

## **CHAPTER II**

### **ACQUISITION PROCEDURES FOR CATEGORIES UNDER 'BUY', AND 'BUY AND MAKE' SCHEMES**

#### **Acquisition Process**

1. The acquisition process for the categories of procurement under the 'Buy' and 'Buy & Make' schemes will involve the following processes:-

- (a) Request for Information (RFI).
- (b) Formulation of Services Qualitative Requirements (SQRs).
- (c) Acceptance of Necessity (AoN).
- (d) Solicitation of offers, including Offset offer, if applicable.
- (e) Evaluation of Technical offers by Technical Evaluation Committee (TEC).
- (f) Evaluation of Offset Offers by Technical Offset Evaluation Committee (TOEC).
- (g) Field Evaluation Trials (FET).
- (h) Staff Evaluation.
- (j) Oversight by Technical Oversight Committee (TOC), if required.
- (k) Commercial negotiations by Contract Negotiation Committee (CNC).
- (l) Approval of the Competent Financial Authority (CFA).
- (m) Award of contract/placing of Indents.
- (n) Post-Contract Management.

#### **Request for Information (RFI)**

2. Request for Information (RFI), as the name suggests is a means to seek information from the vendors; to inter-alia explore suitability of products available to meet the operational requirements of the Services, and to formulate broad services qualitative requirements, maintenance philosophy, as well as other contractual provisions.

3. The RFI would be hosted on MoD's centralised acquisition portal besides being sent to known vendor base, for seeking relevant information, on specific procurement schemes. In order to enable wider market survey and participation, SHQs may seek information from multiple sources, such as Defence Attaches, internet, other MoD/MHA/law enforcement agencies, defence journals/magazines/exhibitions, previously contracted cases and any other relevant information source, including renowned defence equipment databases. **The issue of RFI is not a commitment for procurement.**

4. **Use of Specialised Tools / Data Sets / Consulting.** Defence acquisition is unique by virtue of technological complexity, geo-political ramifications, very high cost, supplier constraints and a lack of clarity on costing of products being offered by vendors. Consequently, to make the process of defence procurement more objective, effective and efficient, SHQ should explore the feasibility of subscribing to renowned defence equipment databases/specialist tools/consulting services available in the market to assist in examining the types and nature of equipment being deployed by our adversaries, as also available in the world market, so as to help SHQs in formulation of Long Term Perspective Plans, as well as drafting of realistic SQRs, besides assisting CNCs to arrive at realistic price benchmarking.

5. The main objectives of the RFI are as follows:-

- (a) To formulate/refine/rationalise the SQRs; this exercise may involve rational combination of different product specifications and should result in a practical, achievable and aspirational product requirement that can be objectively evaluated.
- (b) To identify vendor base.
- (c) To generate inputs for structuring the RFP.
- (d) To aid in deciding the acquisition category, based on the Defining Attributes and Decision Flow Charts (as detailed in Appendix A to this Chapter).
- (e) To determine the indicative budgetary and cost implications.
- (f) To aid in deciding the desired maintenance philosophy i.e. whether to procure MRLS or opt for other modes of maintenance support like AMC, PBL etc.
- (g) To seek inputs for formulating Draft Trial Methodology and identify Indian/International Standards applicable for evaluating the SQRs.

6. The RFI should clearly indicate the following: -

- (a) Capabilities sought in the equipment/system/platform.
- (b) Quantity required and anticipated delivery timeframes.

- (c) Tentative time schedule for the acquisition processes (issue of RFP).
- (d) Vendor qualification criteria promulgated by Acquisition Wing vide MoD ID No 4(3)/D(Acq)/16-Pt.IV dated 18/09/2019 or as updated on <http://mod.gov.in>.

7. A suggested format of the RFI is attached at Appendix A to this Chapter. The RFI should inter-alia seek the following inputs from the vendors: -

- (a) Details for generating/refining/rationalising the SQRs.
- (b) Scope, depth and range of ToT and key technologies identified by SHQs in consultation with other stakeholders, as applicable.
- (c) Capability of Indian vendors to indigenously design and develop the required equipment.
- (d) Applicable key technologies and materials required for manufacturing of the equipment/system/platform and the extent of their availability or accessibility in case they are not available in India.
- (e) Availability of the equipment/system/platform in the Indian market, level of indigenisation, delivery capability, maintenance support, life time support etc.
- (f) In cases where requisite expertise to indigenously design or manufacture the equipment is not available and procurement is envisaged from global vendors; explore willingness of global vendors to:-
  - (i) Enhance indigenisation and setup dedicated manufacturing line in India; or
  - (ii) To progressively undertake manufacture of systems, subsystems, components, consumables, spares, ammunition, materials, etc, of the main equipment/platform in India, or
  - (iii) To transfer technology for maintenance infrastructure, where applicable.
  - (iv) Consider making India, a regional/global hub for manufacturing/MRO of the equipment.
  - (v) To procure indigenous raw materials or facilitate transfer of technology for production of raw material.

(g) Approximate cost estimation and suggestions for alternatives to meet the same objective as mentioned in RFI.

(h) Inputs on maintenance philosophy, including aspect that go into determining the cost of the scheme, such as Engineering Support Package, Life-Cycle Support, Performance Based Logistics, Annual Maintenance Contract (AMC), other maintenance arrangements, training, etc.

(j) Inputs on compliance to test standards followed in India, certifications available with Vendor pertaining to quality management and quality of product/systems and their accreditation bodies, test facilities available for certification in firm premises or in the country of OEM.

8. RFI would be formulated by SHQ, in consultation with DRDO, DDP, HQ IDS and trial agencies. A copy of the draft RFI will be shared with DRDO, DDP, trial agencies (including QA agencies, EMI/EMC testing agency, MET, etc), HQ IDS and other services (for comments on issues of commonality and interoperability), to ensure that comprehensive response is generated from vendors, to facilitate addressing all aspects of operational requirements and defining attributes. All agencies should provide their comments within six weeks of receiving the draft RFI, post which it will be considered as 'Nil-comments.' The comments obtained would be incorporated, where applicable. RFI should also ask for details about the vendors as per the 'Information Proforma' attached at Appendix B to this Chapter. The 'Guidelines for Framing Criteria for Vendor Selection', as attached at Appendix C, will also be appended to the RFI. SHQs should clearly bring it to the notice of the respondents that non conformity/ no response to any query in the RFI would in no way debar them from issue of RFP.

