

PRESS RELEASE ON 332ND REPORT PERTAINING TO THE MINISTRY OF HEAVY INDUSTRIES (MHI)

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The Department-Related Parliamentary Standing Committee on Industry (Rajya Sabha), chaired by **Shri Tiruchi Siva**, presented its **Three Hundred and Thirty-Second (332nd)** Report on the Demands for Grants (2026-27) of the **Ministry of Heavy Industries (MHI)** to the Parliament on 11th March, 2026. The Report covers the Ministry's budgetary allocations and key schemes spanning the Automotive Industry, Capital Goods Sector, and Central Public Sector Enterprises (CPSEs) and Autonomous Bodies.

The Committee examined the Demands for Grants 2026-27 (Demand No. 48) 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). The Committee took oral evidence from the Secretary and other officers of the Ministry, as well as from representatives of the CPSEs and organisations under its administrative control. The key recommendations of the Committee contained in the Report are summarised below:

BUDGETARY ALLOCATIONS: NEED FOR REALISTIC BUDGETING AND BALANCED EXPENDITURE

The Committee noted that the Budget Estimates (BE) 2026-27 for the Ministry stand at Rs 7,939.90 crore, against the Ministry's projected requirement of Rs 9,484.32 crore, reflecting a significant shortfall of about 16 per cent. Revenue expenditure accounts for 99.96 per cent (Rs 7,937.08 crore) of the total outlay, while capital expenditure has been reduced to a negligible Rs 2.82 crore (0.04 per cent), down sharply from Rs 502 crore in BE 2025-26.

The Committee has expressed concern over recurring BE-to-RE (Revised Estimates) compression — allocations were reduced by roughly one-third at the Revised Estimates stage in 2024-25 and 2025-26 — pointing to persistent overestimation and systemic weaknesses in expenditure planning. The declining trend of RE utilisation — 84.23 per cent in 2022-23, 76.87 per cent in 2023-24, and 58.90 per cent in 2024-25 — was also flagged as a matter of concern.

Key recommendations of the Committee:

- The Ministry should restore a more balanced mix between revenue and capital outlays over the medium term and explore augmenting capital allocations towards durable industrial assets, modernisation of testing and research and development (R&D) infrastructure, and time-bound restructuring of stressed CPSEs.
- Scheme-specific expenditure-smoothing plans should be prepared for schemes with a history of chronic underutilisation, including front-loading of approvals and realistic phasing of targets.
- The Ministry should strengthen its internal resource-assessment methodology and engage in early, data-driven consultations with the Ministry of Finance so that critical multi-year schemes receive predictable and adequate funding trajectories.

PM E-DRIVE: CORRECTING SEGMENT IMBALANCES IN ELECTRIC MOBILITY

The PM Electric Drive Revolution in Innovative Vehicle Enhancement (PM E-DRIVE) Scheme, with a total outlay of Rs 10,900 crore (effective from April 2024 to March 2028), has been allocated Rs 1,500 crore in BE 2026-27. As on 31 January 2026, a total of 16,56,335 electric vehicles (EVs) have been incentivised against a revised target of 28,26,634 EVs — an achievement of about 58.6 per cent.

Progress remains heavily concentrated in the electric two-wheeler (e-2W: 14,31,133 units) and electric three-wheeler L5 (e-3W L5: 2,21,600 units) segments. By contrast, electric trucks (e-trucks) and electric buses (e-buses) have recorded nil achievement, and the electric rickshaw/electric cart (e-rickshaw/e-cart) segment has reached only 3,602 units against a revised target of 39,034. Electric ambulances (e-ambulances) also remain at zero.

Key recommendations of the Committee:

- Extend demand incentives for e-2Ws up to 31 March 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.
- Restore the original target of 1,10,596 e-rickshaws/e-carts, extend incentives up to 31 March 2028, and undertake coordinated enforcement measures with States and agencies to curb unauthorised production and operation of non-compliant vehicles. The Committee noted that approximately 4.75 lakh unregistered e-rickshaws are operating without certification, registration or insurance.
- Work out a revised and enhanced target for e-3W L5 and resume incentives up to 31 March 2028, given the continued prevalence of diesel three-wheelers in NCR (National Capital Region) and major cities.
- Establish clear and non-negotiable timelines for finalising guidelines, model approvals and manufacturer onboarding for e-trucks and e-ambulances, with a structured monitoring mechanism and detailed action plan.
- Ensure strict adherence to implementation timelines for e-bus deployment following tender finalisation, and establish a robust monitoring framework with clear milestones.

ELECTRIC VEHICLE PUBLIC CHARGING INFRASTRUCTURE: EXPANDING PRIVATE PARTICIPATION

The Committee noted that preparatory steps for the electric vehicle public charging stations (EVPCS) component under PM E-DRIVE — including appointment of Bharat Heavy Electricals Limited (BHEL) as Project Implementation Agency and revision of benchmark costs by the Bureau of Energy Efficiency (BEE) — have been completed. However, fund utilisation remains limited.

The Committee observed that the existing differentiated subsidy structure provides limited support for chargers in Categories C (all other locations not included in Government/PSU-linked categories) and D (battery swapping and battery charging stations), which may restrain private investment and slow expansion of charging networks in commercially important and high-demand locations.

Key recommendations of the Committee:

- Review the subsidy structure to provide calibrated support for chargers in Categories C and D, to encourage greater private participation.
- Finalise a time-bound rollout plan with measurable milestones and improve coordination with States and other agencies.

UPGRADATION OF TESTING AGENCIES: AVOIDING CERTIFICATION BOTTLENECKS

Tenders worth approximately Rs 622.45 crore have been floated for equipment procurement for the upgradation of four national testing agencies — Automotive Research Association of India (ARAI), Pune; International Centre for Automotive Technology (ICAT), Manesar; Global Automotive Research Centre (GARC), Chennai; and National Automotive Test Tracks (NATRAX), Indore — but budgetary utilisation remains nil so far.

Key recommendation of the Committee:

- The Ministry should ensure expeditious completion of procurement and early commencement of upgradation works so that testing infrastructure keeps pace with EV ecosystem expansion and does not become a bottleneck for certification and approvals.

PENDING OEM CLAIMS: ACCELERATING INCENTIVE DISBURSEMENT

As on 31 January 2026, claims relating to 2,32,588 electric vehicles are under process for reimbursement to original equipment manufacturers (OEMs), with the bulk relating to the e-2W segment. Delays were attributed to non-integration of certain State vehicle registration portals with the National Vehicle Registration Portal (VAHAN) and availability of masked customer data, which hindered verification.

Key recommendations of the Committee:

- Establish a robust and fully integrated digital verification mechanism with all States/Union Territories to ensure seamless, real-time validation of vehicle registration data.
- Institutionalise a time-bound framework for processing and disbursing eligible claims, particularly in high-volume segments, so that OEMs do not face working capital constraints due to reimbursement delays.

INTRODUCTION OF CONSUMER SUBSIDY FOR ELECTRIC FOUR-WHEELERS

The Committee noted with concern that electric four-wheelers (e-4Ws) are not covered under the PM E-DRIVE Scheme, despite the significantly higher upfront cost of e-4Ws vis-à-vis conventional internal combustion engine (ICE) vehicles acting as a deterrent for prospective buyers.

The Committee observed that while manufacturing-linked incentives are available under the PLI (Production Linked Incentive) Scheme for Automobile and Auto Components, these do not directly mitigate the affordability gap faced by end consumers. In the absence of a consumer-oriented subsidy, the transition in the four-wheeler segment — particularly among middle-class and private buyers — may remain slow and sub-optimal.

Key recommendations of the Committee:

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

AUTOMOTIVE EXPORTS: STRATEGY FOR GLOBAL COMPETITIVENESS

India ranks 1st in three-wheelers, 2nd in two-wheelers, 4th in passenger vehicles and 5th in commercial vehicles globally. The automotive sector contributes approximately 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.

Key recommendation of the Committee:

- Adopt a focused strategy to enhance automotive exports, especially in passenger and commercial vehicles, through technology upgradation, global standard alignment and improved market access. Sustained policy support should be extended to position India as a global hub for electric vehicle manufacturing and exports.

PM EBUS SEWA — PAYMENT SECURITY MECHANISM: ENSURING ADEQUATE FINANCIAL SUPPORT

The PM eBus Sewa — Payment Security Mechanism (PSM), with a total outlay of Rs 3,435.33 crore, aims to provide assured payment security for up to 38,000 or more electric buses (e-buses) for 12 years. However, the allocation in BE 2026-27 has been reduced to just Rs 12 crore (revenue only), with no fresh capital provision, even as large-scale deployment remains at an early stage.

Key recommendations of the Committee:

- Ensure time-bound operationalisation of all approved tenders and closely monitor conversion of awarded contracts into actual deployment.
- 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.

SCHEME TO PROMOTE MANUFACTURING OF ELECTRIC PASSENGER CARS (SPMEPCI): COMPREHENSIVE REVIEW NEEDED

Despite requiring a minimum investment of Rs 4,150 crore (USD 500 million) and offering concessional customs duty on imports, no applications were received under the Scheme to Promote Manufacturing of Electric Passenger Cars in India (SPMEPCI) before the deadline of 21 October 2025.

Key recommendation of the Committee:

- The Ministry should 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 core objectives of domestic manufacturing and reduced import dependence remain protected.

PLI SCHEME FOR AUTOMOBILES AND AUTO COMPONENTS: BRIDGING THE PERFORMANCE GAP

The PLI Scheme for Automobiles and Auto Components, with a total outlay of Rs 25,938 crore, has been allocated Rs 5,939.87 crore in BE 2026-27 — approximately 74.8 per cent of the Ministry's total demand.

As on 31 December 2025, cumulative investment stands at Rs 39,081 crore (against a five-year projection of Rs 42,500 crore), while incremental sales amount to only 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). Total incentive disbursement of Rs 2,378 crore up to 31 January 2026 remains a small proportion of the total outlay.

Key recommendations of the Committee:

- Adopt conservative, pipeline-based budgeting with quarter-wise expenditure roadmaps tied to verified applicant claims, avoiding repeat BE-RE slippages.
- Establish a high-level monitoring mechanism with monthly progress reviews of approved applicants' capacity commissioning, sales scaling and domestic value addition (DVA) certification.
- Analyse and address segment-specific bottlenecks, including OEM eligibility thresholds that may exclude domestic start-ups, through calibrated eligibility relaxations.

- Prepare contingency plans including reallocation of unutilised funds to high-performing segments or complementary schemes.

PLI FOR ADVANCED CHEMISTRY CELL (ACC) BATTERY STORAGE: URGENT COURSE CORRECTION

The PLI Scheme for Advanced Chemistry Cell (ACC) Battery Storage, with an outlay of Rs 18,100 crore, aims to create 50 GWh of manufacturing capacity. However, only 40 GWh has been awarded so far, and just 1 GWh has been commissioned, with the remaining 39 GWh under commissioning. No incentives have been disbursed due to non-fulfilment of eligibility conditions.

The Committee expressed serious concern over the massive disconnect between the approved subsidy path and the actual meagre allocations and utilisations.

Key recommendations of the Committee:

- Conduct an immediate beneficiary-wise review with a status report within 3 months; grant conditional timeline extensions only for verifiable constraints, with capacity reallocation for non-performers.
- Align BE 2026-27 allocations to match the approved subsidy path, with quarterly monitoring and independent audits.
- Pragmatically calibrate early-year DVA thresholds, broaden the definition of DVA to include R&D and software, and strengthen domestic testing infrastructure.
- Integrate MSMEs (Micro, Small and Medium Enterprises) and start-ups via cluster incubation, subsidised testing, and technology transfer mandates; prioritise chemistries such as Lithium Iron Phosphate (LFP) and sodium-ion suited to Indian conditions.

CRITICAL MINERALS AND SUPPLY CHAIN RESILIENCE: REDUCING DEPENDENCE ON CHINA

The Committee expressed deep concern over India's dependence on rare earth and critical minerals, which are largely imported and dominated globally by a few countries, particularly the People's Republic of China, which contributes a major share of mining output and processing capacity. Recent Chinese export restrictions on key rare earth magnets have resulted in supply chain bottlenecks impacting Indian industries, including EV manufacturers.

The Committee reiterated that batteries constitute a large share of the cost of an electric vehicle — the single largest component — making domestic ACC manufacturing indispensable for lowering EV prices, strengthening energy security, and building export competitiveness.

Key recommendations of the Committee:

- Strengthen supply resilience by deepening diplomatic and commercial engagement with resource-rich nations and swiftly operationalising offtake agreements and joint ventures.
- Accelerate domestic exploration, processing, refining, and recycling initiatives under national missions relating to critical minerals.
- 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.
- Establish cluster-based incubation centres and affordable testing facilities in proximity to ACC hubs to enable MSMEs and start-ups to participate in the battery manufacturing ecosystem.

CAPITAL GOODS SECTOR: ADDRESSING IMPORT DEPENDENCE AND TECHNOLOGY GAPS

The capital goods sector contributes about 1.9 per cent to GDP (Gross Domestic Product) and is central to objectives such as Make in India and Atmanirbhar Bharat. However, the Committee noted that import-to-production ratios remain particularly adverse in machine tools, textile machinery and food processing machinery. The overall import-to-production ratio for capital goods stands at about 41.1 per cent, though down from 53.9 per cent in 2022-23.

The budgetary provision for the Scheme for Enhancement of Competitiveness in the Indian Capital Goods Sector in 2026-27 is Rs 125.36 crore — barely 1.58 per cent of the Ministry's total allocation.

Key recommendations of the Committee:

- Undertake a granular, product-wise analysis of import dependence, identify 20-30 high-impact product lines and prepare a time-bound indigenisation roadmap with measurable import-substitution and export targets.
- Strengthen enforcement of quality control orders to curb import of obsolete and substandard machinery, and rationalise inverted duty structures that disadvantage domestic manufacturers.
- Public procurement policies should explicitly prioritise domestically manufactured capital goods meeting prescribed quality and localisation criteria.
- The Government should 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.

NEW SCHEME FOR CONSTRUCTION AND INFRASTRUCTURE EQUIPMENT (CIE): TIME-BOUND OPERATIONALISATION

A new Scheme for Enhancement of Construction and Infrastructure Equipment (CIE), with a total financial outlay of Rs 14,300 crore over seven years, was announced in the Union Budget 2026-27 with an initial provision of Rs 200 crore. The domestic CIE market is valued at about Rs 1.03 lakh crore and faces significant import dependence. The Scheme is expected to catalyse new investment and generate employment and export gains.

Key recommendations of the Committee:

- Ensure the CIE Scheme is operationalised in a time-bound manner, with clear eligibility criteria, competitive selection of beneficiaries and strict domestic value-addition thresholds.
- Publish an annual CIE Scheme progress report detailing investment realised, domestic value addition achieved, import substitution and export performance, to enable close parliamentary oversight.

CAPITAL GOODS SCHEME PHASE II: ACCELERATING TECHNOLOGY COMMERCIALIZATION

Under Phase II of the Capital Goods Scheme, 29 projects have been sanctioned with Government contribution of about Rs 715 crore. The Scheme has led to development of more than 100 niche technologies, generated revenue and yielded patent filings and intellectual property.

Key recommendations of the Committee:

- Set explicit commercialisation and domestic value-addition targets for each Centre of Excellence (CoE) and accelerator project.
- Establish dedicated technology-transfer and handholding cells to work with MSMEs and clusters.
- Link a defined share of Scheme funding to demonstrable outcomes such as licensed technologies, pilot production lines and reduction in import intensity.
- Institute a robust quarterly monitoring framework with project-wise physical and financial milestones.

PERFORMANCE OF CPSES: CONSOLIDATING TURNAROUNDS

Out of 16 operational CPSEs under the Ministry, 11 are now profit-making and the number of loss-making CPSEs has reduced to 5. The Committee particularly appreciated the turnaround efforts in Heavy Engineering Corporation Ltd. (HEC) and Engineering Projects India Ltd. (EPIL).

Key recommendations of the Committee:

- Consolidate recent improvements through continued operational reforms, prudent financial management, timely working capital support and diversification of business portfolios.
- Prepare detailed, CPSE-wise revival or closure plans for each loss-making unit, clearly diagnosing root causes and specifying the chosen strategy — turnaround, strategic sale, closure or asset monetisation — with realistic timelines and funding requirements.
- Safeguard CPSEs that have turned around against relapse through periodic performance reviews and risk-assessment mechanisms.

REVIVAL OF HMT MACHINE TOOLS LIMITED: STRATEGIC IMPERATIVE FOR INDUSTRIAL SELF-RELIANCE

The Committee, following its study visit and detailed interactions with company management, observed that reviving HMT Machine Tools Ltd. (HMT MTL) is imperative for India's strategic industrial security, machine tool self-reliance, and support to Defence/Space sectors. The company, incorporated in 1953 as India's pioneering "Mother of Machine Tools," has supplied high-precision, import-substituting equipment to Indian Space Research Organisation (ISRO), Bhabha Atomic Research Centre (BARC), Indian Railways, Armed Forces and other strategic entities.

Key recommendations of the Committee:

- 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.
- Priorities must encompass rapid technology modernisation, establishment of a Central R&D/Advanced Manufacturing facility, phased workforce renewal, careful disposal of surplus assets, and securing assured offtake orders from Defence/Railways/PSUs for demand stability.
- Institute rigorous quarterly monitoring with transparent periodic reporting.

ANDREW YULE AND COMPANY LTD. (AYCL): INSTITUTIONAL PROCUREMENT SUPPORT

Following its study visit to Kolkata, the Committee noted that AYCL contributes to national tea production and employs a large number of workers across estates in Assam and West Bengal. The Tea Division has been incurring continuous losses due to structural challenges under the Plantation Labour Act, competition from small tea growers, and poor internal accruals.

Key recommendations of the Committee:

- Take up the matter with the Ministry of Labour and Employment for a comprehensive review of the Plantation Labour Act to introduce greater flexibility in labour-related norms while protecting workers' interests.
- Explore proactive institutional measures to facilitate procurement and supply of Andrew Yule tea in Government offices, PSUs, Defence Establishments, Railways and other Government institutions, on the lines of similar preferential institutional support extended to other CPSEs.

CEMENT CORPORATION OF INDIA (CCI): MODERNISATION AND DEBT REDUCTION

Cement Corporation of India (CCI) has returned to profitability but faces intense competition from large private players. Actual Internal and Extra Budgetary Resources (IEBR) utilisation has lagged significantly behind the Budget Estimates.

Key recommendation of the Committee:

- Put in place a time-bound action plan for modernisation and capacity expansion with quarterly milestones. CCI should draw up a medium-term strategy for debt reduction through improved cash flows, better capacity utilisation, energy-efficiency gains and calibrated asset monetisation.

BUDGETARY SUPPORT TO CPSES AND CMTI

The allocation under Support to Central Public Sector Enterprises remains minimal at Rs 2.23 crore in BE 2026-27, reflecting a decline from Rs 3.21 crore at RE 2025-26. Several CPSEs continue to face financial stress, legacy liabilities and pending statutory dues.

The Central Manufacturing Technology Institute (CMTI), Bengaluru, has been allocated Rs 22.04 crore in 2026-27, entirely under revenue with no capital provision.

Key recommendations of the Committee:

- Undertake a realistic assessment of financial and restructuring needs of CPSEs and ensure that budgetary support is better aligned with their revival and liability obligations. CPSEs with strong balance sheets (such as Bharat Heavy Electricals Limited – BHEL) should finance modernisation predominantly through internal resources, while budgetary support is prioritised for financially weak but strategically important CPSEs.
- For CMTI, the enhanced allocation should translate into measurable R&D outcomes, stronger industry linkages and effective technology transfer. The need for dedicated capital support to CMTI for upgrading laboratories, testing facilities and advanced manufacturing infrastructure should be examined.

CONCLUDING OBSERVATIONS

The Committee's Report contains a comprehensive set of recommendations aimed at strengthening the effectiveness of the Ministry's flagship schemes, improving fiscal discipline, accelerating India's transition to electric mobility, deepening domestic manufacturing in capital goods, securing critical mineral supply chains, and ensuring the revival and long-term sustainability of CPSEs. The Committee has emphasised the need for realistic budgeting, outcome-based monitoring, time-bound implementation, and transparent reporting to Parliament.

Note: The full text of the Report, as presented to Parliament, is available on the Rajya Sabha website at: <https://sansad.in/rs> → *Committees* → *Department-related Standing Committees* → *Industry* → *Reports*.

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