

Reviving Yantra India Limited: Leading Change in India's Defence Public Sector

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Introduction

Yantra India Limited (YIL), a defence public sector undertaking (DPSU) under the Ministry of Defence (MoD), India, was incorporated on 14 August 2021 and commenced business operations on 1 October 2021. Formed by converting eight ordnance factories and a training institute from the former Ordnance Factory Board (OFB) to a corporate structure under Company Act, 2013, YIL aimed to enhance India's defence preparedness and contribute to the operational readiness of the armed forces. The 41 units under the OFB were reorganized into seven DPSUs. YIL's early days were marked by significant challenges that tested the resilience and strategic acumen of its leadership. As YIL transitioned from a government entity to a corporate structure, employees experienced anxiety and uncertainty about their future, creating a tense atmosphere.

YIL, primarily a component supplier to other DPSUs, was left at a financial disadvantage and faced considerable supply chain uncertainties. Unlike some of the other newly formed DPSUs, YIL did not benefit from guaranteed contracts through the grandfathering of outstanding orders from the armed forces, which were allocated to the final item supplier DPSUs. The company was unsure whether it would continue to receive patronage from customer units, now part of different DPSUs, or if it would have to compete with private sector players to secure orders.

This newly formed entity inherited a limited order book. Against the backdrop of continuous losses in the 3 financial years preceding OFB's corporatization, the initial months were particularly difficult. YIL reported substantial financial losses, including ₹1,230 million (\$14.21 million) in the first 6 months post-corporatization (Financial Year [FY] 2021–2022 [H2]¹), following a ₹4,000 million (\$46.20 million) loss in the preceding 6 months (FY2021–2022 [H1]) (YIL, personal communication, 2025). The transition also

¹ H1 and H2 indicate the first and second half of the financial year, respectively.

brought a significant cultural shift – from a government-led, budget-funded system to a commercially driven framework with a “spend as you earn” mandate.

Rajeev Puri, chair and managing director (CMD) of YIL, and his team of directors reflected: “How can we navigate a complex landscape of inherited challenges and carve a path to success? How could a newly corporatized entity, facing financial ruin, a lack of orders, and a demotivated workforce, turn its fortunes around? What specific strategies should YIL prioritize to ensure long-term sustainability and growth? Given the operational and cultural challenges, how can YIL effectively engage employees and build a high-performing organization?”

With more than 2 centuries of legacy under the OFB, YIL's top management faced a classic dilemma – either transform the newly formed entity into a success story by turning adversity into opportunity, or risk fading into obscurity as a forgotten chapter in India's defence manufacturing history.

The Birth of YIL: Transition from OFB (August– October 2021)

As the date of corporatization drew near, the atmosphere across the former OFB units was charged with uncertainty and anticipation.

The Countdown to Change

On 30 September 2021, an era of working under a government setup funded through the ministry's budget came to an end. As the D Day of 1 October 2021 approached, the atmosphere at Ordnance Factory, Dumdum, Kolkata – a unit of YIL and other production units under OFB – was tense. A new board of directors (BoD) was set to assume charge, bringing with them new offices, personnel, and yet-to-be-defined rules. Salaries for most employees were typically disbursed on the last day of the month, except for industrial employees, who received their pay by the 10th of the following month. The management anticipated difficulties in securing the budget and ensuring timely payments during the transition, particularly for the large contractual workforce.

Seema Gupta, the then additional general manager of a YIL factory in Dumdum, Kolkata, recalled: ‘It felt like the story of the squirrel and the crow – sensing that rain was approaching, we made sure to gather the necessary resources for survival. We decided to process all payments within the government setup to minimize disruption. This included processing bills, salaries, and wages for outsourced personnel, and preparing pension papers until December 2021. We cleared vendor payments, ensuring we were covered until the next salary cycle. In a frenzied manner, we also made payments for overtime arrears and medical advances to prevent hardship during the transition.

Our workforce comprised industrial, non-industrial, and a top cadre of charge-men and junior works managers (supervisory staff). Industrial employees had the least exposure to the outside world, while non-industrial employees had some understanding of the information flow between OFB/YIL headquarters and the factory. Most employees had little awareness of external factors affecting them. The officer cadre had to lead during this transition.

The government assured employees that their service conditions would be protected and that the new setup would not be inferior to the previous one, bringing a significant source of relief to all transitioning employees. Despite this, many employees remained anxious, fearing that the looming uncertainty of corporatization might adversely affect their future.

Seema Gupta added: *'We worked hard to convince employees that we were all in this together. We earned their trust by ensuring their financial needs were met and by sensitizing them to operational work orders and the losses incurred by Dumdum Factory. COVID-19 had worsened these losses, with the factory recovering only 20% of the production cost for each unit made – losing 80% of the value. This could not continue in the new setup.'*

To assess the situation, the first BoD-selected members met at Nagpur in the last week of August 2021. The designated directors of operations and human resources highlighted the severe shortage of workload and the low morale among employees. The situation was critical and required immediate attention.