9. The RFI should also explore the feasibility for achieving of progressive Indigenisation as also obtain details of the foreign OEM's ability with regards to the following aspects:-

(a) Willingness and ability to transfer desired technologies to Indian industry or to a joint venture, in case ToT is envisaged.

(b) Setup dedicated manufacturing line, including design, integration and manufacturing processes in India, either through its own subsidiary or in a joint venture with an Indian company.

(c) Undertake indigenous manufacture of systems, subsystems, components, consumables, spares, ammunition, materials, etc, in India, either through its own subsidiary or in a joint venture with an Indian company.

(d) Set-up an ecosystem of indigenous vendors/manufacturers for sustenance of the equipment in terms of repairs of systems, sub-systems, assemblies, components, etc. as also testing facilities.

- (e) Make India, a regional/global hub for MRO for the Platform/equipment.

10. As RFI is a means to seek information from the vendors; SHQs may issue supplementary RFI(s), as required, to ensure that the information collated is comprehensive and results in formulation of accurate and quantifiable SQRs. Where required, supplementary RFIs may be issued to seek greater details on evaluation methodology, supportability, maintenance, training, EMI / EMC and quality issues. RFI is also meant to provide advance intimation for the vendors to obtain requisite government clearances.

11. In addition, extensive interactions with the vendors should be held by the SHQ, after uploading the broad details of the scheme on MoD and SHQ websites. After interaction, vendors should be given sufficient time (not less than eight weeks) to respond to the RFI. Extension of time for submission of RFI responses may be given by SHQ. Based on general information that is obtained from the vendors, the 'Competency Map' of the participating Indian industry and indigenous raw material producers should be updated by DDP.

12. Prior to finalisation of SQRs, SHQs may also interact with the industry, if required. The inputs so obtained should result in the form of a compliance table of SQRs, vis-à-vis technical parameters of equipment available.

### **Military Materials**

13. Indigenous availability of high-end materials and special alloys is an important pre-requisite for self-reliance. For promoting the use of indigenous military material and encouraging its development and production in the country, the methodology of classification of military material is placed at Annexure I.

14. **Dissemination of Information on Materials.** MoD may obtain information of material requirement and their availability, from all relevant stakeholders like various platform manufacturers, material manufacturers/ developers, DPSUs/ Industry Associations/ DRDO/ Services/ HQIDS and provide a platform for periodic interaction between all stakeholders including material manufacturers.

15. **Promotion of Use of Military Materials.** To ascertain the feasibility of use of indigenous military materials already being manufactured in the country, SHQ during the RFI Stage is to examine acquisition projects for platforms and other equipment/ systems other than "Buy Global" projects, with substantial material component. If the material is known to be available, additional RFI to material manufacturers may be issued and further information may be sought on the following aspects: -

- (a) Identification of the main material in case of platforms and details of major input materials in case of equipment/ systems.

- (b) Availability in the country and known sources.
- (c) Vendor's likely plan for sourcing the material(s).
- (d) Likely cost of material(s) if sourced from Indian vendors as compared to their import cost.

16. Based on the outcomes of the above exercise/ internal feasibility study and approximate cost of material as arrived from RFI response from Main Vendor or Material Manufacturer, SHQ, at the time of seeking AoN, should include the proposed methodology for sourcing of the material for the project in the SoC (in 'The Scope for Use of Indigenous Materials' section of SoC) as per following:-

<b>Ser</b>	<b>Reason for Not Using Indigenous Raw Material</b>	<b>Suggested Methodology</b>
(a)	Material(s) available in India but not being utilised for military applications due to lack of knowledge of availability of material(s) in India and/ or for convenience of use of material(s) from established import source	Define the requirement of use of only indigenous material(s) and/ or Incentivise subject to a cap of 0.5% of total order value. In case of more than one material being used, the incentivisation for each material should be in proportion to relative value and/ or Indicate likely sources as BNE material.
(b)	Not being utilised for military applications due to cost of indigenous material(s) being marginally higher compared to import cost	Define the requirement of using only indigenous material(s) and/ or Provide incentivisation up to 15% of the cost of the material subject to maximum ceiling of 0.75% of total order value. In case of more than one material being used, the incentivisation for each material should be in proportion to relative value
(c)	Not being utilised as the indigenous material(s) not validated	Provide incentivisation up to 25% of the cost of the material subject to max ceiling of 1.0% of total order value. In case of more than one material being used, the incentivisation for each material should be in proportion to relative value

### **Indigenous Software**

17. In order to leverage the highly developed indigenous software expertise existing in the country, it is pertinent that maximum equipment should function with indigenous software driving the desired applications while the backend software i.e. Operating Systems continues to be OEM defined. The RFI process should clearly identify availability of

indigenous software for running applications on the equipment/system and its analysis should determine whether the project should mandatory require the vendors to base applications being run on their solution (especially critical components like Fire Control System, Radars, Communications, Encryption sub systems) on indigenous software in Buy (Indian – IDDM) and Buy (Indian) cases. In case the requirement is not made mandatory, Enhanced Performance Parameters (EPP) with respect to indigenous software should be defined with commensurate credit score (as per para 10.3 of Chapter II) in the Services Qualitative Requirements (SQRs) to provide for the enhanced capability being offered.

### **Services Qualitative Requirements (SQRs)**

18. **Characteristics of SQR.** All capital acquisitions will be based on SQRs, which need to lay down the fundamental user requirements in a comprehensive manner. The SQRs need to be realistic, achievable and verifiable and must avoid ambiguity of any type. SQRs must be broad based and must not be tailored from/for a particular product or service and must result in procurement of the items that best meet the requirements of the armed forces. The SQRs would be based primarily on operational, technical, maintainability, ergonomic and enhanced performance parameters. It may not be viable for all vendors to produce a complex and costly equipment precisely customised for unique requirements, within limited time and in limited numbers, for assessment and evaluation at Field Evaluation Trial (FET) stage. The parameters of SQRs, which are generated through RFI process, are classified as under and further detailed as part of the RFP:-

18.1 **Essential Parameters-A.** These are parameters that are generally a part of the contemporary equipment available in the market and form the core of the SQRs; Essential Parameters -A will be tested and validated at FET stage.

18.2 **Essential Parameters-B.** Though not available originally in the equipment fielded for the FET, these parameters can be developed and achieved by the vendors using available technologies. These parameters need to be tested and validated within a specified time frame as stipulated in the contract. These tests for Essential Parameters - B should also validate that there is no adverse effect on any of the Essential Parameters - A. However, vendors should be able to substantiate and need to provide an undertaking, at the bid submission stage, that they will develop and meet the Essential Parameters - B with their existing capabilities, on entering into a contract. In procurement cases involving Essential Parameters - B, an Additional Bank Guarantee valued between 5% and 10% of the contract value of equipment required with Essential Parameters - B, as determined by the AoN according authority, needs to be submitted, in addition to the Performance Bank Guarantee; the quantum of the Additional Bank Guarantee must be stated in the RFP. Failure to meet the Essential Parameters - B after signing of the contract and within the stipulated time frame, will lead to forfeiture of all bank guarantees (Performance Bank Guarantee, Additional Bank Guarantee and Advance Bank Guarantees if any) and attract other penal provisions as may be prescribed by the Government. On meeting the Essential Parameters - B as per contract terms, the Additional Bank Guarantee will be released

and returned to the contracted vendor. Essential Parameters - B maybe evaluated at the FET stage, if any equipment, as claimed by the vendor(s), can meet them and are willing to get their equipment trial evaluated for Essential Parameters B at FET stage (a written undertaking in this regard will be obtained from the vendor prior to commencement of FET by SHQ). Essential Parameters - A and Essential Parameters - B (if applicable) are non-negotiable requirements to be met by the vendor, prior to commencement of equipment delivery. The provision to incorporate Essential Parameters - B will be used only when required, with approval of AoN according authority and will not be used when two or more vendors claim to possess the same at the RFI stage. Essential Parameters - B will not be included in ab-initio single vendor cases. Essential Parameters - B may also be incorporated in the SoC, for provision of partial quantities of the items being procured, to meet different/higher specifications for specific operational requirements.

**18.3 Enhanced Performance Parameters (EPP).** EPP are those parameters that enhance the capability of the equipment, vis-à-vis the operational, technical, maintainability/ergonomic parameters; a SQR may not contain EPP in all cases. Inability to meet the EPP does not preclude vendors from being eligible for the bidding/bid evaluation. However, if a vendor claims to have equipment meeting the EPP as specified in SQR and RFP, then they must provide details of the same in their technical bids, which have to be tested for compliance during the FET itself. Equipment successfully meeting the EPP parameters will be awarded a credit score of up to 10%, for evaluation of L1, with each individual attribute not exceeding a credit score of up to 3%, as approved by the AoN according authority. In case procurement involves EPP, then the EPP and their credit scores need to be explicitly detailed in the RFP. In such cases, if the equipment supplied by a vendor does not have the EPP, then the commercial quote of the vendor, for the purpose of L1 determination, remains as it is. In cases where a vendor's equipment meets the EPP, the commercial quote will be multiplied by a credit factor less than 1 and greater than or equal to 0.9, based on the additional technical score assigned for the EPP, as detailed in the RFP. For example, if a vendor quotes ₹ 10 Crores for an equipment and meets a certain EPP for which an additional credit score of 2% is being provided, then the commercial quote of this vendor will be considered for L1 determination purpose only, as ₹ 9.8 Crores (10 Crores multiplied by 0.98) and not ₹10 Crores; however, for all purposes other than L1 determination, the value of the commercial quote will be considered as ₹ 10 Crores only.

**19. SQR Formulation.** The SQRs would be drafted by a SQR Formulation Committee (SQRFC) at SHQ. The committee would be convened by VCDS/DCOAS/DCAS/VCNS on receipt of RFI responses for all case listed in respective Services AAP/SCAP, pertaining to cases listed in the Services AAP/SCAP, by the User Directorate. The SQR Formulation Committee would deliberate and finalise the SQRs and recommend award of credit scores to EPP, if applicable. The draft will be circulated to DRDO, DDP, HQ IDS and respective TMs and their comments would be incorporated, where



applicable. To ensure that this process is completed in a time-bound manner, all addressees are to forward their comments within six weeks, post which it will be deemed to be nil comments. Once finalised, the SQRFC would get the SQRs and credit scores for EPP, if any, approved from the respective Staff Equipment Policy Committee (SEPC) within six months from the date of convening. Any extension thereto, if required for approval of SQR, would be granted by VCDS/VCOAS/DCAS/VCNS. The SQR Formulation Committee would also be responsible for preparing a draft Trialability Matrix specifying the various parameters to be evaluated during the trials.

20. **Composition of SQR Formulation Committee.** The SQR Formulation Committee for SHQs will comprise of members from all stakeholders. The appointment of Chairman of the said committee will be tenanted by a Brigadier or equivalent officer from SHQ. The other members will include a Director level officer (Member Secretary) from User Directorate, representatives from User Trial Agency, QA agency, Operations Branch, Procurement Directorate of the SHQ, and Maintenance agency. The Chairman is empowered to nominate any other additional members/ Subject Matter Experts as deemed necessary. The Subject Matter Experts may include those professional/technical experts who have extensive knowledge/experience on the equipment/systems/technologies involved in the equipment under consideration. SHQ will maintain a list of such experts from appropriate fields, which may include experts drawn from academia, industry associations, IITs/IISc as required. DRDO may provide subject matter experts till HQ IDS draws a panel of experts from Academia/Industry Associations/IITs/IISc. The SQR Formulation Committee for Coast Guard would be guided by a SOP as promulgated by CGHQ. SHQ will draw their own SOP on SQR formulation based on broad guidelines enunciated above.

21. **Format of SQRs.** The SQRs, as far as possible, would follow a standardized format as under :-

(a) Introduction & Operational Philosophy/Proposed Employment of equipment/system/platform.

(b) **Essential Parameters-A.**

(i) **Operational Parameters.** Unambiguous, non-negotiable, essential functional requirements laid down by the Services, which clearly define basic profile of an equipment/system, specifying minimum acceptable performance requirements thereby defining 'Core Capabilities' of the equipment/system would be termed as Operational Parameters.

(ii) **Technical Parameters.** Based on the Operational Parameters, scientific and technical characteristics required in the system to achieve these operational capabilities would be drawn out after due analysis of contemporary and developing technology in the field.

(iii) **Maintainability & Ergonomic Parameters.** These parameters will primarily relate to aspects like maintenance, crew comfort, storage of equipment, packing material etc.

(c) Essential Parameters-B

(d) Enhanced Performance Parameters (EPP) along with proposed credit scores.

22. In cases where other services also intend to procure similar equipment in the next three years, the lead service will process the Joint Service Quality Requirements (JSQRs) through the Integrated Staff Equipment Policy Committee (ISEPC). Conversion of SQR to JSQRs will not be mandatory in cases where quantities required by other Service(s) is 20% or less as compared to the lead service, and the joint procurement case would be progressed on the SQRs itself. In cases, where a service opts to join an ongoing procurement case of other service at the time of seeking AoN, with no change in the SQRs, the case would be progressed on the lead service SQRs, and the same SQRs would be subsequently converted into JSQRs, for future procurements.

23. **Approval of SQRs.** SQRs will be fielded for approval of the respective Staff Equipment Policy Committees (SEPC) within six months of the constitution of the SQRFC. In cases of Joint Service Quality Requirement (JSQR), the same would be approved by the Integrated Staff Equipment Policy Committee (ISEPC) within six months of the constitution of the SQRFC. A copy of the approved SQR/JSQR would be submitted along with the 'Statement of Case' (SoC) for seeking AoN.

24. **Amendment to SQR Parameters.** There may be situations wherein SQRs need to be amended post accord of AoN, till issue of RFP. In case the requirement is to amend an Operational parameter of SQR, the approval for same would be accorded by AoN according authority. However, for amendment in any other parameter of SQR, the approval may be accorded by Staff Equipment Policy Committee (SPEC)/ Integrated Staff Equipment Policy Committee (ISEPC). Any amendment to SQR after issue of RFP would be approved by the AoN according authority. No changes to the SQR will be generally permitted after issuance of RFP, other than following cases, with approval of the AON according authority:-

(a) Repeat Order.

(b) Ab-initio Single Vendor Cases for indigenously designed or manufactured by DPSU/OFB/DRDO.

25. Quality standards such as JSS 55555 and other relevant standards are essentially guidelines for defining environmental conditions in the SQRs, and are not a mandatory condition to be applied across the board. SHQs, in consultation with QA agencies, are to carefully incorporate the severity of environmental conditions of tests as per governing

standards. SQRs should contain specific and verifiable parameters for the capabilities sought. Generic terms such as ‘all weather capability’, ‘state-of-the-art’, etc, are not to be included.

### **Acceptance of Necessity (AoN)**

26. AoN based on SQRs/JSQRs will be obtained by SHQ within six months of their approval by the ISEPC /respective SEPC. In cases with estimated cost more than 3000 crores, AoN may be obtained within one year of their approval by the ISEPC /respective SEPC. In order to seek AoN, the SHQs would prepare a SoC as per format at Appendix C and Schedule I to this Chapter respectively. To guide the acquisition planner/ steering Directorates at SHQ on arriving at the optimal scope while preparing SoC and/or RFP as relevant, flowcharts assisted guidelines with relevant instructions are placed at Appendix E and its annexure. The SoC shall clearly bring out all the aspects of acquisition project like broad deliverables, proposed repair and maintenance philosophy, delivery schedule, time lines of procurement and financial aspects required etc. The SoC will include assessment of the acquisition category against the Defining Attributes as given at Appendix E to this Chapter.

27. **Processing of AoN : Non Delegated Power Cases.** SHQ would prepare the draft SoC after detailed internal consultations as per Appendix C to this Chapter, to include assessment of the acquisition category against the Defining Attributes as given at Appendix A to this Chapter. The draft SoC would be approved by the Head of the respective User/Plans Directorate/equivalent of the Services. Copies of the draft SoC would be forwarded to DDP, DRDO, Acquisition Wing, MoD (Finance) and HQ IDS along with copies to Technical Manager and Finance Manager. The Quantity vetting would be carried out by the Finance Manager on the basis of the SOP promulgated by Defence (Finance). HQ IDS would also examine aspects of interoperability and commonality of equipment for the three services. In order to ensure that the AoN according process is completed in a time bound manner, each SoC would be commented upon by all addressees within four weeks of receipt, so that the proposals are considered by the Categorisation Committee within a 4 to 6 week cycle. The finalised SoC, duly considering all comments received, will be fielded in the DPB by the concerned SHQ. Secretariat of the DPB will circulate the SoC to all members and invitees as applicable. AoN for all cases upto 500 Crores will be accorded by the DPB. In cases beyond 500 Crores, DPB will recommend categorisation, based on the proposal of the SHQ and refer these to the DAC for accord of AON. The SoC, duly amended as per recommendations of the DPB, will be forwarded to the Secretariat of the DAC for cases to be fielded in DAC. The Secretariat of the DAC will circulate the SoC being fielded in DAC to all members and invitees. A draft RFP will also be forwarded by SHQ to respective TMs along with a copy of the SoC being fielded in DPB/DAC for accord of AoN.

28. **Processing of AoN : Delegated Power Cases.** SHQ would prepare the draft SoC after detailed internal consultations as per Appendix C to this Chapter, to include assessment of the acquisition category against the Defining Attributes as given at Appendix A to this Chapter. The draft SoC would be approved by the Head of the respective User/Plans Directorate/equivalent of the Services. Copies of the draft SoC would be forwarded to DDP, DRDO, PIFA/IFA (Capital) and HQ IDS. The Quantity vetting would be carried out by the

PIFA/IFA (Capital) on the basis of the SOP promulgated by Defence (Finance). HQ IDS would also examine aspects of interoperability and commonality of equipment for the three services. In order to ensure that the AoN according process is completed in a time bound manner, each SoC would be commented upon by all addressees within four weeks of receipt, so that the proposals are considered by the Categorisation Committee within a 4 to 6 week cycle. The finalised SoC, duly considering all comments received, will be fielded in the Services Procurement Board (SPB), erstwhile SCAPCHC (Delegated), by the concerned SHQ for accord of AoN. Secretariat of the SPB will circulate the SoC to all members and invitees as applicable. An internal collegiate RFP vetting will be held at the SHQ post accord of AoN and the draft RFP will then be forwarded to respective TMs. The SPB will be held at least once every month and minutes of the same should be issued within two weeks of the meeting.

29. The AoN according authority may accord AoN with higher or lower threshold of IC than those stipulated for various categories on a case to case basis. Detailed justification for the change recommended will be included in the minutes of the Committee's deliberations and will also be included in the SoC while seeking AoN from the DAC.

30. To promote indigenisation, DDP, through regular and structured interactions with Acquisition Wing and SHQ, besides sharing details of schemes that the SHQs are likely to pursue in the next six months, will also share schemes being fielded for categorisation in the SPB/DPB, with the industry. Based on the feedback or where participation by Indian industry is envisaged, the SPB/DPB may also invite industry representatives, associations/representatives nominated by industry associations. The representatives so invited would give presentation and clarifications, as required by the Categorisation Committee. The representatives would, however, not be present in the internal discussions and during the decision making process of the Categorisation Committee. The inputs received from Industry and recommendations of the SPB/DPB (as applicable) would be included in the minutes and highlighted before the AoN granting authority.

31. The appropriate Production Agency (PA) in single vendor cases involving Transfer of Technology (ToT) will be nominated by the AoN granting authority, while the PA could be selected by the foreign OEM from any of the Indian public/private firms including a joint venture company, in multi vendor cases, as per eligibility criteria promulgated vide DDP MoD ID No. PCIII – 9(46)/2018/DPP/2016/DP(Plg-V) dated 27 August 2018 or as updated, to be provided in the RFP.

32. In cases of exercising of Option Clause, SHQ will examine the viability of the same vis-à-vis fresh procurement and the same will be endorsed in the SoC for seeking AoN. Option Clause and Repeat Order cases will not follow the dual vetting of SCAP, but would be fielded directly in the AoN according committee, depending upon the estimated financial value of the case.

33. In cases, where it is decided in advance to have more than one source of supply, specific approval for ratio of splitting the supply between L1 and L2 vendors, provided L2

vendor is ready to match L1 price, will be taken in the AoN and the same will pre disclosed in the RFP.

34. AoNs accorded by SPB/DPB/DAC will be hosted on the MoD and SHQ websites by respective SHQ within one week of issue of minutes.

35. Subsequent to the accord of AoN, the broad details of the projects/procurement would be hosted on the MoD and SHQ websites. Additional vendors, who did not respond to the RFI, may express interest for receipt of RFP and submission of bid, within four weeks from the date of publication of details on these websites.

36. Preference will be given to indigenous design, development and manufacturing of defence equipment. Therefore, whenever the required arms, ammunition and equipment are possible to be made by Indian Industry, within the time lines required by the Services, the procurement will be made from indigenous sources. While examining procurement cases, the time required for the procurement and delivery from foreign sources vis-à-vis the time required for making it within India, along with the urgency and criticality of the requirement will be examined before deciding to proceed on categorisation. Accordingly, the Categorisation Committees, while considering categorisation of all capital acquisition under the DPP, will follow a preferred order of categorisation, as detailed in Para 4 (Chapter I).

37. In accordance with the order or preference prescribed at Para 4 (Chapter I. SoCs (including cases under Chapter IV 'Procedure for Defence Shipbuilding' and Chapter V 'Fast Track Procedure') seeking AoN shall contain (refer Para 6(a) of Appendix C to this Chapter a detailed justification for recommending categorisation as well as reasons why each of the higher preferred categorisation have not been considered suitable for the purpose. Considering the merits of the case and the timelines required, AoN granting authority may approve any procurement to be pursued under the Fast Track Procedure, at the time of AoN, to ensure expeditious procurement for urgent operational requirements foreseen as imminent or for situations in which a crisis emerges without a prior warning, or where undue/unforeseen delay, due to reasons beyond the control of the acquisition set up, is seen to be adversely impacting the capacity and preparedness of the Forces. Post grant of AoN, FTP cases would be processed as per provision of the Delegated/Non Delegated powers as applicable.

38. **AoN Validity.** AoN for categories under 'Buy' and 'Buy and Make' schemes will be valid for six months. AoN will be valid for one year in case of 'Buy and Make (Indian)' category and all Turnkey projects. AoN would lapse for all cases where the RFP is not issued within the original validity period of AoN. In such cases, the SHQ would need to either seek re-validation of AoN or a fresh AoN with due justification for not processing the case in time. For cases where the original RFP has been issued within the original validity period of AoN and later retracted for any reason, the AoN would continue to remain valid, as long as the original decision and categorisation remain unchanged, provided the subsequent RFP is issued within a time period not exceeding the original validity period of the AoN,

from the date of retraction of original RFP. The validity of AoN would commence from the date of formal issue of Minutes of Meeting of the concerned Categorisation Committee.

39. **Procurement from Government e-Marketplace (GeM)**. Common use equipment which is non military grade/COTS will be procured as per procedure laid down in Paragraph 149 of GFR 2017 (amended vide Ministry of Finance, Department of Expenditure Office Memorandum No. F.1/26/2018-PPD dated 02 April 2019) after obtaining AoN for Open Tender Enquiry through GeM or extant other procedures in vogue. After accord of AoN, approval of CFA will be sought and orders will be placed directly, by SHQ, as per extant procedure.

40. **Offset**. The offset clause would be applicable for 'Buy (Global)' or 'Buy and Make' categories of procurements where the estimated cost of acquisition is ₹ 2000 Crores or more, on the date of accord of AoN. However, DAC may consider partial or full waiver of offset clause. In case of a waiver for a particular acquisition case, eligible/selected Indian vendors need to be exempted from the corresponding IC stipulations. The procedure for implementing the offsets provisions is at Appendix/ Chapter \_\_\_\_.

### **Solicitation of Offers**

41. Solicitation of offers will be as per 'Single Stage - Two Bid System'. It will imply that a RFP would be issued soliciting the technical and commercial bids together, but in two separate and sealed envelopes. In cases where no TEC and FET are envisaged, approval to issue commercial RFP/place Indent would be solicited as part of the AoN.

### **Buy and Make (Indian)**

42. The process of issue of RFI etc. for such cases shall follow standard acquisition processes as per **Paras 2-15** (Chapter II), except that SQRs can be finalised after the issue of AoN, but prior to issue of RFP in 'Buy & Make (Indian)'.

43. While seeking AoN under **Paras 16 - 25** (Chapter II), the SHQ shall specify in the SoC the technologies required to be absorbed by the Indian vendor, as per categorisation given at **Para 1(k)** of **Appendix G** to Schedule I of this Chapter. These technologies shall be identified in consultation with other stakeholders (DRDO/DPSU/OFB/Private Industry), as applicable.

44. Preliminary SQRs (PSQRs)/SQRs, shall be appended to the SoC while seeking AoN for 'Buy & Make (Indian)' cases. AoN for such cases shall be valid for a period of one year from the date of accord.

45. Solicitation of offers shall be progressed as per **Paras 29-30** and **43-54** (Chapter II).

46. First stage vendor short-listing by SHQs under **Para 15** (Chapter II) shall be carried out based on PSQRs/SQRs approved at the AoN stage. However, after accord of AoN but prior to issue of RFP, the SHQ, along with other stakeholders (as applicable) shall hold

consultations with the first stage short-listed vendors. These consultations may relate to PSQRs, delivery timelines and technology absorption aspects.

47. If required, representatives of DDP and DRDO shall be associated with collegiate vetting of RFP under Para 31 (b) (Chapter II).

48. The RFP shall seek an indigenisation and a technology absorption plan in strict accordance with (i) IC requirements and (ii) technology absorption requirements (range, depth and scope of technology), as detailed in the RFP.

49. Further processing of these cases shall be undertaken as per procedure prescribed for 'Buy and Make' category.

50. Vendors, while responding to the RFP, shall ensure that their foreign partner(s) from whom technology transfer is obtained should be OEMs or their authorised licensees, design agencies or government sponsored export agencies. In addition, such foreign partner(s) should not have been suspended or debarred by the MoD. In case the foreign partner(s) of the vendor are suspended or debarred by MoD, the vendor shall indicate the same and will furnish details of such ban / debarment alongwith copy of Government letter under which this ban / debarment / suspension was lifted / revoked along with justification for participation of that partner in the procurement case. MoD shall take a call on the matter based on penal provision as under **Para 93** of this Chapter.

51. The Indian vendors participating in such cases shall remain liable to achieve mandatory IC requirements for this category as laid down under Para 8 (Chapter I).

### **Request for Proposal (RFP)**

52. The RFP will be a self-contained document that will enable vendors to make their offer after consideration of full requirements of the acquisition. A standardised RFP format is attached as Schedule I to this Chapter for guidelines. It may be varied depending on user requirements, type/complexity of equipment/ machinery/test equipment and operational imperatives. SHQ may alter it as per their service requirements and it will be applicable for all acquisitions. It will generally consist of four parts as under:-

(a) **General Requirements.** The first part elaborates the general requirement of the equipment, the numbers required, the time frame for deliveries, the environmental parameters for functioning, conditions of usage and maintenance, requirement for training, Engineering Support Package (ESP), life-cycle support, aspects related to Performance based Logistics or/and Annual Maintenance Contract (AMC), Offset obligations (if applicable) and warranty/guarantee conditions etc. It specifies the prescribed procedure and last date and time for submission of offers.

(b) **Technical Requirements.** The second part of the RFP incorporates the SQRs describing the technical parameters of the proposed equipment in clear and unambiguous terms. In case equipment is being procured for the first time and needs to be evaluated, the RFP will include the requirement of field evaluation on a 'No

Cost No Commitment' (NCNC) basis except in cases under Para 84 of this Chapter. Compliance of offers would be determined only based on the parameters spelt out in the RFP.

(c) **Commercial Requirements.** The third part of the RFP outlines the commercial aspects of the procurement, including clear statements on Payment Terms, Performance-cum-Warranty Guarantees, and Additional Bank Guarantee in respect of Essential Parameters-B (if applicable) and Guarantees against Warranty Services to be performed by the supplier. It also includes standard contract terms along with special contractual conditions, if any. A Price Variation Clause (PVC) may also be incorporated in the RFP for all cases more than 1000 crores and the time period of deliverables is more than 60 months, to cater for the escalation of price from the last date of submission of bids till the finalisation of the CNC. No revision of commercial offer by the vendor will be permitted in cases where PVC is applicable. In Buy (Global) cases also, PVC may be included and approval for not including the same will be obtained in the AoN.

(d) **Bid Evaluation and Acceptance Criteria.** The fourth part of the RFP defines the criteria for evaluation, trial methodology and acceptance, both in terms of technical and commercial contents. A format will be enclosed for submission along with commercial offer to facilitate preparation of Comparative Statement of Tenders (CST) duly incorporating credit score for EPP wherever applicable and identification of Lowest (L1) vendor. Submission of incomplete details in the format enclosed, along with commercial offer, will render the offer liable for rejection.

53. **Retention of Trial Equipment.** Trial equipment of Vendors shall be retained till the results of Staff Evaluation report are approved by competent authority. Once approved and commercial bids are opened, one of the NCNC equipment which is serviceable and has undergone trials will be retained for reference purpose by trial agencies till the supply order is placed and deliveries commence. The period of retention of the equipment of L1 Vendor shall be stipulated in the contract based on the total quantity ordered. The vendor will maintain the equipment during the period of retention by undertaking periodical maintenance tasks as stipulated in the technical documents and repair wherever essential. After the retention period is over, the equipment will be returned to the vendor.

54. **Trial Methodology.**

(a) The Trial Methodology will be part of the RFP and should be, to the extent feasible, comprehensive and un-ambiguous in its scope and should provide Vendor a clear and objective assessment of the extent of Trial Evaluation, including areas where certification and trials by simulation are accepted. As far as feasible, SHQs, along with trial agencies may interact with OEM(s)/ vendors prior finalising trial methodology.

(b) **Trial Matrix.** Trial methodology shall inter-alia include a 'Trial Matrix' giving details of qualifying parameters that will be part of trial evaluation, viz.,



physical characteristics, operational and technical and environmental parameters, MET and EMI / EMC tests, as applicable.

(c) **Certificate of Conformance (CoC)**. Attributes/parameters for which Certificate of Conformance (CoC) alongwith test standards and test results from NABL/ internationally accredited and government designated labs is acceptable, should be clearly mentioned, so as to enable prospective vendors to obtain necessary certifications for submission as part of RFP response or as part of FET, as applicable. In such cases, RFP shall indicate the CoC format (where applicable) which is required to be submitted along with technical bids for validating CoC.

(d) Cases where either Trial Evaluation in total, or parts thereof (such as EMI / EMC tests, etc) are not envisaged should be stated upfront in the Trial Methodology.

55. **Quality Assurance Plans (QAP)**. To enable vendors build-in requisite cost, the RFP, where applicable, will inform the vendors to submit Draft ATP along with the technical bid or at least one month before commencement of FET. QA agencies shall mention the broad Quality Assurance Plan (QAP) in RFP, which will include quantity of samples for destructive tests e.g., firing of missiles, ammunition, electronic assemblies/sub-assemblies etc, to assure quality and reliability of the equipment. In case the Pre Dispatch Inspection (PDI)/Joint Receipt Inspection (JRI) are planned to be conducted by authorised Third Party Inspection (TPI) Agencies, the same will be spelt out in the QAP and the details included in the finalised ATP. Based on the draft ATP, QAP will be finalised by the QA agency with vendor during technical trials (QA & Environmental Trials). In cases where no FET are to be conducted, ATP will be finalised at the CNC stage. QAP including the ATP shall be included in the contract at the time of finalisation with successful bidder. ATP will lay down the tests to be carried out during PDI and JRI. It will be ensured that there are no repetition of QA tests in PDI and JRI. JRI should normally be restricted to quantitative checks only, except where check proof is required to be carried out. QA of equipment will be carried out as per finalised QAP in the contract. For technical trials by QA agencies, the vendor will arrange for requisite test facilities at OEM premises/accredited laboratories for establishing conformance. The successful bidder would also be required to provide those test facilities at OEM premises/accredited laboratories for quality assurance, which are not available with QA agencies. Details of the same will be intimated to the bidder during finalisation of QAP in Technical trials. In case the procurement is being done for more than one service, the QA of the lead service will be responsible for all QA aspects for the entire case, to include PDI and JRI for the entire quantities.

### **Transfer of Technology (ToT)**

56. In cases where ToT is being sought, the SHQ, in consultation with the nominated Public Sector PA/DRDO in case of Private Sector PA and other stakeholders as applicable, would prepare the detailed ToT requirements for inclusion in the RFP. **Reference will also be made to the ‘Legal Framework in ToT Agreements’ as promulgated by DDP vide their**

**MoD ID \_\_\_\_\_**. Following details could be included in the RFP (choose whichever is/are applicable):-

- (a) Technologies to be acquired along with the range and depth of transfer of technology (ToT). These could cover technology for design/development and manufacture of systems, sub-systems, assemblies, components, materials, etc, by Indian ToT partner as well as for repair, overhaul, besides production from Completely Knocked Down (CKD)/Semi Knocked Down (SKD) kits, production from raw material and component level. Aspects to be included in the RFP, in case the production is SKD/CKD/Indigenous Manufacture (IM) Kits based, are given at Appendix G to Schedule I.
- (b) Minimum threshold of Indigenous Content (IC) to be achieved in the Project. Wherever required, vendor may be asked to furnish Indigenisation Roadmap indicating proposed stage-wise IC.
- (c) Feasibility of setting up indigenous eco-system for manufacturing of major equipment, systems, sub-systems, assemblies, components, spares, materials, etc.
- (d) Feasibility of making Indian ToT partner as a global/regional hub for manufacturing systems, sub-systems, assemblies, components, spares, materials, etc. of the main equipment
- (e) Feasibility for Tier I/II/III/IV suppliers of the OEM to either set-up indigenous manufacturing facility or enter into a joint venture with Indian companies to progressively manufacture their equipment, systems, sub-systems, assemblies, components, spares, materials, etc, in India.

Note. AoN according authority may choose to incentivise enhanced ToT or IC, on case to case basis. Details of such proposals are to be included in the SoC, at the time of seeking AoN, and the Incentivisation model is to be incorporated in the RFP.

### **ToT For Maintenance Infrastructure**

57. For 'Buy (Global)', 'Buy and make' and 'Buy & Make (Indian)' category cases, the provision of ToT to an Indian vendor, for setting-up maintenance infrastructure would be discussed and deliberated in the relevant lower Categorisation Committee meeting on a case to case basis and approved by AoN according authority. In such cases, the RFP would spell out the specific requirements of technology transfer for Maintenance Infrastructure that could inter-alia cover the following aspects (choose whichever is /are applicable):-

- (a) To ensure Indian entity is self-sustainable to support operation and deployment of the platform/equipment.
- (b) To ensure Indian entity is self-sustainable to provide 'Intermediate', 'Depot' and 'Overhaul Level (2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> level) repairs, maintenance and upgrade for the entire life cycle of the equipment.

(c) To set-up requisite test facilities/infrastructure for undertaking testing/certification for the entire life cycle of the equipment.

(d) To set-up an ecosystem for manufacture of sub-systems, assemblies, components, spares, materials, etc, in India.

(e) To make India, a regional/global hub for MRO for the Platform/equipment.

58. The spares, repairs and services support required from vendor for ToT to Indian entity would be implemented under long term contract. The proposal for Maintenance Transfer of Technology (MToT) shall also include Active Obsolescence Management through life cycle support of the equipment including upgradation of system/subsystem/components on completion of its fair service life.

59. The Indian entity could be a Government agency such as entities like OFB/ Army Base Workshops /Naval Dockyards/Naval Aircraft Yards/ Base Repair Depots of Air Force/other Govt agencies or Indian Private Vendor. In case it is a Govt agency, this entity would be identified and would be included in the SoC submitted to the AoN according authority for accord of AoN. Existing technical arrangements if any, of the foreign OEMs with Indian industry, may be taken cognisance of. In case MToT is being transferred to Indian private firms, the AoN according authority may permit foreign vendors to partner a suitable Indian industry of their choice. Wherever required, the broad eligibility criteria for selection of Indian private firms as MToT partner may also be included in the RFP. Both the vendor and the nominated Indian entity would be jointly responsible for providing the maintenance facilities and support for that equipment for the entire life cycle of the equipment.

### **Product Support**

60. The Product Support is a mechanism to ensure maintainability, performance and reliability throughout the operational life of the equipment, thereby ensuring 'Capability Sustenance' along with 'Capability Acquisition'. The structure of the Life Cycle Support package is to be aligned with the envisaged Repair and Maintenance Philosophy which inter-alia would include supply of spares, special tools, repairs of defective equipment / modules / LRUs, services of specialists and creation of maintenance eco-system, etc.

61. To sustain and support platform/equipment through its operational life-cycle, SHQ will ensure that Product Support requirements for atleast 3 to 5 years beyond the warranty period will be procured along with the main equipment. The RFP would therefore, besides Engineering Support Package (ESP) and aspects related to life-cycle support, would also list out maintenance philosophy, such as Performance Based Logistics, Annual Maintenance Contract (AMC), other maintenance arrangements. Whilst ESP and life-cycle support would be common for all equipment /systems, approval would be sought from the AoN according

authority for PBL, AMC and CMC at the time of seeking AoN. The equipment could be provided product support through any one or combination of the following details which are elucidated in subsequent paragraphs :-

- (a) **Engineering Support Package (ESP)**. ESP is the basic engineering support provided by the Seller for undertaking essential repairs and maintenance for operational employment of the equipment. ESP would include Spares, SMTs/STE, technical documentation and training.
- (b) **Annual Maintenance Contract (AMC)**. AMCs are maintenance and repair services provided by the Seller to ensure serviceability of the equipment for a pre-determined annual period(s).
- (c) **Comprehensive Maintenance Contract (CMC)**. CMC is comprehensive onsite maintenance and repair services provided by the Seller and includes all spares and labour costs, and may extend for a period as agreed in the contract.
- (d) **Life Cycle Support Contract (LCSC)**. LCSC is the life cycle support provided by the Seller and would include supply chain to ensure platform support and availability in accordance with specifications, supply of spares, tools, repair of defective equipment / modules, services of Specialists etc.
- (e) **Performance Based Logistics (PBL)**. PBL is a supply chain concept based on approved performance metrics executed by the OEM/Vendor for optimising the availability of Spares & Services support, to meet a pre-determined level of equipment operational availability.

62. **Maintenance Philosophy**. Maintenance of the equipment is structured on three different levels. A level is defined by the means and resources used to carry out a specific maintenance/repair activity and by the environment in which this maintenance/repair is performed. Each level is defined by the type of maintenance actions, personnel, documentation and spares. The Repair philosophy followed by the Services can be categorised into 'O', 'I' & 'D' levels depending upon the technological complexity of the equipment. The levels of maintenance and repairs are as under :-

- (a) **'O' Level**. Includes Unit and Field Repairs (1st& 2nd Level).
  - (i) **Unit Repairs**. These are repairs carried out within the unit holding the equipment with tools generally held within the unit or supplied by the manufacturer with each equipment or as per scaling of 1:10 or any other scaling recommended by the manufacturer as per population held in the unit. These pertain to cleaning, lubrications, minor repairs and replacement of components and minor assemblies including Line Replaceable Units (LRUs) etc, that can be carried out within the unit without any sophisticated tools or

test equipment. The manufacturer is required to provide the following for carrying out such repairs :-

(aa) Table of Tools and Equipment (TOTE) with each equipment including operators manual.

(ab) Scaling of Special Maintenance Tools (SMT), Special Test Equipment (STE) and Special Equipment (SE) as required.

(ii) **Field Repairs.** These are repairs carried out at the field/floatilla/station level or equivalent service organisation by technicians specially trained for this purpose and where the required special tools and spares have to be provided additionally for the class of the equipment. These repairs comprise replacement of common Line Replaceable Units (LRUs), sub-modules, other components beyond the holding of units and repairs undertaken beyond a unit level. Normally, a field/station workshop that carries out such repairs looks after a group of units holding the said class of equipment. The manufacturer in addition to the basic unit level SMTs/STEs/SE, is required to provide the following:-

(aa) Quantity and specification of spares up to sub-Module level, other replaceable components that need to be stocked for a specified population and class of the equipment.

(ab) Additional Special Maintenance Tools and Test Equipment that needs to be provided to each such field/floatilla/station work shop. (The total number of such facilities would be stated based on equipment deployment pattern to carry out total costing).

(b) **'I' Level.** Includes 3rd level Intermediate Repairs by Corps Zone workshop/Dockyard/Base Repair Depot or other similar service organisation. These are extensive or special repairs carried out for equipment to reduce the down time and would include component level repairs. This level of repair envisages special diagnosis and repairs of the repairable inventory up to Printed Circuit Board (PCB) level, major assemblies, interface equipment/software and other components beyond the scope of field/floatilla/station level repairs. These repairs are carried out in the designated workshops by technicians specially trained for this purpose and where the required special tools and spares would be provided. The manufacturer is required, among others, to provide the following:-

(i) Quantity and specification of spares up to PCB level that need to be stocked for a population of the equipment.

- (ii) Special Maintenance Tools and Test Equipment that has to be provided to each of these workshops. (The total number of such facilities would be stated based on equipment deployment pattern to carryout total costing).
  - (iii) Oils and lubricants necessary for Servicing.
  - (iv) All necessary technical literature.
  - (v) Calibration facilities for test equipment, where applicable.
- (c) **'D' Level.** Includes 4th level extensive Base overhauls, Depot level Repairs which are either routine and planned or necessitated due to major repairs/renewal requirements. Post such repairs, detailed trials are conducted usually by the overhauling agency, prior to handing over of the equipment to the unit for operational exploitation. This level of repair defines stripping and rebuilding of equipment in a Base workshop or any other designated workshop. Extensive repairs of components / sub-assemblies and overhaul of the complete equipment is carried out by this facility and due to the complexity requires specific technical knowledge, infrastructure, related documentation, experience and proper quality control. Depending on the population of the equipment, such facilities may be established in the country. For this, the manufacturer is required to provide the following:-
- (i) All Special Maintenance Tools, jigs, fixtures and test equipment for carrying out repairs up to component / PCBs/ module level.
  - (ii) Complete refurbishment / repair of all equipment assemblies/ sub assemblies as per the population expected to be maintained. This level of repair defines stripping and rebuilding of equipment in a Base workshop/Dockyard/Base Repair Depot.
  - (iii) Oils and lubricants necessary for overhaul.
  - (iv) All necessary technical literature.
  - (v) Calibration facilities for test equipment.

### **Engineering Support Package (ESP)**

63. ESP is the basic engineering support the Seller needs to provide to the Buyer for undertaking essential repairs and maintenance of the equipment during its exploitation. These repairs and maintenance would be in consonance with the Repair Philosophy enunciated at Para 63 above and ESP would need to be finalised along with the acquisition of main equipment. SHQ will ensure that Product Support requirements for atleast 3 to 5 years beyond the warranty period will be procured along with the main equipment. ESP would

constitute the following four major aspects with details of each being covered in succeeding paragraphs :-

- (a) Spares.
- (b) SMTs/STEs test set-up.
- (c) Technical Documentation.
- (d) Training.

64. **Spares.**

(a) **Manufacturer's Recommended List of Spares (MRLS).** MRLS is a list of spares required for maintaining the operational serviceability of an equipment and would be recommended by the manufacturer, based on the past equipment exploitation or OEM experience. Seller will be required to provide MRLS to sustain the equipment for period as stipulated in the RFP. Cost of the MRLS, along with the likely consumption rate of spares, based on the exploitation pattern of equipment would need to be provided with the Technical proposal. The MRLS will need to be supported by Reliability & Maintainability (R&M) report for the proposed spares along with their Mean Time Between Failure (MTBF). If the complete equipment comprises a number of different sub systems, the MRLS would need to be provided separately for each such sub system. To ensure that the Vendor does not manipulate the quantum of MRLS for becoming L1 vendor, or overload Buyer with unnecessary MRLS, 'Adequacy' clause and 'Buy Back' clause will be co-opted in the contract as under:-

(i) **'Adequacy' