTING AND SKILLS

4.27 The Central Manufacturing Technology Institute (CMTI), Bengaluru, functions as a national R&D laboratory for capital goods, with a mandate to develop advanced machine tools, process technologies and metrology solutions, and to provide specialised testing, calibration and training services. In 2026-27, CMTI has been allocated ₹22.04 crore as grant-in-aid, while other autonomous bodies in the Ministry's ecosystem are expected to remain self-sustaining.

4.28 The Ministry's submissions that, although the Capital Goods Scheme supports the creation of testing and certification centres and CoEs, gaps remain in testing, certification and standardisation infrastructure across the capital goods value chain. Inadequate access to modern testing facilities can delay product development, inhibit compliance with international standards and weaken export competitiveness, particularly for smaller manufacturers.

4.29 The Committee notes that skill shortages in advanced manufacturing disciplines—such as mechatronics, automation, robotics, precision machining and digital manufacturing—are a persistent constraint on the sector. While the Scheme has facilitated development of higher-level Qualification Packs and the Ministry has encouraged CPSEs to invest in skill development and capacity building, the scale of interventions is still modest relative to the sector's future workforce needs.

4.30 The Committee recommends that the Ministry draw up a medium-term plan to position CMTI and the testing centres supported under the Capital Goods Scheme as an integrated national backbone for design validation, testing, certification and metrology in capital goods, with enhanced budgetary support linked to clear deliverables in terms of industry reach, test capacity utilisation and export-oriented services.

4.31 The Committee further recommends that the Ministry, in collaboration with sector skill councils and CPSEs, significantly upscale advanced manufacturing skilling initiatives in areas such as Computer Numerical Control (CNC) programming, robotics, automation and Industry 4.0, with specific annual targets for the number of technicians and engineers trained, and public reporting of outcomes at the scheme and institution level.

CONCLUDING OBSERVATIONS ON THE CAPITAL GOODS SECTOR

4.32 The Committee notes as per the detailed Demands for Grants of the Ministry that the budgetary provision for the Capital Goods Scheme in 2026-27 is ₹125.36 crore, which constitutes barely 1.58 per cent of the Ministry's total budgetary allocation of ₹7,939.90 crore, even though the capital goods sector is central to India's manufacturing and infrastructure ambitions. Given the sector's size and its critical role in enabling high-quality

growth, the Committee is concerned that current resource levels may not be commensurate with the scale of technology deepening and import substitution required.

4.33 The Committee is of the view that, taken together, Phase II of the Capital Goods Scheme, the new CIE Scheme and targeted support to institutions such as CMTI form a coherent but still under-scaled policy package. To translate these initiatives into meaningful gains in domestic value addition, export competitiveness and strategic autonomy, sharper prioritisation, stronger monitoring and clearer outcome metrics will be essential.

4.34 In conclusion, the Committee strongly recommends that the Government treat the capital goods sector as a core pillar of India’s investment-led growth strategy and progressively enhance resource commitments to high-impact interventions—particularly technology development, testing infrastructure, skilling and targeted import substitution in critical equipment—while ensuring strict outcome-based monitoring and transparency.

4.35 The Committee further recommends that the Ministry place, in the Demands for Grants for 2027-28 onwards, a consolidated “Capital Goods Sector Outcomes Statement” capturing, inter alia, trends in domestic production, imports, exports, import intensity in key segments, scheme-wise outputs and outcomes, and progress against the indigenisation roadmaps recommended in this Chapter and furnish a structure of the plan while submitting the ATRs, so that Parliament can track whether budgetary allocations are translating into tangible structural improvements in the sector.

CHAPTER 5: CENTRAL PUBLIC SECTOR ENTERPRISES (CPSEs) AND AUTONOMOUS BODIES

OVERVIEW OF CPSEs UNDER THE MINISTRY

5.1 Central Public Sector Enterprises (CPSEs) under the administrative control of the Ministry of Heavy Industries play a critical role in the development of core industrial sectors, particularly heavy engineering, capital goods, automotive components and related infrastructure segments. These enterprises were established to strengthen indigenous manufacturing capabilities, promote technological advancement and support strategic as well as infrastructure-related industries.

5.2 As per the latest submissions of the Ministry, there are 21 CPSEs under the administrative control of the Ministry of Heavy Industries, of which 16 CPSEs are operational, 4 CPSEs are under closure and 1 CPSE is non-operational. In addition, 15 CPSEs are under liquidation and fall within the purview of the Official Liquidator. Out of the 16 operating CPSEs, 11 are profit-making and the remaining 5 are incurring losses.

5.3 The Committee notes that during 2023–24, 6 out of 16 operational CPSEs were loss-making, but due to improvement in performance during 2024–25, Engineering Projects (India) Ltd. (EPIL) has turned profitable, reducing the number of loss-making CPSEs to 5. The loss-making CPSEs in 2024–25 are Andrew Yule and Company Ltd. (AYCL), Heavy Engineering Corporation Ltd. (HEC), HMT Machine Tools Ltd., NEPA Ltd. and Rajasthan Electronics & Instruments Ltd. (REIL), each operating in distinct segments with varied structural and operational challenges.

5.4 The Committee notes with satisfaction that out of 16 operational CPSEs under the Ministry, 11 are now profit-making and the number of loss-making CPSEs has reduced to 5. It particularly appreciates the turnaround efforts in Heavy Engineering Corporation Ltd. (HEC), which has projected a profit of ₹30 crore for 2026–27—its first anticipated profit in the last five years after consecutive losses—as well as the projected profit of ₹16.60 crore by Engineering Projects (India) Ltd. (EPIL).

5.5 The Committee recommends that the Ministry of Heavy Industries consolidate the recent improvements in the performance of its CPSEs, with particular emphasis on emerging profit-making entities such as HEC and EPIL. The Committee emphasises that these gains must be strengthened through continued operational reforms, prudent financial management, timely working capital support and diversification of business portfolios. The Ministry should ensure that CPSEs which have turned around are safeguarded against relapse through periodic performance reviews, risk-assessment mechanisms and strategic policy interventions, so as to secure durable and long-term financial sustainability across all CPSEs under its administrative control.

OBSERVATIONS FROM THE COMMITTEE'S STUDY VISIT TO KOLKATA

ANDREW YULE & COMPANY LTD. (AYCL)

5.6 During the Committee's study visit to Kolkata on 15.11.2025, the management of Andrew Yule & Company Ltd. apprised the Committee of its operational and financial position. The company contributes about 7 per cent of India's tea production and employs nearly 14,000 workers across estates in Assam and West Bengal. While its Electrical Division, with transformer capacity of about 1,000 MVA, is performing relatively well, the Tea Division has been incurring continuous losses.

5.7 The Committee notes that FY 2023–24 witnessed acute working-capital constraints, and losses continued in FY 2024–25 and FY 2025–26. The company cited structural challenges under the Plantation Act, particularly the mandatory land–labour ratio, which restricts workforce rationalisation even during lean months when there is no production but wages must still be paid. Competition from small tea growers, who account for a large share of national production and do not bear comparable social-overhead costs, has further strained viability, while poor internal accruals, a weak credit rating and delays in salary payments have adversely affected operations and manpower morale.

5.8 To sustain operations, the management informed the Committee that the company has undertaken a limited stake sale out of the Government's approved disinvestment and plans to monetise the remaining stake, which is expected to generate substantial resources for meeting liabilities. It has also sought technical guidance from the Tea Research Association and taken marketing initiatives to strengthen realisations and brand positioning.

5.9 The Committee recommends that the Ministry of Heavy Industries take up the matter with the Ministry of Labour and Employment for a comprehensive review of the relevant provisions of the Plantation Act, with a view to introducing greater flexibility in labour-related norms, wherever feasible and permissible within the broader social-protection framework.

5.10 The Committee further recommends that the Ministry of Heavy Industries explore proactive institutional measures to strengthen the revenue base of Andrew Yule & Company Ltd., particularly its Tea Division. In this regard, the Ministry may coordinate with concerned Ministries/Departments to facilitate procurement and supply of Andrew Yule tea in Government offices, Public Sector Undertakings, Defence Establishments, Railways and other Government institutions, wherever feasible and in accordance with applicable public-procurement norms. The Committee also notes that the Government has extended similar preferential institutional support to CPSEs such as M/s Balmer Lawrie & Company Limited (BLCL), M/s Ashok Travels & Tours (ATT) and Indian Railways Catering and Tourism Corporation Ltd. (IRCTC) by mandating that air tickets for Government-funded official tours and Leave Travel Concession (LTC) journeys be booked only through these authorised travel agents. In

the Committee’s view, carefully designed and transparent institutional arrangements of this kind, implemented strictly within the framework of existing public-procurement rules, could provide stable market support, improve cash flows and enhance brand visibility for AYCL. The Ministry may take necessary steps in consultation with the concerned Government authorities and keep the Committee apprised of progress in this regard.

CEMENT CORPORATION OF INDIA LTD. (CCI)

5.11 During the same Kolkata visit in 2025, the Committee also interacted with the management of Cement Corporation of India Ltd. (CCI) regarding its operational performance, modernisation plans and financial position. CCI, incorporated in 1965, is the only Central Public Sector Enterprise in the cement industry with an installed capacity of 14.46 lakh Metric Tonne (MT)per annum and was declared sick in 1996, with a Board for Industrial and Financial Reconstruction (BIFR)-sanctioned rehabilitation scheme in 2006 providing for the sale of non-operating units and modernisation of operating plants. The Committee notes that CCI has achieved a sustained turnaround in profitability in recent years, with profits improving, accumulated losses declining and net worth turning positive, although revenue has moderated in 2024-25 and the turnaround remains incomplete and vulnerable to market conditions.

5.12 Key financial and operating indicators of CCI (₹ in crore)

S. No.	Parameters	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25
1	Revenue from operations	249	415	419	441	418	327
2	Total revenue	298	449	456	557	574	441
3	Profit after tax	–51	13	40	95	95	31
4	Accumulated profit / loss	–834	–820	–780	–685	–590	–559
5	No. of regular employees	504	486	414	386	346	310
6	Revenue from operations per employee	0.49	0.85	1.00	1.10	1.20	1.00
7	Net worth	–22	–9	31	126	222	253

5.13 The Committee observes that CCI operates in a cyclical, capital-intensive industry that is undergoing rapid consolidation, with major private players such as UltraTech Cement Ltd. and Adani Cement Ltd. acquiring plants, deploying state-of-the-art, energy-efficient technology and benefiting from economies of scale, enabling them to undercut prices by about ₹35–45 per bag in some markets. Although CCI has an approved plan for Internal and Extra Budgetary Resources (IEBR)-funded capital expenditure, actual utilisation during the current year has lagged significantly behind the Budget Estimates (₹2.31 crore utilised against BE ₹38.77 crore in 2025-26), suggesting delays in project execution and slow progress in capacity expansion and technology upgradation; if not addressed in a time-bound manner, this under-utilisation of IEBR could constrain CCI’s ability to compete effectively with larger private producers and to withstand demand and price down-cycles, particularly in

the context of an ongoing policy decision to pursue strategic disinvestment of CCI as a whole.

5.14 The Committee recommends that the Ministry of Heavy Industries, in consultation with the management of CCI, put in place a time-bound action plan to accelerate implementation of approved modernisation and capacity-expansion projects, with clear quarterly milestones for IEBR utilisation and periodic reporting of physical and financial progress. The Committee further recommends that CCI draw up a medium-term strategy for gradual reduction of its debt burden through improved operating cash flows, better capacity utilisation, energy-efficiency gains and calibrated asset monetisation, so that the current return to profitability is consolidated and sustained. This operational-strengthening roadmap should be aligned with, and not delayed by, the parallel process of strategic disinvestment approved in principle by the Government, and progress on these measures may be reviewed periodically at the Minister’s level and reported to the Committee.

HMT MACHINE TOOLS LIMITED

5.15 The Committee also interacted with the management of HMT Machine Tools Limited (HMT MTL), which was envisioned in 1949 and incorporated in 1953 as India's pioneering "Mother of Machine Tools," operates a robust pan-India network of manufacturing units in Bengaluru (the main complex), Pinjore, Kalamassery, Hyderabad, Ajmer, Aurangabad, and others, alongside regional marketing offices in key cities like Delhi, Mumbai, Chennai, Kolkata, Nagpur, and Kanpur. During the Parliamentary Standing Committee's study visit and detailed interactions with company management on November 15, 2025, members gained in-depth insights into HMT MTL's current operational realities, comprehensive revival roadmap, and pressing financial constraints that continue to impede its potential. Over decades, the company has played a pivotal role in national self-reliance by designing, developing, and supplying high-precision, import-substituting machine tools and equipment to critical strategic sectors including Defence, Aerospace, Nuclear, Railways, Space, and Power—delivering cost-effective solutions that have saved billions compared to foreign alternatives. During the interaction with the Committee, the management highlighted on some core areas of the CPSE as briefly discussed below.

Strategic Contributions to Key Sectors

5.16 HMT MTL's track record as reflected in the following table underscores its indispensable value to India's defence and industrial ecosystem, with notable examples of indigenous innovation:

Sector	Example Equipment	Units Supplied	Cost Savings vs. Import
Defence/Aerospace	Flow Forming Lathe (Pinaka rocket tubes)	3 to Ordnance Factory, Nagpur	Rs. 8 Cr total (Rs.7 Cr vs. Rs.15 Cr/unit)
Aerospace	Computer Numerical Control	4 to ISRO's SDSC	Rs. 12 Cr/unit (Rs.16

	(CNC)Vertical Face Mill (Chandrayaan GSLV)	SHAR	Cr vs. Rs.28 Cr)
Nuclear	Spent Fuel Chopper	4 to Bhabha Atomic Research Centre (BARC), Tarapur	Indigenous (previously denied tech)
Navy	Directing Gear System (Hull Sonar)	23 via BEL (India, Myanmar, Russia)	Rs. 6 Cr/unit (Rs.5 Cr vs. Rs.11 Cr)
Railways	Twin-Head Axle Grinder	1 to Integral Coach Factory, Chennai	Rs. 11 Cr total (vs. Rs.22 Cr)

5.17 These contributions, spanning special-purpose machines for BARC, ISRO, Indian Railways, Armed Forces, and more, highlight HMT MTL's expertise in reconditioning, refurbishing, and catering to automobiles, general engineering, and skill development centers.

Industry 4.0 Innovation: HMT iConnect

5.18 Demonstrating forward-thinking adaptation, HMT MTL unveiled its in-house Industry 4.0 platform, HMT iConnect, at IMTEX 2025 in Bengaluru on January 23, 2025, inaugurated by Hon'ble Minister of Heavy Industries Shri H.D. Kumaraswamy. This advanced solution facilitates real-time monitoring of multiple machines, optimizes Overall Equipment Effectiveness (OEE) through metrics like availability, performance, and quality, and provides automated alerts, detailed analytics, and flexible cloud or on-premise deployment—directly addressing productivity bottlenecks in modern manufacturing.

Financial Performance and Liabilities

5.19 HMT MTL's financials reveal ongoing distress amid declining revenues and mounting losses, compounded by low capacity utilization:

Year	Total Income (Rs. Cr)	Profit Before Tax (PBT)(Rs. Cr)	Capacity Utilization (%)	Employees (incl. contractual)
2022-23	156	-132	62	1,740
2023-24	113	-155	69	1,813
2024-25	124	-161	70	1,536

5.20 The workforce stands at 522 regular employees as of November 2025 (down from 559 in April 2025), with a 53:47 direct-to-indirect ratio and 125 superannuations projected over 2025-28. Critical liabilities include substantial Government of India (GoI) and parent company loans with accrued interest, plus significant unpaid employee terminal benefits like PF, gratuity, and leave encashment.

Core Challenges

5.21 HMT MTL confronts multifaceted hurdles: massive legacy debts and unpaid terminal benefits; ageing infrastructure and obsolete machinery requiring urgent repairs; technological gaps in super-precision manufacturing for aeronautics/defence; acute shortages of specialist manpower for special-purpose machines; outdated 1997 pay scales (lagging behind 2007

scales at peer HMT units); fierce competition from cheap second-hand imports (often junk from Europe), MSME tender preferences (up to 15% price edge), stringent PSU payment terms (80-100% post-completion, straining working capital), and pre-qualification barriers in government bids.

Technical Committee Revival Framework

5.22 In November 2024 (Order No. 1-056/2024-PE.XCPSE.I), the Ministry of Heavy Industries formed a Technical Committee chaired by Dr. Vijay Kumar Saraswat (NITI Aayog), featuring experts from IIT Madras, CSIR-CMERI, BEML, AVNL, IMTMA, BEL, and HAL. Its Recommendation Report proposes a holistic revival:

Focus Area	Key Strategies
Restructuring	Consolidate units: CDRD innovation hub (Bengaluru), machining centers (Hyderabad), rail axles (Pinjore), foundries (Kalamassery/Hyderabad)
Technology	Develop 5-axis centers, FMS, VTLs, high-precision rails/axles, defence sub-systems; phased capex for upgrades
Human Resources	Revise to 2017 pay scale, extend retirement to 60 years; replenish via superannuations, then 20:80 permanent:contractual hires
Operations	Centralized procurement/inventory/supply chain; IT modernization, digital platforms across units; top management revamp

The Ministry is progressing these measures to restore viability.

Recommendations

5.23 The Committee is of the considered view that reviving HMT MTL is imperative for India's strategic industrial security, machine tool self-reliance, and support to defence/space sectors. The Ministry of Heavy Industries should urgently formulate a clear, time-bound revival plan with defined milestones, accountability mechanisms, and performance-linked financial support—including emergency interest-free loans and grants for settling dues, hiring, working capital, and establishing key facilities like the CDRD centre, alongside interest waivers/freezes on GoI loans and capex funded via non-core asset monetization. Priorities must encompass rapid technology modernization, establishment of a central R&D/advanced manufacturing facility, phased workforce renewal aligned with superannuations, careful disposal of surplus assets without compromising core operations, securing assured off-take orders from Defence/Railways/PSUs for demand stability, and instituting rigorous quarterly monitoring with transparent periodic reporting to track and enforce improvements in management practices, cost controls, and productivity metrics.

PERFORMANCE OF LOSS-MAKING CPSEs AND REVIVAL MEASURES

5.24 The Committee notes from the Ministry's replies that the 5 loss-making CPSEs—AYCL, HEC, HMT Machine Tools, NEPA Ltd. and REIL—operate in diverse segments such as tea plantations, heavy engineering, machine tools, newsprint and electronics, with each

facing specific challenges including insufficient working capital, limited availability of skilled personnel and lack of equipment/machinery modernisation. The Ministry has stated that it periodically reviews the performance of all CPSEs by monitoring financial indicators, capacity utilisation, realisation of trade receivables and progress of projects of national importance.

5.25 The Committee further notes that an Annual Performance Review of operational CPSEs is conducted at the Minister's level to assess achievements and key initiatives aimed at improving efficiency, profitability, business expansion and modernisation, with particular focus on loss-making units and their operational way forward. However, given the persistence of losses in several entities and the limited scale of budgetary support, the Committee is of the view that more structured, CPSE-specific revival or closure strategies are required.

5.26 The Committee recommends that the Ministry prepare detailed, CPSE-wise revival or closure plans for each loss-making unit, clearly diagnosing the root causes of sickness (such as technology obsolescence, market conditions, working-capital gaps, legal/regulatory constraints and governance issues) and specifying the chosen strategy—turnaround, strategic sale, closure or asset monetisation. These plans should be accompanied by realistic timelines, funding requirements and expected outcomes, and should be periodically reviewed at the Minister's level and furnish in summary form for the consideration of the Committee.

BUDGETARY SUPPORT AND IEBR MOBILISATION

5.27 The Committee has examined the CPSE-wise details of budgetary support (grants, loans, waivers, conversions, guarantee fees, viability-gap funding etc.) during FY 2023–24 to 2025–26, as well as the present financial status of each enterprise. It notes that grant-based support has reduced sharply after large legacy support provided in earlier years, and that only token provisions have been kept for investments and loans in 2024–25 and 2025–26, with actual utilisation of these token amounts remaining negligible.

5.28 The Committee also notes that several CPSEs showed low Internal and Extra Budgetary Resources (IEBR) utilisation in 2024–25; out of an estimated IEBR of ₹397.22 crore in 2025–26, ₹297.29 crore had been utilised as on 31.12.2025, while IEBR budget for 2026–27 is projected at ₹449.20 crore. The Committee is of the view that improved IEBR mobilisation and utilisation, especially by stronger CPSEs such as BHEL, can reduce dependence on budgetary support and create more room for targeted assistance to stressed units.

5.29 The Committee recommends that the Ministry strengthen its monitoring of both budgetary support and IEBR utilisation across CPSEs. In particular, CPSEs with strong balance sheets should be encouraged to finance modernisation and expansion predominantly through internal resources and market-based borrowings, while

budgetary support is prioritised for settlement of statutory dues, employee-related liabilities and essential modernisation in financially weak but strategically important CPSEs. The Committee further recommends that the Ministry place before Parliament an annual statement summarising CPSE-wise budgetary support, IEBR mobilisation and key outcomes achieved.

ADEQUACY AND TARGETING OF “SUPPORT TO CPSES” PROVISION

5.30 The Committee critically observes that the allocation under “Support to Central Public Sector Enterprises” remains minimal at ₹2.23 crore in BE 2026–27, reflecting a decline from ₹3.21 crore at RE 2025–26. Given that several CPSEs under the Ministry continue to face financial stress, legacy liabilities, pending statutory dues and restructuring requirements, the modest level of direct budgetary support under this head appears inadequate to meaningfully address revival, modernisation or employee-related obligations. The Committee is concerned that insufficient provisioning may delay restructuring efforts and adversely impact operational stability of stressed CPSEs.

5.31 The Committee recommends that, over the medium term, the Ministry of Heavy Industries undertake a realistic assessment of the financial and restructuring needs of its CPSEs and ensure that budgetary support is better aligned with their revival and liability obligations. Financial assistance should be prioritised for settlement of statutory dues, employee-related liabilities and essential modernisation, and should be strictly linked to time-bound restructuring plans and measurable performance milestones. The Ministry may also institute a structured monitoring mechanism to track the utilisation and impact of such support, with periodic reporting to the Committee, to ensure effective turnaround and long-term sustainability of the CPSEs concerned.

AUTONOMOUS BODIES

5.32 As discussed in Chapter 1 of this Report, there are 21 CPSEs under the administrative control of the Ministry of Heavy Industries, of which 16 are operational, 4 are under closure and 1 is non-operational. In addition, there are 4 autonomous bodies under the Ministry, namely:

- i. Automotive Research Association of India (ARAI), Pune
- ii. Fluid Control Research Institute (FCRI), Palakkad,
- iii. Kerala National Automotive Board (NAB)
- iv. Central Manufacturing Technology Institute (CMTI), Bengaluru

5.33 The trend of allocations to CMTI during the last three years is as follows:

Particular	Actual 2024–25	BE 2025–26	RE 2025–26	BE 2026–27
Central Manufacturing Technology Institute				
Revenue (₹ crore)	18.89	20.03	20.60	22.04
Capital (₹ crore)	0.00	0.00	0.00	0.00
Total (₹ crore)	18.89	20.03	20.60	22.04

5.34 The Committee observes that the allocation to CMTI has shown a steady upward trend from ₹18.89 crore (Actual 2024–25) to ₹20.03 crore (BE 2025–26), ₹20.60 crore (RE 2025–26) and further to ₹22.04 crore (BE 2026–27). The entire allocation is under the revenue head, with no provision under capital expenditure during these years. While the gradual increase indicates continued emphasis on supporting research and development in manufacturing technology, the absence of capital allocation may constrain infrastructure expansion, acquisition of advanced equipment and modernisation initiatives required to keep pace with emerging technologies.

5.35 The Committee, therefore, recommends that the Ministry of Heavy Industries ensure that the enhanced revenue allocation to CMTI translates into measurable R&D outcomes, stronger industry linkages and effective technology transfer to domestic manufacturing units. The Ministry may also examine the need for providing dedicated capital support to CMTI for upgrading laboratories, testing facilities and advanced manufacturing infrastructure, so as to strengthen its role as a premier national institution in manufacturing technology. Periodic performance evaluation and outcome-based monitoring may be instituted to ensure that increased allocations result in tangible contributions to industrial competitiveness and technological self-reliance.

**CHAPTER 2: OVERVIEW OF BUDGETARY ALLOCATIONS AND
SYSTEMIC ISSUES**

AN OVERVIEW OF THE DEMANDS FOR GRANTS

1. The Ministry should institutionalise stricter quarterly and monthly expenditure plans, with corrective action for persistently lagging schemes, so as to prevent bunching of expenditure at the end of the financial year, which is in violation of the Department of Expenditure's guidelines on prudent expenditure control issued in this regard. (Para 2.4)

REVENUE-CAPITAL COMPOSITION OF EXPENDITURE

2. The Committee notes with concern that the expenditure profile reveals an overwhelming predominance of revenue expenditure, with capital expenditure forming a negligible share of the outlay. The Committee also notes that the sharp fall in capital from ₹502.00 crore in BE 2025-26 to ₹2.82 crore in BE 2026-27 is largely due to the dropping of the ₹500 crore loan provision to Convergence Energy Services Limited (CESL) under the Payment Security Mechanism (PSM) for PM-eBus Sewa, which had dominated the capital section in 2025-26. Once this loan is removed, almost the entire demand is recorded under the revenue section. (Para 2.7)

3. The Committee is of the view that, even after recognising this technical factor, the resulting pattern still represents a structural shift away from capital creation, loans and asset formation towards revenue-based disbursements and incentive payments. While higher revenue allocation may be justified to support large incentive schemes and ongoing programme commitments, the near-elimination of capital outlay raises serious concerns regarding sustainable asset creation, technology upgradation and modernisation of stressed public sector enterprises. (Para 2.8)

4. The Committee recommends that, over the medium term, the Ministry undertake a careful review of its expenditure composition with a view to restoring a more balanced mix between revenue and capital outlays. The Committee urges the Ministry to explore the scope for augmenting capital allocations—through re-prioritization within existing ceilings, savings from under-utilised revenue heads or, where necessary, supplementary demands—towards durable industrial assets, modernisation of testing and R&D infrastructure, and time-bound restructuring of stressed CPSEs. (Para 2.9)

SCHEME-WISE ALLOCATIONS AND STRUCTURAL SHIFTS (BE 2026-27)

5. The Committee observes that allocations for the Capital Goods Competitiveness Scheme and for CMTI have increased only modestly, by about 4.5 per cent and 10

percent respectively over BE 2025–26, and remain below or only marginally above the actual expenditure levels of 2024–25. In the Committee’s view, this appears inadequate when juxtaposed with the acknowledged technology gaps, skill shortages and high import dependence in the capital goods sector. (Para 2.13)

6. The Committee recommends that, over the medium term, the Ministry review the relative prioritisation of scheme outlays within the overall ceiling and examine whether incremental resources can be channelled towards technology-deepening interventions—particularly the Capital Goods Scheme, CIE Scheme and CMTI—without undermining the momentum of the flagship PLI and PM E-DRIVE schemes. (Para 2.14)

RESOURCE ADEQUACY AND MOF CEILINGS

7. The Committee recommends that the Ministry strengthen its internal resource-assessment methodology and engage in early, data-driven consultations with the Ministry of Finance so that critical schemes with multi-year commitments—such as PLI, PM E-DRIVE and CIE—receive predictable and adequate funding trajectories. The Committee further recommends that any significant divergence between projected needs and approved BE, scheme-wise, be transparently placed before the Committee, along with an explanation of the likely impact on physical and financial targets. (Para 2.17)

EXPENDITURE PATTERNS AND UNDER-UTILISATION

8. Building on the Ministry’s own diagnostic analysis in the background note on reasons for surrenders, the Committee recommends that the Ministry identify schemes with a history of chronic under-utilisation or repeated BE-to-RE compression and prepare scheme-specific expenditure-smoothing plans, including front-loading of approvals, early finalisation of guidelines and tender documents, and realistic phasing of targets. The Committee also recommends that the Ministry place before the Committee an annual statement on schemes where a significant share (for instance, more than 30 per cent) of BE has been surrendered or reduced at the RE stage, along with reasons and corrective measures envisioned for avoiding such shortfalls in the future. It may also draw up a workable time-line of action plan for the FY 2026-27 for such schemes. (Para 2.20)

CONCLUDING OBSERVATIONS

9. Overall, the Committee notes that Demands for Grants 2026–27 of the Ministry of Heavy Industries reflect an expansionary stance in terms of total outlay, a decisive tilt towards incentive-based revenue expenditure and flagship schemes in electric mobility and advanced manufacturing, and the introduction of a new CIE scheme. At the same time, the sharp compression of capital outlay, modest enhancement of allocations for the

capital goods ecosystem and recurrent BE-to-RE reductions remain areas of concern. (Para 2.21)

10. The Committee strongly recommends that the Ministry use the 2026–27 budget as an opportunity to consolidate gains from PLI and PM E-DRIVE, while simultaneously strengthening capital formation, technology infrastructure and CPSE restructuring through better-balanced allocations, improved utilisation and more transparent reporting of outcomes and slippages over the medium term. (Para 2.22)

CHAPTER 3: AUTOMOTIVE INDUSTRY

OVERVIEW OF THE AUTOMOTIVE INDUSTRY

11. The Committee notes that during FY 2024-25, India maintained a strong global position in the automotive sector, ranking 1st in three-wheelers, 2nd in two-wheelers, 4th in passenger vehicles and 5th in commercial vehicles. While exports are significant in two and three-wheelers, export potential in passenger and commercial vehicles remains under-utilised, particularly in higher value-added segments. (Para 3.5)

12. The Committee therefore, recommends that the Ministry of Heavy Industries adopt a focused strategy to enhance automotive exports, especially in passenger and commercial vehicles, through technology upgradation, global standard alignment and improved market access. Simultaneously, sustained holistic policy support may be extended to position India as a global hub for electric vehicle manufacturing and exports by strengthening localisation of EV components, battery technologies and charging infrastructure. (Para 3.6)

BUDGETARY CONTEXT WITHIN MHI

13. The Committee observes with concern that there have been large divergences between Budget Estimates (BE) and Revised Estimates (RE) in recent years, especially in major automotive schemes. For 2025-26, PM E-DRIVE, PLI Auto and PLI ACC all saw substantial cuts at RE stage, and utilisation rates against RE in earlier years were also modest. The Committee emphasises that the significantly enhanced outlays proposed for automotive schemes in BE 2026-27 must therefore be supported by realistic implementation plans, credible pipelines of eligible claims and strong monitoring, to avoid repeat patterns of under-utilisation and large RE-stage surrenders. (Para 3.9)

PM ELECTRIC DRIVE REVOLUTION IN INNOVATIVE VEHICLE ENHANCEMENT (PM E-DRIVE)

14. Further, while the overall allocation for PM E-DRIVE is Rs 1,500 crore in BE 2026-27, the allocation under demand incentives has been reduced sharply to about Rs 313.59 crore as against the revised allocation of Rs 1,129.85 crore in FY 2025-26. This

reduction comes at a time when several key capital-heavy segments are yet to demonstrate substantial on-ground progress, raising concerns that reduced demand-side support could dampen adoption momentum before the ecosystem is fully established.(Para 3.14)

SEGMENT-WISE PHYSICAL PROGRESS AND IMBALANCES

15. By contrast, strategically important categories such as e-trucks and e-buses have recorded nil achievement, and the e-rickshaw & e-cart segment has reached only 3,602 units against a revised outlay of 39,034. The Committee is concerned that this pronounced imbalance dilutes the broader objective of comprehensive electrification across multiple transport segments, including high-emission commercial and public transport vehicles. (Para 3.17)

16. The Committee further notes that targets in the e-rickshaw & e-cart segment have been sharply reduced from 1,10,596 to 39,034 due to lower recorded demand, even as industry sources such as the Electric Vehicle Manufacturers' Society (EVMS) report approximately 4.75 lakh unregistered e-rickshaws operating without proper certification, registration or insurance. In the Committee's view, regulatory gaps and proliferation of unauthorised vehicles, rather than genuine lack of demand, are depressing uptake of compliant vehicles and undermining both safety and revenue. (Para 3.18)

17. The Committee, therefore, recommends that:

- a. Demand incentives for e-2Ws be extended up to 31.03.2028, the terminal year of PM E-DRIVE, with a calibrated tapering mechanism to avoid policy shocks in a segment that has shown strong adoption and supports large-scale livelihoods.
- b. The original target of 1,10,596 e-rickshaws & e-carts be restored, incentives extended up to 31.03.2028, and coordinated enforcement measures undertaken with States and enforcement agencies to curb unauthorised production and operation of non-compliant vehicles.
- c. A revised and enhanced target for e-3W (L5) be worked out and incentives resumed up to 31.03.2028, given the continued prevalence of diesel three-wheelers in NCR and major cities. (Para 3.19)

E-TRUCKS AND E-AMBULANCES

18. The Committee, therefore, strongly recommends that the Ministry:

- a. Establish clear and non-negotiable timelines for finalising guidelines, model approvals and manufacturer onboarding in these segments.
- b. Put in place a structured monitoring mechanism with defined milestones and a detailed action plan indicating expected commencement of

financial outgo, projected uptake and expenditure during the remaining scheme period. (Para 3.22)

E-BUSES

19. Recognising that public transport buses are a major source of urban vehicular emissions, the Committee stresses that environmental and economic gains will accrue only once buses are deployed on roads within stipulated timelines. (Para 3.24)

20. The Committee, therefore, recommends that the Ministry:

- a. Ensure strict adherence to implementation timelines following tender finalisation, including timely contract signing, deployment and commencement of operations in identified cities.**
- b. Establish a robust monitoring framework with clear milestones and furnish a comprehensive implementation schedule indicating expected deployment timelines, financial outgo and anticipated environmental benefits. (Para 3.25)**

EV PUBLIC CHARGING STATIONS (EVPCS)

21. The Committee takes note of the differentiated structure of subsidy in EVPCS and is of the view that limited support for chargers in Categories C and D may restrain private investment and slow expansion of charging networks in commercially important and high-demand locations. (Para 3.28)

22. The Committee recommends that the Ministry:

- a. Review the existing subsidy structure to provide calibrated support for chargers in Categories C and D and encourage greater private participation.**
- b. Finalise a time-bound rollout plan with measurable milestones and improve coordination with States and other agencies so that allocations under this critical segment are utilised in a timely manner. (Para 3.29)**

UPGRADATION OF TESTING AGENCIES

23. The Committee highlights that modern, well-equipped testing agencies are crucial to avoid delays in certification and approvals for EVs and components, which could otherwise become a bottleneck for achieving the Government's goal in PM E-DRIVE and related schemes. (Para 3.31)

- 24. The Committee, therefore, recommends that the Ministry:**
- a. Ensure expeditious completion of procurement and early commencement of upgradation works under a clearly defined and time-bound framework.**
 - b. Put in place robust monitoring and coordination mechanisms so that testing infrastructure development keeps pace with EV ecosystem expansion. (Para 3.32)**

PENDING CLAIMS AND PROCESSING DELAYS

25. While the corrective steps taken are noted, the Committee is of the view that such systemic and data-integration issues should have been anticipated and resolved at the initial stage of Scheme implementation, given the technology-driven nature of EV incentive disbursement. (Para 3.36)

26. Accordingly, the Committee recommends that the Ministry give a vigorous push in the following areas to accelerate the momentum of claim-processing for OEMs:

- a. Establish a robust and fully integrated digital verification mechanism with all States/UTs to ensure seamless, real-time validation of vehicle registration data and to prevent recurrence of similar bottlenecks.**
- b. Institutionalise a time-bound framework for processing and disbursing eligible claims, particularly in high-volume segments such as e-two wheelers, so that OEMs do not face working capital constraints due to reimbursement delays.**
- c. Recognise that timely disbursement of incentives is critical for maintaining industry confidence and sustaining momentum in EV adoption across segments. (Para 3.37)**

INTRODUCTION OF SUBSIDY MECHANISM FOR ELECTRIC 4-WHEELERS

- 27. In view of the above, the Committee strongly recommends that the Ministry:**
- a. Urgently consider introducing a targeted and time-bound consumer incentive mechanism for electric four-wheelers under the PM E-DRIVE framework or through a dedicated sub-scheme.**
 - b. Structure such incentives in a calibrated manner linked to battery capacity, vehicle efficiency, and price caps to ensure fiscal prudence while effectively bridging the upfront cost differential between EVs and ICE vehicles.**
 - c. Institute a periodic impact assessment mechanism to evaluate whether manufacturing-linked incentives under the PLI Scheme are translating into tangible reductions in retail prices and improved consumer**

accessibility and furnish a report at the time of submitting ATR on the Report. (Para 3.40)

28. The Committee is of the firm view that demand-side incentives are essential to accelerate mass adoption, deepen EV penetration in the personal mobility segment, and achieve national objectives relating to energy security, reduction of oil imports, and mitigation of vehicular emissions. (Para 3.41)

FAME INDIA PHASE II – SETTLEMENT OF LIABILITIES AND TRANSITION

29. The Committee is of the view that this transition must be managed effectively to ensure timely clearance of all pending claims under FAME and to avoid uncertainty for beneficiaries who invested on the basis of earlier incentives. It emphasises that the Ministry should provide a clear, quantified statement of outstanding liabilities and a time-bound plan for their settlement, while also ensuring design continuity and predictability in the shift from FAME to PM E-DRIVE. (Para 3.43)

PM E-BUS SEWA – PAYMENT SECURITY MECHANISM (PSM)

30. The Committee considers the PSM to be a critical enabler for e-bus deployment and recommends that the Ministry:

- a. Ensure time-bound operationalisation of all approved tenders and closely monitor the conversion of awarded contracts into actual deployment of buses.
- b. Track payment performance of Public Transport Authorities, instances of PSM invocation and overall fiscal exposure, and periodically review the adequacy and sustainability of the PSM structure over the 12-year concession period. (Para 3.46)

SCHEME TO PROMOTE MANUFACTURING OF ELECTRIC PASSENGER CARS IN INDIA (SPMEPCI)

31. The Committee is concerned that the absence of applications, despite the strategic importance of the electric passenger car segment, indicates a possible misalignment between the scheme design and prevailing industry expectations or global investment conditions. The Committee, therefore, recommends that the Ministry undertake a comprehensive review of SPMEPCI in consultation with global and domestic stakeholders, with a view to recalibrating investment thresholds, value-addition timelines, or incentive structures, while ensuring that the core objectives of domestic manufacturing, higher DVA, climate commitments and reduced import dependence remain fully protected. (Para 3.49)

PRODUCTION LINKED INCENTIVE (PLI) SCHEME FOR AUTOMOBILES AND AUTO COMPONENTS

32. The Committee observes that while utilisation against RE has improved in recent years, there have been substantial downward revisions from BE at the RE stage, indicating either over-estimation in budgeting or slower-than-anticipated implementation during scheme roll-out. It further notes that PLI Auto alone accounts for nearly three-fourths of the Ministry's total Demand for 2026-27, magnifying fiscal and implementation risks if projections do not materialise as expected. (Para 3.53)

33. The Committee, therefore, recommends that the Ministry:

- a. Adopt conservative, pipeline-based budgeting for PLI Auto with quarter-wise expenditure roadmaps tied to verified applicant claims, avoiding repeat BE-RE slippages.**
- b. Establish a high-level monitoring mechanism with monthly progress reviews of approved applicants' capacity commissioning, sales scaling, and DVA certification to ensure timely incentive disbursement.**
- c. Analyse and address segment-specific bottlenecks (e.g., OEM eligibility thresholds excluding domestic start-ups) through calibrated eligibility relaxations while maintaining fiscal safeguards.**
- d. Prepare contingency plans including reallocation of unutilised funds to high-performing segments or complementary schemes like PM E-DRIVE, with quarterly status reports to the Committee. (Para 3.54)**

ELIGIBILITY CRITERIA AND PARTICIPATION CONCERNS

34. The Committee observes that stringent global revenue and investment thresholds for Auto OEM eligibility (minimum global group revenue of Rs 10,000 crore and fixed-asset investment of Rs 3,000 crore) may limit participation of emerging domestic manufacturers and EV-focused start-ups. It therefore recommends calibrated flexibility or differentiated criteria for high-potential domestic players, especially in e-2W, without compromising financial safeguards. (Para 3.56)

PERFORMANCE STATUS

35. Accordingly, the Committee recommends that the Ministry:

- a. Adopt more realistic budgeting based on actual implementation capacity and pipeline of claims and prepare a clear, quarter-wise expenditure roadmap for 2026-27 to avoid large BE-RE divergences.**
- b. Intensify monitoring of approved applicants to ensure timely commissioning of capacities and faster scaling-up of production, particularly in Zero Emission Vehicle segments, and analyse sector-wise**

performance to identify bottlenecks affecting sales and employment generation. (Para 3.58)

PRODUCTION LINKED INCENTIVE (PLI) SCHEME FOR NATIONAL PROGRAMME ON ADVANCED CHEMISTRY CELL (ACC) BATTERY STORAGE

36. The Committee expresses serious concern over the disconnect between the approved outlay and the meagre utilisation and allocations made so far, which fall far short of the originally envisaged subsidy path of Rs 2,700 crore in 2024-25, Rs 3,800 crore in 2025-26 and Rs 4,500 crore in 2026-27. (Para 3.63)

37. The Committee, therefore, recommends that the Ministry:

- a. Conduct immediate beneficiary-wise review with status report within 3 months; grant conditional timeline extensions only for verifiable constraints, with capacity reallocation for non-performers.
- b. Align BE 2026-27 allocations to match approved subsidy path with quarterly monitoring and independent audits.
- c. Pragmatically calibrate early-year DVA (include R&D/software), expedite domestic testing upgrades, diversify critical mineral sourcing.
- d. Integrate MSMEs/start-ups via cluster incubation, subsidised testing, and tech transfer mandates; prioritise LFP (Lithium Iron Phosphate)/sodium-ion chemistries. (Para 3.64)

BENEFICIARY-WISE STATUS AND CAPACITY COMMISSIONING

38. The Committee, therefore, recommends that the Ministry:

- a. Undertake an immediate beneficiary-wise review, place a detailed status report before the Committee and consider granting a one-time conditional extension of timelines linked to clear milestones where delays are attributable to genuine systemic constraints, with provision for reallocation of unutilised capacities in persistent non-performing cases.
- b. Adopt a phased and pragmatic enforcement of DVA thresholds, broaden the definition of DVA to include R&D and software, and strengthen domestic testing infrastructure to reduce dependence on overseas facilities. (Para 3.68)

39. The Committee also underlines the importance of securing reliable access to critical minerals, diversifying supply chains, supporting R&D in alternative chemistries and integrating MSMEs and start-ups into the ACC value chain through cluster-based incubation and affordable testing facilities. It believes that without these parallel measures, giga-scale ACC manufacturing may not achieve its intended objectives of localisation, value addition and export competitiveness. (Para 3.69)

CRITICAL MINERALS AND SUPPLY CHAIN RESILIENCE

40. To ensure the PLI-ACC Scheme remains on track and India retains momentum in the EV sector, the Committee strongly recommends the following urgent and strategic interventions:

- a. Strengthen supply resilience by deepening diplomatic and commercial engagement with resource-rich nations and swiftly operationalizing offtake agreements and joint ventures to secure diversified mineral imports.**
- b. Accelerate domestic exploration, processing, refining, and recycling initiatives under national missions relating to critical minerals.**
- c. Support technology diversification, with targeted investments in R&D for alternative chemistries, rare-earth-free motor technologies, and advanced battery systems tailored to Indian conditions, thereby reducing long-term vulnerabilities to supply shocks. (Para 3.72)**

INTEGRATION OF MSMES AND STARTUPS

41. The Committee is of the considered view that without the meaningful participation of these enterprises, the objectives of the PLI-ACC Scheme—particularly localization, value addition, and the creation of a robust domestic supply chain—may not be fully realized. (Para 3.74)

42. The Committee, therefore, recommends that the Ministry:

- a. Establish cluster-based incubation centres and affordable testing facilities in proximity to ACC hubs. This would lower entry barriers, foster innovation, and enable MSMEs and startups to complement large manufacturers in strengthening the domestic battery manufacturing ecosystem.**
- b. Recognise that such integration will not only broaden the scope of the PLI-ACC Scheme but also accelerate technology development, generate employment, and reduce long-term import dependence. (Para 3.75)**

CONCLUDING OBSERVATIONS ON THE AUTOMOTIVE SECTOR

43. In light of the above, the Committee notes that the automotive and EV ecosystem has become the central focus of MHI's Demands for Grants, with the bulk of the Ministry's resources channeled into PM E-DRIVE, PM e-Bus Sewa (PSM), PLI Auto and PLI ACC. While this reflects the sector's strategic importance for growth, jobs, exports and decarbonisation, it also concentrates fiscal and implementation risks in a few large schemes, even as capital expenditure and institutional infrastructure support remain relatively modest. (Para 3.76)

44. The Committee is of the considered view that for this ambitious resource commitment to yield commensurate outcomes, the Ministry must: (i) improve the realism of budgeting and BE–RE forecasting; (ii) address structural and operational bottlenecks in scheme design and execution; (iii) strengthen convergence between demand-side and supply-side interventions; and (iv) ensure that the benefits of automotive sector growth are broad-based across regions, firm sizes and technology segments. (Para 3.77)

CHAPTER 4: CAPITAL GOODS SECTOR

RECENT PERFORMANCE AND STRUCTURAL TRENDS

45. The Committee is of the view that this pattern reflects a dual reality: domestic manufacturers are scaling up capacity and participating more actively in export markets, but India remains heavily dependent on imported equipment and components in technologically intensive niches. Unless this structural gap is addressed through focused technology development, scale-up and ecosystem support, import intensity will remain high even as overall production increases. (Para 4.7)

IMPORT DEPENDENCE AND STRATEGIC VULNERABILITIES

46. The Committee recommends that the Ministry, in consultation with industry associations and user Ministries, undertake a granular, product-wise analysis of import dependence in capital goods, identify 20–30 high-impact product lines (such as multi-axis Computer Numerical Control (CNC) machine tools, advanced textile machinery and high-capacity construction equipment) and prepare a time-bound indigenisation roadmap with measurable import-substitution and export targets. (Para 4.12)

47. The Committee further recommends that the Government strengthen enforcement of quality control orders and standards to curb the import of obsolete and sub-standard machinery, while simultaneously rationalising inverted duty structures that disadvantage domestic manufacturers in high-value segments. Public procurement policies should explicitly prioritise domestically manufactured capital goods meeting prescribed quality and localisation criteria, with clear annual reporting on progress. (Para 4.13)

CAPITAL GOODS SCHEME – PHASE II

48. Accordingly, the Committee recommends that the Ministry accord highest priority to accelerating industry adoption of technologies developed under the Capital Goods Scheme – Phase II by: (i) setting explicit commercialisation and domestic value-addition targets for each CoE and accelerator project; (ii) establishing dedicated technology-transfer and handholding cells to work with MSMEs and clusters; and (iii) linking a defined share of Scheme funding to demonstrable outcomes such as licensed

technologies, pilot production lines and reduction in import intensity for identified product categories. (Para 4.19)

49. The Committee further recommends that the Ministry institute a robust quarterly monitoring framework for the Scheme, with project-wise physical and financial milestones, and place a consolidated utilisation and outcomes statement in the public domain each year. Future budgetary allocations for the Scheme may be calibrated to past utilisation and outcome performance, so that scarce resources are channelled to high-impact, implementation-ready projects. (Para 4.20)

SCHEME FOR ENHANCEMENT OF CONSTRUCTION AND INFRASTRUCTURE EQUIPMENT (CIE)

50. The Committee is of the view that the CIE Scheme has the potential to address a critical gap in the capital goods ecosystem by targeting large, fast-growing and technology-intensive segments such as tunnel-boring machines, high-capacity cranes, off-highway trucks and specialised construction equipment. However, the Committee underlines that outcomes will depend on timely operationalisation, transparent beneficiary selection, and effective coordination with user Ministries responsible for roads, railways, metros, mining and urban development. (Para 4.24)

51. The Committee also notes that with only ₹200 crore allocated in the first year and bulk incentive disbursement not expected before FY 2029-30, the operational and monitoring architecture must be put in place well in advance so that the initial years are used productively for scheme design, beneficiary selection and capacity building rather than procedural delays. (Para 4.25)

52. The Committee recommends that the Ministry ensure that the CIE Scheme is operationalised in a time-bound manner, with clear eligibility criteria, competitive selection of beneficiaries and strict domestic value-addition thresholds. The Committee further recommends that the Ministry publish an annual CIE Scheme progress report detailing investment realised, domestic value-addition achieved, import substitution in identified equipment categories and export performance, to enable close parliamentary oversight. (Para 4.26)

INSTITUTIONAL ECOSYSTEM: CMTI, TESTING AND SKILLS

53. The Committee recommends that the Ministry draw up a medium-term plan to position CMTI and the testing centres supported under the Capital Goods Scheme as an integrated national backbone for design validation, testing, certification and metrology in capital goods, with enhanced budgetary support linked to clear deliverables in terms of industry reach, test capacity utilisation and export-oriented services. (Para 4.30)

54. The Committee further recommends that the Ministry, in collaboration with sector skill councils and CPSEs, significantly upscale advanced manufacturing skilling

initiatives in areas such as Computer Numerical Control (CNC) programming, robotics, automation and Industry 4.0, with specific annual targets for the number of technicians and engineers trained, and public reporting of outcomes at the scheme and institution level. (Para 4.31)

CONCLUDING OBSERVATIONS ON THE CAPITAL GOODS SECTOR

55. The Committee is of the view that, taken together, Phase II of the Capital Goods Scheme, the new CIE Scheme and targeted support to institutions such as CMTI form a coherent but still under-scaled policy package. To translate these initiatives into meaningful gains in domestic value addition, export competitiveness and strategic autonomy, sharper prioritisation, stronger monitoring and clearer outcome metrics will be essential. (Para 4.33)

56. In conclusion, the Committee strongly recommends that the Government treat the capital goods sector as a core pillar of India's investment-led growth strategy and progressively enhance resource commitments to high-impact interventions—particularly technology development, testing infrastructure, skilling and targeted import substitution in critical equipment—while ensuring strict outcome-based monitoring and transparency. (Para 4.34)

57. The Committee further recommends that the Ministry place, in the Demands for Grants for 2027-28 onwards, a consolidated “Capital Goods Sector Outcomes Statement” capturing, inter alia, trends in domestic production, imports, exports, import intensity in key segments, scheme-wise outputs and outcomes, and progress against the indigenisation roadmaps recommended in this Chapter and furnish a structure of the plan while submitting the ATRs, so that Parliament can track whether budgetary allocations are translating into tangible structural improvements in the sector. (Para 4.35)

CHAPTER 5: CENTRAL PUBLIC SECTOR ENTERPRISES (CPSES) AND AUTONOMOUS BODIES

OVERVIEW OF CPSES UNDER THE MINISTRY

58. The Committee recommends that the Ministry of Heavy Industries consolidate the recent improvements in the performance of its CPSEs, with particular emphasis on emerging profit-making entities such as HEC and EPIL. The Committee emphasises that these gains must be strengthened through continued operational reforms, prudent financial management, timely working capital support and diversification of business portfolios. The Ministry should ensure that CPSEs which have turned around are safeguarded against relapse through periodic performance reviews, risk-assessment mechanisms and strategic policy interventions, so as to secure durable and long-term financial sustainability across all CPSEs under its administrative control. (Para 5.5)

OBSERVATIONS FROM THE COMMITTEE'S STUDY VISIT TO KOLKATA

ANDREW YULE & COMPANY LTD. (AYCL)

59. The Committee recommends that the Ministry of Heavy Industries take up the matter with the Ministry of Labour and Employment for a comprehensive review of the relevant provisions of the Plantation Act, with a view to introducing greater flexibility in labour-related norms, wherever feasible and permissible within the broader social-protection framework. (Para 5.9)

60. The Committee further recommends that the Ministry of Heavy Industries explore proactive institutional measures to strengthen the revenue base of Andrew Yule & Company Ltd., particularly its Tea Division. In this regard, the Ministry may coordinate with concerned Ministries/Departments to facilitate procurement and supply of Andrew Yule tea in Government offices, Public Sector Undertakings, Defence Establishments, Railways and other Government institutions, wherever feasible and in accordance with applicable public-procurement norms. The Committee also notes that the Government has extended similar preferential institutional support to CPSEs such as M/s Balmer Lawrie & Company Limited (BLCL), M/s Ashok Travels & Tours (ATT) and Indian Railways Catering and Tourism Corporation Ltd. (IRCTC) by mandating that air tickets for Government-funded official tours and Leave Travel Concession (LTC) journeys be booked only through these authorised travel agents. In the Committee's view, carefully designed and transparent institutional arrangements of this kind, implemented strictly within the framework of existing public-procurement rules, could provide stable market support, improve cash flows and enhance brand visibility for AYCL. The Ministry may take necessary steps in consultation with the concerned Government authorities and keep the Committee apprised of progress in this regard. (Para 5.10)

CEMENT CORPORATION OF INDIA LTD. (CCI)

61. The Committee recommends that the Ministry of Heavy Industries, in consultation with the management of CCI, put in place a time-bound action plan to accelerate implementation of approved modernisation and capacity-expansion projects, with clear quarterly milestones for IEBR utilisation and periodic reporting of physical and financial progress. The Committee further recommends that CCI draw up a medium-term strategy for gradual reduction of its debt burden through improved operating cash flows, better capacity utilisation, energy-efficiency gains and calibrated asset monetisation, so that the current return to profitability is consolidated and sustained. This operational-strengthening roadmap should be aligned with, and not delayed by, the parallel process of strategic disinvestment approved in principle by the Government, and progress on these measures may be reviewed periodically at the Minister's level and reported to the Committee. (Para 5.14)

HMT MACHINE TOOLS LIMITED

62. The Committee is of the considered view that reviving HMT MTL is imperative for India's strategic industrial security, machine tool self-reliance, and support to defence/space sectors. The Ministry of Heavy Industries should urgently formulate a clear, time-bound revival plan with defined milestones, accountability mechanisms, and performance-linked financial support—including emergency interest-free loans and grants for settling dues, hiring, working capital, and establishing key facilities like the CDRD centre, alongside interest waivers/freezes on GoI loans and capex funded via non-core asset monetization. Priorities must encompass rapid technology modernization, establishment of a central R&D/advanced manufacturing facility, phased workforce renewal aligned with superannuations, careful disposal of surplus assets without compromising core operations, securing assured off-take orders from Defence/Railways/PSUs for demand stability, and instituting rigorous quarterly monitoring with transparent periodic reporting to track and enforce improvements in management practices, cost controls, and productivity metrics. (Para 5.23)

PERFORMANCE OF LOSS-MAKING CPSEs AND REVIVAL MEASURES

63. The Committee recommends that the Ministry prepare detailed, CPSE-wise revival or closure plans for each loss-making unit, clearly diagnosing the root causes of sickness (such as technology obsolescence, market conditions, working-capital gaps, legal/regulatory constraints and governance issues) and specifying the chosen strategy—turnaround, strategic sale, closure or asset monetisation. These plans should be accompanied by realistic timelines, funding requirements and expected outcomes, and should be periodically reviewed at the Minister's level and furnish in summary form for the consideration of the Committee. (Para 5.26)

BUDGETARY SUPPORT AND IEBR MOBILISATION

64. The Committee also notes that several CPSEs showed low Internal and Extra Budgetary Resources (IEBR) utilisation in 2024–25; out of an estimated IEBR of ₹397.22 crore in 2025–26, ₹297.29 crore had been utilised as on 31.12.2025, while IEBR budget for 2026–27 is projected at ₹449.20 crore. The Committee is of the view that improved IEBR mobilisation and utilisation, especially by stronger CPSEs such as BHEL, can reduce dependence on budgetary support and create more room for targeted assistance to stressed units. (Para 5.28)

65. The Committee recommends that the Ministry strengthen its monitoring of both budgetary support and IEBR utilisation across CPSEs. In particular, CPSEs with strong balance sheets should be encouraged to finance modernisation and expansion predominantly through internal resources and market-based borrowings, while budgetary support is prioritised for settlement of statutory dues, employee-related liabilities and essential modernisation in financially weak but strategically important

CPSEs. The Committee further recommends that the Ministry place before Parliament an annual statement summarising CPSE-wise budgetary support, IEBR mobilisation and key outcomes achieved. (Para 5.29)

ADEQUACY AND TARGETING OF “SUPPORT TO CPSES” PROVISION

66. The Committee recommends that, over the medium term, the Ministry of Heavy Industries undertake a realistic assessment of the financial and restructuring needs of its CPSEs and ensure that budgetary support is better aligned with their revival and liability obligations. Financial assistance should be prioritised for settlement of statutory dues, employee-related liabilities and essential modernisation, and should be strictly linked to time-bound restructuring plans and measurable performance milestones. The Ministry may also institute a structured monitoring mechanism to track the utilisation and impact of such support, with periodic reporting to the Committee, to ensure effective turnaround and long-term sustainability of the CPSEs concerned. (Para 5.31)

AUTONOMOUS BODIES

67. The Committee, therefore, recommends that the Ministry of Heavy Industries ensure that the enhanced revenue allocation to CMTI translates into measurable R&D outcomes, stronger industry linkages and effective technology transfer to domestic manufacturing units. The Ministry may also examine the need for providing dedicated capital support to CMTI for upgrading laboratories, testing facilities and advanced manufacturing infrastructure, so as to strengthen its role as a premier national institution in manufacturing technology. Periodic performance evaluation and outcome-based monitoring may be instituted to ensure that increased allocations result in tangible contributions to industrial competitiveness and technological self-reliance. (Para 5.35)

MINUTES OF THE COMMITTEE MEETINGS

RAJYA SABHA SECRETARIAT **DEPARTMENT-RELATED PARLIAMENTARY STANDING COMMITTEE** **ON INDUSTRY**

V

Minutes of the Fifth Meeting

The Committee met at 11.00 am on Thursday, 19th February, 2026 in Committee Room 'D', Ground Floor, Parliament House Annexe Building, New Delhi.

PRESENT

1. **Shri Tiruchi Siva - *Chairman***

RAJYA SABHA

2. Shri Masthan Rao Yadav Beedha
3. Shrimati Sulata Deo
4. Dr. Parmar Jashvantsinh Salamsinh

LOK SABHA

5. Shri Afzal Ansari
6. Shri Hanuman Beniwal
7. Shri Chandan Chauhan
8. Shrimati Veena Devi
9. Shri Sudheer Gupta
10. Dr. Ganapathy Rajkumar P.
11. Shri Hasmukhbhai Somabhai Patel
12. Km. Sudha R.
13. Shri Khalilur Rahaman
14. Dr. Mallu Ravi
15. Shri Konda Vishweshwar Reddy
16. Shri Parshottambhai Rupala
17. Shri Daroga Prasad Saroj
18. Shri Bibhu Prasad Tarai
19. Shrimati Smita Uday Wagh
20. Shri Rajabhau Parag Prakash Waje

SECRETARIAT

1. Ms. Niangkhanem Guite, Director
2. Shri Sammer Kapoor, Deputy Secretary
3. Shri Prabhakar Singh, Under Secretary

WITNESSES

MINISTRY OF HEAVY INDUSTRIES (MHI)

1. Shri Kamran Rizvi, Secretary
2. Shri Asit Gopal, SS&FA
3. Dr. Hanif Qureshi, Addl. Secretary
4. Shri Vijay Mittal, Joint Secretary
5. Shri P.C. Maurya, Joint Secretary
6. Smt. Renuka Mishra, Eco. Adviser
7. Dr. Kavitha Gotru, CCA
8. Shri Vikas Dogra, Director
9. Shri M.K. Madholia, Director

BHARAT HEAVY ELECTRICALS LIMITED (BHEL)

1. Shri K.S. Murthy, CMD

BRIDGE & ROOF LTD. (B AND R)

1. Shri Rajesh Kumar Singh, CMD

CEMENT CORPORATION OF INDIA (CCI)

1. Shri Sanjay Banga, CMD

ENGINEERING PROJECTS INDIA LTD. (EPIL)

1. Shri Shivendra Nath, CMD

Session-I

2. At the outset, the Chairman informed the Members that an important meeting on the revival of Heavy Engineering Corporation (HEC), Ranchi had been scheduled for the following day and would be taken up separately. He then apprised the Members that the agenda for the present sitting was to examine the Demands for Grants (2026–27) of the Ministries under the Committee’s jurisdiction. The first session would be devoted to the Ministry of Heavy Industries, followed by the examination of the Ministry of Micro, Small and Medium Enterprises (MSME) in the second session.

(On arrival of the witnesses)

3. The Chairman welcomed the Secretary and officers of the Ministry of Heavy Industries to discuss the Budget 2026-27. In his opening remarks, the Chairman:

- (i) Reiterated that the Ministry plays a pivotal role in promoting the capital goods, heavy electrical equipment and automobile sectors, which are vital for infrastructure development, energy security and industrial growth.

- (ii) Sought clarification on the Budget Estimates for 2026–27, particularly the reasons for major variations under specific heads and the strategy for timely and optimal fund utilisation.
- (iii) Expressed concern over underutilisation in certain schemes in previous years and enquired whether procedural delays, structural bottlenecks or capacity constraints were responsible.
- (iv) Requested an update on the implementation of flagship schemes relating to electric mobility, advanced chemistry cells and PLI initiatives, including targets, beneficiary coverage and fund disbursement.
- (v) Sought details on the performance of CPSEs, including financial position, order books, capital expenditure, asset monetisation and measures for restructuring or revival.
- (vi) Emphasised the need to strengthen domestic manufacturing to address global competition and reduce dependence on imports of critical components.
- (vii) Stressed the importance of enhanced inter-ministerial coordination for skill development, technology transfer and improving ease of doing business in the heavy industries sector.

4. After the permission of the Chair, the Secretary, MHI made a presentation outlining:

- (i) The Ministry's budgetary performance from 2023–24 to 2025–26, including trends in revenue and capital allocations and expenditure, and the proposed strategy for 2026–27.
- (ii) Progress under major schemes such as PLI for Automobile and Auto Components, EV promotion initiatives and other sectoral programmes, including milestones achieved, challenges faced and corrective measures taken.
- (iii) Steps to strengthen indigenous design and manufacturing capabilities through technological collaborations, R&D support and industry–academia partnerships.
- (iv) Status of capital expenditure, modernisation and infrastructure upgradation projects in CPSEs.
- (v) Measures for financial restructuring, revival or strategic disinvestment of loss-making CPSEs, along with timelines and expected outcomes.
- (vi) Initiatives to promote green manufacturing, energy efficiency and sustainability in the heavy industries sector.
- (vii) Efforts towards skill development, workforce training and capacity building to support advanced manufacturing technologies.

5. The CMDs/representatives of CPSEs briefed the Committee on operational performance, financial position, challenges relating to working capital, legacy liabilities and competition from imports, including refurbished machinery.

6. During the discussion, the Chairman and Members inter alia:
- (i) Raised concerns about declining capital outlay as a proportion of total allocation;
 - (ii) Sought reasons for delays in disbursement of incentives under certain schemes;
 - (iii) Highlighted the issue of import of second-hand/refurbished machinery adversely affecting domestic manufacturers;
 - (iv) Stressed the need for coordinated policy support to boost heavy engineering and strategic sectors;
 - (v) Suggested taking up customs duty anomalies and raw material cost issues with the concerned Ministries; and
 - (vi) Emphasized the importance of skill development initiatives in collaboration with other Ministries.
7. The Committee and the Members raised various issues and queries which includes:
- (i) Reduction from BE to RE and lower fund utilisation in recent years, and its impact on implementation and employment generation;
 - (ii) Sharp decline in capital expenditure and implications for long-term capacity building;
 - (iii) Absence of clear budgetary provision and financial roadmap for the Rare Earth Permanent Magnet Scheme;
 - (iv) Lack of clarity on sector-wise allocation and design of interventions under major schemes;
 - (v) Concerns regarding structure and implementation of the electric bus scheme, including localisation and subsidy issues;
 - (vi) Reduction in allocation under PM E-Drive and limited focus on R&D and innovation;
 - (vii) Inadequate availability of fast EV chargers and need for better coordination with DISCOMs for viable public charging infrastructure;
 - (viii) Need for a clear roadmap for electric tractors, drones and EV-based agricultural equipment;
 - (ix) Insufficient focus on battery waste recycling and environmental safeguards in EV testing;
 - (x) Mismatch between rising investment under PLI Auto and employment generation outcomes;
 - (xi) Need to continue support for electric three-wheelers considering employment and pollution concerns;
 - (xii) Roadmap for BHEL's contribution towards long-term clean energy targets;
 - (xiii) Performance and revival strategy for loss-making CPSEs and comparative efficiency concerns.

8. The Chairman then thanked the Secretary and other officers and requested that written replies to the queries raised by Hon'ble Members be furnished to the Secretariat within 3 days.

(The witnesses withdrew and the Committee then adjourned at 1.22 p.m.)

The Committee reassembled after lunch at 2.20 p.m.

Session-II*

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14. A verbatim record of the proceedings was kept.

The Committee adjourned at 4:30 p.m.

**New Delhi
19th February, 2026**

**NIANGKHANNEM GUTE
DIRECTOR**

**pertains to other matters*

RAJYA SABHA SECRETARIAT
DEPARTMENT-RELATED PARLIAMENTARY STANDING COMMITTEE
ON INDUSTRY
VII
(Minutes of the Seventh Meeting)

The Committee met at 10.15 a.m. on Tuesday, 10th March, 2026, in Room No. 67, First Floor, Samvidhan Sadan, New Delhi.

PRESENT

RAJYA SABHA

1. Shri Masthan Rao Yadav Beedha
2. Shri Mahendra Bhatt
3. Shrimati Sulata Deo
4. Dr. Parmar Jashvantsinh Salamsinh
5. Shri Neeraj Dangi

LOK SABHA

6. Shri Chandan Chauhan
7. Shri Arvind Dharmapuri
8. Shri Sudheer Gupta
9. Shri Hasmukhbhai Somabhai Patel
10. Km. Sudha R.
11. Shri Khalilur Rahaman
12. Shri Rakesh Rathor
13. **Dr. Mallu Ravi –**
14. Shri Konda Vishweshwar Reddy
15. Shri Bibhu Prasad Tarai
16. Shri E. Tukaram
17. Shrimati Smita Uday Wagh
18. Shri Rajabhau Parag Prakash Waje

In Chair

SECRETARIAT

1. Ms. Niangkhanem Guite, Director
2. Shri Sammer Kapoor, Deputy Secretary
3. Shri Prabhakar Singh, Under Secretary

2. In the absence of Chairman, Dr. Mallu Ravi, Member of the Committee, presided over the sitting.

3. The Committee was informed that the agenda of the meeting was to consider and adopt the following reports:

(i) 332nd Report on Demands for Grants (2026-27) pertaining to the Ministry of Heavy Industries; and

(ii) * * * *

4. Following a detailed discussion, both the Reports were unanimously adopted.

5. The Committee thereafter decided that the above Reports be tabled in both Houses of Parliament on Wednesday, 11th March 2026. The Committee authorised Shri Neeraj Dangi and, in his absence, Dr. Parmar Jashvantsinh Salamsinh to present the Reports in the Rajya Sabha and Shri Hasmukhbhai Somabhai Patel and, in his absence, Shri Bibhu Prasad Tarai to lay the Reports in Lok Sabha.

6. The Committee then adjourned at 11.00 a.m.

New Delhi
10th March, 2026

NIANGKHANNEM GUTE
DIRECTOR

**pertains to other matters*