The financial losses were staggering: ₹6,950 million (\$80.23 million) in 2019–2020 and ₹8,060 million (\$93.09 million) in 2020–2021 (YIL, personal communication, 2025). The pressing concern was survival—to prevent further losses and ensure timely salary payments. Bold decisions were necessary. CMD Rajeev Puri remarked: "A radical reorientation in decision-making was the need of the hour if we were to gain in the long term. We were already at a loss—what more could we lose? But if we made the right decisions, we could emerge as long-term winners."

Incorporation and Operational Start

The government had transferred employees of the Ordnance Factories en masse to the newly formed DPSUs on the terms of foreign service, without any deputation allowance, referred to as deemed deputation²—initially for 2 years from the appointed date, 1 October 2021. This meant that while the employees remained government servants, they were now working for the company under this arrangement. Anxiety gripped the workforce. Many officers were apprehensive about the transformation, and several were reluctant to join the new DPSU structure. Most stakeholders opposed the shift to a corporate model, further complicating the transition.

To manage potential unrest, the government enacted the Essential Defence Services Act (EDSA), which prohibited strikes and helped mitigate resistance from employee unions.

On 1 October 2021, the new corporate structure was formally inaugurated, and employees were instructed to celebrate the day as the foundation day. However, enthusiasm was low, and participation was minimal. Seema Gupta shared:

We organized several meetings with junior works managers and union associations, emphasizing the need to diversify our products, reduce costs, and move away from relying solely on conventional offerings. We explained that annual increments and promotions would increase our budget by 10%, and we needed to fight for financial stability."

² A temporary transfer of government employees to a new public sector undertaking without formal deputation allowances. The employees remain government employees but work for the company

First Board Meeting and Early Decisions

On their first day in office, the newly appointed BoD convened in a temporary setup at the new corporate headquarters. The meeting resulted in three decisive actions that would set the tone for YIL's transformation.

First, the board resolved to abolish overtime—a significant departure from past practice. Despite concerns about potential industrial unrest, the decision was made firm and non-negotiable.

Second, YIL mandated strict adherence to prescribed working hours and shift timings for all employees, regardless of rank. Officers were instructed to report early in the morning to ensure better oversight and control at the start of each shift.

Third, the existing practice of allowing employees to leave the factory premises temporarily during work hours was discontinued. This move aimed to instill a culture of discipline and punctuality by reinforcing adherence to workplace norms.

The leadership debated whether to communicate these decisions gradually or all at once. The consensus favored a single, comprehensive communication to avoid prolonged uncertainty and ensure clarity.

At this time, CMD Rajeep Puri outlined the strategic direction: *'The goal was to boost revenue by maintaining supply chain ties with the new DPSUs, upgrading defence products, diversifying into railway axle production, and entering the global defence market.'*

The leadership also recognized the importance of curbing unnecessary expenditure. However, to maintain employee morale during a period of significant change, they deliberately chose not to place undue emphasis on reducing the 'bottom line'³. Instead, the focus shifted to enhancing productivity as a means of achieving cost efficiency and maintaining competitiveness.

To lead by example, top management voluntarily relinquished their entitlement to travel in business class, opting instead for economy class on all domestic official assignments. Although no formal directive was issued, the board and senior executives consistently followed this practice, reinforcing their commitment to fiscal discipline.

CMD Puri reflected: *'For the government, this was a forward-looking structural transformation. However, employees largely perceived it as a disruptive change.'*

Initially, the road map for transformation was unclear. The reorganization of OFB units into separate DPSUs disrupted the previously integrated supply chain, as units that once functioned as feeders or suppliers were now independent entities. The newly appointed CMDs of the DPSUs prioritized maintaining an uninterrupted supply chain during this transitional phase.

³ The "bottom line" refers to the final net income or profit of a business after all expenses, taxes, and costs are subtracted from revenue.

Formal Dedication of New DPSUs by the MoD

On 15 October 2021, the MoD formally dedicated seven newly formed DPSUs, carved out of the OFB, to the nation (Press Information Bureau 2021). During the ceremony, Defence Minister Rajnath Singh stated: "The objective of this restructuring is to transform ordnance factories into productive and profitable assets, improve expertise in the product range, increase competitiveness, improve quality, enhance cost efficiency, and ensure self-reliance in defence preparedness."

He assured that all OFB employees would be transferred to these corporate entities on deemed deputation for 2 years, with no change in their service conditions.

Speaking at the same event, Prime Minister Narendra Modi highlighted the country's progress under the "Make in India" initiative over the past 7 years. In pursuit of *Atmanirbhar Bharat*—a self-reliant India—he urged the new companies to build domain expertise and evolve into global brands. He emphasized that competitive pricing should be their strength, while quality and reliability must define their identity. The Prime Minister also encouraged the integration of research and innovation into their work culture and invited the start-up community to collaborate, leveraging mutual expertise and innovation (BusinessToday.In. 2021).

The First 100 Days: Crisis and Culture Shift (October- December 2021)

The initial months following corporatization tested YIL's leadership and workforce alike. As the company began to implement its new identity, it encountered immediate resistance and cultural friction.

Employee Resistance and Morale Issues

The changes introduced at YIL were met with considerable resistance from employees. The abolition of overtime was particularly contentious, especially since other DPSUs carved out of the OFB continued the practice. During this period of transition, criticism was widespread, and employee confidence was notably low. The new board was often perceived not as part of the workforce but as an extension of the MoD, which had led the corporatization process.

To manage employee service conditions, since they remained government employees on deemed deputation, a new administrative structure called the Defence Field Unit was established. This was necessary because YIL, as a corporate entity, could not independently make decisions regarding these employees, who were governed by government rules. Each newly formed DPSU was required to draft its own rules and regulations for absorbed employees and seek their option for permanent absorption within 2 years. The ministry assured employees that their service conditions would not be less favorable than the existing standards.

The board recognized that employee cooperation was essential for a successful turnaround. However, existing public sector policies linked incentives to enterprise profits—an approach not immediately applicable to government employees working in these newly corporatized entities, since

the employees in transition continued to be government employees, working for DPSUs. In response, the board proposed introducing a new incentive policy within the existing government framework, without altering the legacy rules for pay and allowances.

Introduction of Samvaad and Internal Communications

YIL began its journey as an underdog, facing a more turbulent start than its sister DPSUs, many of which continued operating with overtime provisions. The decision to discontinue overtime at YIL sparked unrest among workers, prompting the BoD to take a more direct and transparent approach to communication.

In response, the leadership launched an initiative called *Samvaad* (Dialogue), aimed at fostering open and honest conversations with employees. Board members personally visited shop floors to engage with workers, address their concerns, and clarify the rationale behind key decisions, bypassing traditional, hierarchical forums typically used for participative management.

Gurudatta Ray, director of human resources, shared: *'We reassured employees that their salaries would remain stable, but we also emphasized the urgent need for hard work to improve competitiveness and meet market demands.'*

CMD Rajeev Puri led this effort with determination, visiting all factories within a few months to personally engage with employees.

To keep the workforce informed about the company's vision, challenges, opportunities, and expectations, an internal communication letter titled *From the Desk of the CMD* was introduced. To ensure accessibility, the message was translated into local languages. This became a regular and effective tool for direct communication between leadership and employees.

Building the Foundation: Strategic Moves

As YIL moved beyond its initial survival phase, the focus shifted to laying a strong organizational foundation. One of the first priorities was restructuring its headquarters and optimizing staff deployment.

Lean Headquarters and Manpower Restructuring

The new DPSU structure incorporated several functions that had been previously managed by external entities. Functions such as finance and accounts – earlier handled by the Controller General of Defence Accounts – and process inspections – formerly conducted by the Directorate General of Quality Assurance – were integrated into the DPSU framework. As a result, the existing workforce had to take on additional responsibilities.

Multiple employee sections were consolidated into a single human resources department, which now managed all employee-related matters, including discipline and policy. Compared to its predecessor, YIL faced a noticeable shortage of personnel.

While some senior officers advocated retaining the existing structure with multiple specialized sections, CMD Rajeev Puri pushed for a lean headquarters, capped at 60 employees. He explained: *'Since the top management expected employees at the production units to improve productivity through functional efficiencies, the headquarters had to lead by example and set the bar high. Despite pressure from all sides, lean deployment was implemented at YIL HQ.'*

Ultimately, only three to four individuals managed each division at headquarters. This led to considerable stress, as employees struggled to balance their workloads. Many were unable to visit their hometowns for over a year and often received late evening requests for reports. Despite these challenges, stability began to emerge after nearly a year of turbulence, and YIL headquarters remained lean.

The headquarters was initially established with director-level positions but lacked support staff. To address this shortage without disrupting ongoing operations, most personnel were sourced from the adjacent production unit in Nagpur. Additionally, a strategic decision was made to transfer skilled employees from the Jabalpur unit, which was operating with a lighter workload. Gurudatta Ray, director of human resources, noted: *'This small team quickly bonded, creating a supportive environment that became a saving grace for the company.'*

Financial Losses, Cash Crunch, and SBI Credit Line

At the start of its journey, YIL's order book for the second half of FY 2021–2022 (H2) stood at ₹9,500 million (\$110.00 million), while its monthly wage bill was approximately ₹900 million (\$10.42 million). This meant that ₹5,400 million (\$62.50 million) was needed for wages over 6 months, in addition to ₹1,400 million (\$16.20 million) for material costs. Even with these allocations, executing the orders would still result in significant losses. Securing additional orders was critical for survival.

Some relief came as other newly formed DPSUs began passing on work share from grandfathered orders on continuous request and follow-up by the top management team. However, concerns about salary payments persisted.

YIL had already been burdened by substantial losses: ₹6,950 million (\$80.23 million) in 2019–2020 and ₹8,060 million (\$93.09 million) in 2020–2021. To address the financial crisis, YIL approached both private banks and the State Bank of India (SBI) for a cash credit facility (YIL, personal communication, 2025). While private banks showed little interest, even the state-owned SBI was initially hesitant. However, the persistent efforts of YIL's top management paid off. After evaluating YIL's status as a fully government-supported public sector undertaking with significant assets, SBI approved the credit line, providing much-needed financial relief.

The YIL board functioned cohesively, making decisions by consensus, with human resources, finance, and operations treated as shared responsibilities. Despite concerns raised by employee unions and federations about YIL's future, the board successfully conveyed that SBI's decision to extend credit was a vote of confidence in the company's potential. They emphasized that using taxpayer money in the form of a credit line imposed financial discipline on management, compelling them to deliver consistent performance. The board cited examples of successful private sector enterprises—such as the Tatas, Birlas, and Ambanis—that also relied on market loans.

Meanwhile, four employee federations – the All India Defence Employees Federation, Bharatiya Pratiraksha Mazdoor Sangh, Indian National Defence Workers Federation, and Confederation of Defence Recognised Associations – submitted a joint letter to Defence Minister Rajnath Singh. They expressed serious concerns about the corporatization of the ordnance factories, warning that it could jeopardize their existence. In their letter, the federations urged the minister to reconsider the decision and allow the factories to continue as government organizations.

Initiatives like YIL Darpan and ERP-Lite Systems

Neither the OFB nor YIL had an Enterprise Resource Planning⁴ (ERP) system in place. There was a pressing need to integrate various operations through an internally developed IT interface. In November and December 2021, CMD Rajeev Puri visited the Metal and Steel Factory (MSF), a unit under YIL in Kolkata, to explore how best practices from the private sector could be adopted. He noted: "I knew the private sector relied heavily on data-friendly interfaces for timely decision-making. Implementing ERP would have been ideal, but it was a significant challenge for an ongoing organization and prohibitively expensive. Initially, we did not have the necessary funds."

During an open forum at MSF, CMD Puri posed a challenge that was taken up by Subhash Bera, works manager. Under the leadership of Rajeev Kumar, general manager, and using in-house resources, the team developed a user-friendly interface. This led to the creation of YIL Darpan⁵ – a dashboard for measuring and tracking performance.

The initiative quickly gained momentum. Development work for various modules was distributed among resource persons across different production units. Each module displayed the name and contact number of the individual responsible on the YIL Darpan dashboard. This user-friendly interface became a game changer, offering real-time online access to operational data for functional-level employees and serving as a powerful performance review tool for the CMD and the board. They could now monitor critical performance parameters regularly.

To improve operational visibility, YIL developed an in-house dashboard – YIL Darpan – enabling real-time performance tracking across units. This innovative approach harnessed the strengths of resource persons from geographically dispersed production units. Their coordinated efforts made the creation of YIL Darpan possible.

Engagement with Indian Railways for Axle Orders

In November 2019, the atmosphere at MSF, a unit under YIL, was tense due to a sharp decline in workload. The marketing team decided to approach Indian Railways. During a meeting with a senior official at the Railway Board, they were bluntly told: *'For the last 10 to 12 years, there was no communication from MSF. Has MSF missed the bus?'*

⁴ Enterprise Resource Planning (ERP) is a software system that integrates and manages core business processes, such as finance, human resources, supply chain, and operations, in a centralized database. It streamlines workflows, improves efficiency, and provides real-time data for decision-making across an organization.

⁵ Darpan means mirror. YIL Darpan brings all the information of operations on a single dashboard.

This reflected the reality that Indian Railways had turned to external vendors, importing axles from the People's Republic of China at highly competitive prices. The total annual requirement was 125,000 axles, while the Rail Wheel Factory in Bangalore could only produce 70,000, leaving a gap of 55,000 axles sourced externally.

Determined to reestablish their relevance, the MSF team requested a development order to demonstrate their capabilities. A crucial meeting was held at Rail Bhavan, attended by top officials and one MSF representative (Press Information Bureau 2021). One railway official expressed frustration: "Only God can rescue you. We have run from pillar to post, but there was no response. Your GM told me he was very busy and would get back later. We never heard from him again."

In February 2022, CMD Puri and the director (operations) met the chair of the Railway Board to secure axle orders. Initially reluctant, the chair eventually agreed to a meeting, saying: *'Let us have tea together and not discuss anything about railway axles.'*

He remarked that for the past 8 years, officials had been trying to engage MSF without success. CMD Puri assured him that YIL was now a different entity and requested that it be treated as a credible vendor. Internally, however, the team knew they faced significant challenges—not only in bridging technical and infrastructural gaps but also in drastically reducing costs to compete with established Chinese suppliers.

Eventually, the MSF secured a small but significant order, marking a breakthrough after years of inactivity. However, fulfilling this order came with its own set of technical challenges. The raw material had to be processed from steel blooms supplied by only three vendors: SAIL Durgapur, Musco (Mukand Steel Company), and Sunflag Steel. The conversion process involved forging and machining these materials into finished axles. While the MSF possessed radial forging capabilities, it lacked adequate machining infrastructure for components of this size. YIL had to find innovative solutions to overcome these limitations and successfully deliver on the order.

Stakeholder Alignment and Policy Support

As YIL stabilized its internal operations, the next phase required building alignment with key external stakeholders. This included navigating policy frameworks, securing institutional support, and managing industrial relations.

Role of the MoD, EDSA, and Leadership Support

Aligning stakeholders was critical to the success of YIL's transformation. CMD Rajeev Puri noted: *'Defence Ministry nominee director S.K. Yadav consistently supported YIL's positive initiatives. Sanjay Jaju, the additional secretary, was a professional and competent leader. Enacting the Essential Defence Services Act (EDSA)⁶ at the time of corporatization, to prevent strikes was a bold and timely decision that helped us.'*

⁶ A law enacted by the Government of India to prevent strikes in the defence sector. It was used to mitigate union resistance during the corporatization of OFB.

In the earlier regime, multiple power centers existed within the inspector trades, often without clear accountability. YIL proposed a shift toward self-certification and limiting inspectorates to final acceptance inspections. Jaju supported this move, helping us navigate these critical issues during the transition. I told my team to take greater responsibility in inspections – my eyes and the inspector's eyes should see the same faults.'

Managing Unions and Federations

Other DPSUs pressured YIL to offer competitive pricing, often benchmarking it against private sector standards. With little choice, YIL had to revise its labor estimates downward. This required employee consent, as it meant taking on more work than before. Convincing workers to accept the revised estimates was a major challenge for management.

CMD Puri reflected: We were fighting a battle on our own, making radical decisions. We believed it was time to move away from the culture of being 'goody-goody' with everyone and instead make the right decisions at the right time and in the right spirit.

I appealed to my employees: *'If you want to succeed, you have to push yourself out of your comfort zone. This will help you stretch your performance boundaries and lead you to greater success.'*

Strategic Dilemmas and Decision Points

With foundational reforms in place, YIL now faced a series of strategic crossroads. The leadership had to make critical decisions to secure its future, starting with how to stabilize finances and expand its order book.

Securing Orders and Ensuring Financial Stability at YIL

The team at YIL had secured a share of deemed contracts from other DPSUs. However, the volume of these orders was insufficient to help YIL break even.⁷ CMD Rajeev Puri initiated a strategic discussion with a critical question: 'What strategies should YIL adopt to secure more orders and ensure financial stability?'

YIL aimed to allocate 60% of its production to contracts for the armed forces, 20% to the nondefence sector – primarily Indian Railways – and the remaining 20% to exports, in an effort to establish a global footprint. This balanced approach was designed to ensure steady demand while diversifying the company's market reach. The team acknowledged the significant financial challenges YIL faced in its early years, including a limited order book and working capital constraints.

Option 1 - Aggressive export push: One proposed strategy was to pursue an aggressive export push. By expanding into international markets, participating in global exhibitions, and establishing a dedicated export promotion cell, YIL could diversify its revenue streams and reduce reliance on domestic contracts. The advantage of this approach lies in its potential to open new markets and opportunities for growth. However,

⁷ Break-even is the point at which a business's total revenue equals its total costs, resulting in neither profit nor loss. It is the minimum sales volume needed to cover all fixed and variable expenses.

the team recognized the risks involved, such as navigating international regulations, modifying the products to meet customer standards, and adjusting the processes to deliver the desired product.

Option 2 - Product diversification: Another suggestion was product diversification. Developing new products for sectors like railway axles and aerospace components could reduce reliance on traditional defence products and tap into new revenue streams. The benefit of this strategy was that it spread risk across multiple markets and could foster innovation. However, it required significant investment in research and development, with no guarantee that the new products would succeed. Moreover, the customer was unwilling to place any nominated orders, given units' past inability to meet expectations.

Option 3 - Strengthening customer relationships: Strengthening relationships with existing customers was also considered a viable approach. By enhancing customer satisfaction through improved product quality and delivery timelines, YIL could secure repeat orders and foster customer loyalty. The advantage of this strategy was that it leveraged existing relationships and could generate steady revenue streams. However, the team noted that it might not be sufficient to achieve significant growth.

The team weighed the pros and cons of each strategy, aiming to find a balanced approach that would secure more orders and ensure YIL's financial stability and growth.

Motivating the Workforce at YIL

CMD Rajeev Puri opened the discussion with a pressing question: *'How should YIL's management motivate the workforce to maintain high productivity levels in the absence of overtime?'*

The team recognized the challenge of transitioning from a government entity to a corporatized structure. This shift resulted in low employee morale, driven largely by the cessation of overtime and uncertainty about the new organizational setup.

Option 1 - Performance-Linked Incentive (PLI) Scheme: One suggestion was to implement a PLI scheme. This approach would directly tie employee rewards to their productivity and contributions to the company's goals. The advantage of this scheme was that it provided a clear and tangible incentive for employees to work harder and more efficiently. However, the team noted potential downsides: it might create competition among employees, leading to a stressful work environment and undermining teamwork. Additionally, it could impose extra financial burdens on the company, which might not be sustainable.

Option 2 - Enhancing employee engagement: Another alternative was to enhance employee engagement through regular meetings, workshops, and team-building activities. This strategy could foster a sense of belonging and commitment among employees, improving morale and productivity. The benefit of this approach is that it could build a positive work culture and strengthen relationships within the team. However, the team acknowledged that it required a significant investment of time and resources, and the results might not be immediately visible, which could be a drawback for achieving immediate productivity gains.

Option 3 - Improving working conditions: Improving working conditions was also considered a potential solution. By focusing on better facilities and resources, the company could boost employee

satisfaction and productivity. The advantage of this approach was that it directly addressed the physical work environment, which could have an immediate impact on employee morale. However, it might require substantial financial investment, and the improvements might not address deeper issues related to job satisfaction and motivation.

As the discussion progressed, the team weighed the pros and cons of each option, aiming to find a balanced approach that would effectively motivate the workforce while ensuring the company's financial stability and long-term success.

Balancing Cost Reduction and Employee Welfare at YIL

CMD Rajeev Puri posed a critical question to the leadership team: *'How should YIL balance the need for cost reduction with ensuring employee welfare and job security?'*

The team acknowledged the challenge of staying competitive while addressing employee concerns about potential job losses and reduced income due to cost-cutting measures.

Option 1 - Transparent communication: One approach suggested was transparent communication. Clearly communicating the reasons for cost-reduction measures and involving employees in decision-making processes could help gain their trust and support. The advantage of this strategy was that it could foster a sense of transparency and inclusion, which could improve morale. However, the team noted that effective communication skills were required and might not fully alleviate employees' concerns about job security.

Option 2 - Gradual implementation: Another option was gradual implementation. Implementing cost-reduction measures gradually would allow employees to adjust and minimize the impact on their income and job security. The benefit of this approach was that it reduced the shock of sudden changes and gave employees time to adapt. However, it might delay the realization of cost savings and prolong the period of uncertainty.

Option 3 - Offering alternative benefits: Offering alternative benefits was also considered a potential solution. Providing nonmonetary benefits, such as flexible working hours, health benefits, and career development opportunities, could compensate for the reduction in overtime. The advantage of this strategy was that it addressed employees' overall well-being and job satisfaction. However, the team acknowledged that it might not fully offset the financial impact of reduced overtime, and some employees might still feel dissatisfied.

Option 4 - Focusing on efficiency improvements: Focusing on efficiency improvements was another viable approach. Investing in technology and process improvements could enhance efficiency and reduce costs without compromising employee welfare. The benefit of this strategy was that it could lead to long-term gains in productivity and competitiveness. However, technology upgradation would require up-front investment and might take time to yield results.

As the brainstorming session continued, the team weighed the pros and cons of each strategy, seeking a balanced approach that would achieve cost reduction while safeguarding employee welfare and job security.

The Road Ahead

Despite YIL's significant progress in transforming itself from a loss-making entity into a more stable, performance-driven enterprise, several critical challenges remain unresolved. Key dilemmas persist—how to motivate the workforce without relying on overtime, how to secure a consistent flow of orders to ensure financial stability, and how to balance cost reduction with employee welfare.

Each of these issues presented complex trade-offs with no straightforward solutions. Addressing them would require thoughtful deliberation, strategic decision-making, and a willingness to innovate. As YIL continued its journey, the leadership must carefully weigh the pros and cons of various alternatives, always keeping in mind the long-term sustainability and growth of the organization.

The road ahead was uncertain and would demand resilience, creativity, and a strong commitment to fostering a supportive and high-performing work environment. The story of YIL was still unfolding, and the decisions made in the coming years would be pivotal in shaping the company's future trajectory.

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Appendix 1: A Brief Overview of the Ordnance Factory Board

The Ordnance Factory Board (OFB), established in 1979 on the recommendations of the Rajadhyaksha Committee, was responsible for policy planning and execution in India's defence manufacturing sector. It was headed by the chair and director general of Ordnance Factories, an officer from the Indian Ordnance Factories Service, equivalent in rank to a secretary to the Government of India. The OFB was structured into specialized functional divisions.

Over time, OFB's scope expanded beyond manufacturing to include process development and product improvement through research and development. This expansion was supported by the following:

- Defence Research and Development Organisation for innovation and product design;
- Controller General of Defence Accounts for financial oversight; and
- Quality-assurance and inspection agencies for the army, navy, and air force.

Additionally, the Military Engineering Services managed civil works, while recruitment was handled by the Union Public Service Commission and the Staff Selection Commission.

OFB's broadening activities and diverse product range positioned it as a vital component of India's defence and internal security infrastructure.

Appendix 2: Factory-Level Operations – A Hierarchical Challenge

Factory operations followed a three-tier structure, with clear lines of authority from workers to senior managers.

1. Workers at the base level,
2. Supervisors (non-gazetted officers) and junior works managers (gazetted officers – Group B) at the section level,
3. Managers (gazetted officers – Group A) at the management level.

Each factory was headed by a general manager, supported by three to five additional general managers (AGMs), who oversaw key areas such as production, administration, material management, engineering maintenance, safety, and quality.

These AGMs, referred to as controlling officers, supervised joint general managers and deputy general managers, collectively known as group officers. For example, the AGM of maintenance would be supported by group officers in mechanical, civil, electrical, and mechatronics/CNC maintenance, as well as the Information Technology Centre. Each group officer was further supported by a divisional officer responsible for a specific functional area.

Annex 3: Order Book Position for New Defence Public Sector Undertakings (₹ million)

Sl. No.	DPSUs	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	Total
1	MIL	51,000.0	49,000.0	45,000.00	48,000.0	NIL	193,000.0
2	AVNL	62,761.6	48,439.5	51,171.90	60,130.4	15,038.3	237,540.0
3	AWEIL	16,850.0	13,590.0	10,440.00	5,440.0	5,850.0	52,170.0
4	TCL	9,819.9	888.9	179.40	023.7	NIL	10,912.0
5	YIL	15,000.0			***		
6	IOL	20,370.7	14,506.2	1,452.77	12,108.5	12,088.5	73,602.0
7	GIL	2545.3	1,290.6	760.90	400.7	16.2	5,013.7
Total		178,348.0					

Source: Parliament Digital Library (n.d.), 29th Standing Committee Report of Parliament, 2022.

Appendix 4: Existing Piecework Scheme

YIL followed a legacy piecework incentive system, which rewarded output-based performance. However, the system had limitations in aligning broader organizational goals.

In the Ordnance Factories, industrial workers are paid in two ways:

1. Day work – based on attendance.
2. Piece work – based on the number of units produced.

For regular production items, factory management sets fixed rates per unit. Workers are paid according to the number of acceptable units they produce, regardless of the time taken. These workers are known as “piece workers.”

There are two types of piece workers:

- Individual piece workers – paid based on their own output.
- Group (Gang) piece workers – work in teams and share earnings based on the group's total output.

The system also includes a formula to calculate profit based on how much work is done versus the time spent. This profit is shared among team members in proportion to their attendance and effort. To encourage productivity, the system allows workers to earn more than their basic wages. However, if workers earn less than their wage through piece work, they are paid the difference and advised to improve. If performance does not improve over time, disciplinary steps may follow.

Maintenance workers also receive a bonus linked to the average performance of production workers.

Key Features of the Scheme

The scheme was originally designed to reward higher productivity and encourage teamwork. It guarantees a minimum wage while allowing workers to earn more if they produce more. However, it only applies to production shop workers and excludes other categories such as quality control, stores, and non-industrial staff.

Limitations

Despite its intentions, the scheme has several limitations. It covers only a small portion of the workforce and does not align the efforts of all employees with the organization's goals. Workers sometimes resist process improvements that could reduce their earnings, and there is little incentive for middle or senior management to support efficiency measures. In some cases, workers prefer to rely on overtime rather than increase their piecework output, which can lead to higher costs and inefficiencies.

Overall, while the piecework scheme has helped measure productivity and ensure a basic level of output, it addresses only a small fraction of total factory expenditure and lacks the broader alignment needed for a modern, performance-driven organization.

Appendix 5: Strengths, Weaknesses, Opportunities, and Threats of YIL

Potential Strengths:

- Market leadership: YIL has established itself as a leader in producing military-grade components and ancillary products.
- Product range: YIL produces a wide range of products, including ammunition, aluminum alloys, and other components for the defence and aerospace industries.
- Modern technology: The company has state-of-the-art machinery, infrastructure, and a skilled workforce.
- Focus on self-reliance: YIL is contributing to the Atmanirbhar Bharat initiative by developing and supplying products for the Indian Railway Container Corporation of India.
- Customer-centric approach: YIL is focused on delivering customized hardware to meet customer requirements and has expanded to global markets, including Europe, Asia, and Latin America.
- Employee welfare: YIL provides its employees with a range of facilities and benefits.
- Multiple production units: YIL has eight production units and one training institute in different states of India.

Potential Opportunities:

- Atmanirbhar Bharat initiative: YIL can further contribute to the “Self-Reliance” initiative, especially in the railway and aerospace sectors.
- Export expansion: YIL has the opportunity to expand its export business further.
- Product diversification: YIL can introduce new product lines by expanding product offerings and developing strategic capabilities.
- Government support: YIL, as a government enterprise, can get government backing for its operations and growth.

Potential Weaknesses:

- Internal control deficiencies: Deficiencies in internal controls include issues with inventory management, the accounting system, and the assessment of assets.
- Audit qualifications: The Independent Auditor's Report includes qualified opinions, indicating areas where financial statements may not be fully accurate or compliant with accounting standards.
- Noncompliance: There are instances of noncompliance with certain regulations and accounting standards noted in the audit reports.
- Data reconciliation issues: The auditors note various issues related to data reconciliation between different systems.
- Demotivation of employees: The employees are clueless about change and restless about their future. Uncertainty grips them.

Potential Threats:

- Competition: The competitive nature of the defence manufacturing industry indicates potential threats from other players in the market.
- Economic conditions: The company is managing its capital in light of changing economic conditions, indicating that economic downturns or instability could pose a threat.
- Global market uncertainties: The company is expanding in the global market, which also exposes it to uncertainties in global economic and political events.
- Supply chain: The importance of raw material availability for the company suggests that any disruption in supply chains could pose a threat to production and operations.

Appendix 6: Letter by the Federations to the defence minister

To

Shri Rajnath Singh Ji
Hon'ble Defence Minister
Government of India
New Delhi

Sub: Pathetic situation of Yantra India Ltd, within 5 months of corporatization Respected Sir:
The Hon'ble RM⁸ has assured us that even after the Corporatization of Ordnance Factories, the Government will extend all support to the Ordnance Factories for their survival. However, within a period of 5 months, the majority of the Ordnance Factories are facing various problems. Employees are not getting their own GPF money on time. Pension papers are getting delayed, NPS⁹ contribution submission is getting delayed, medical reimbursement claims, etc., are not being paid on time due to a shortage of funds. The rosy picture painted by the DDP¹⁰ is that the total turnover will increase to Rs30,000 crore by 2024–2025, the export will be 25% of their turnover by 2024–2025, and self-reliance in technology will increase to 75% by 2028–2029, from above 20% of the value of OF8 production, thereby reducing dependence on imported technology and usher in greater self-reliance has been proved to be False. The story, after almost five months, is that some of the new DPSUs may default even when it comes to salaries. To make payment of salaries to its employees and to meet other expenditures, Yantra India Limited Nagpur already availed a loan of Rs450.0 crores from the State Bank of India. This is just the beginning.

Our apprehension, which we have repeatedly communicated to the DOP in all the meetings held with us, is that the government decision of corporatization is going to badly affect the Ordnance Factories. It would be very difficult for the Ordnance Factories to survive, and liquidation would have a very serious impact on the national security and defence preparedness of our country. These concerns have come true. Moreover, the future of the employees will also be at stake, if this situation continues.

In view of the above, it is requested that the Hon'ble RM kindly reconsider the decision to corporatize the Ordnance Factories, withdraw the same, and permit the Ordnance Factories to continue as a government organization, as they existed on 30 September 2021. Moreover, for the effective functioning of the Ordnance Factories, the alternative and robust proposals put forward by the Federations may be favourably considered and implemented by holding discussions with us.

Awaiting your early and favourable decision, please.

Note: ₹1 crore = 10 million; US\$1.00 = ₹86.49, ₹1.00 = US\$0.0115617 (as on 28 January 2025).

⁸ Raksha Mantri (Defence Minister)

⁹ National Pension System

¹⁰ Department of Defence Production, General Provident Fund

Appendix 7: Timeline of Transformation in YIL

Date	Event
14 August 2021	YIL incorporated under the Ministry of Defence
1 October 2021	YIL began operations; employees transferred on deemed deputation
15 October 2021	Inauguration of seven new defence public sector undertakings by Defence Ministry
November–December 2021	The chair and managing director (CMD) visits MSF Kolkata; YIL Darpan dashboard initiated
February 2022	CMD meets Railway Board to secure axle orders

Capacity Building Commission

Study Questions

1. What were YIL's main challenges during its transition?
2. What is the main issue currently facing YIL?
3. What key strategic decisions were made to support the turnaround?
4. What strategies were used to enhance employee engagement during the transition?
5. How did corporatization contribute to greater accountability?

Capacity Building Commission

Amrit Gyaan Kosh is a dynamic repository of knowledge resources that captures and curates best practices in governance in form of case studies. This initiative is designed to reinforce the principles of *Atmanirbharta*, support the objectives of *Mission Karmayogi*, and contribute to the Hon'ble Prime Minister's vision of a citizen-centric, transparent, and accountable governance framework. These cases are published on iGOT, a learning platform for Government officials. For any query related to Amrit Gyaan Kosh, please write to gyaankoshcbc@gmail.com.

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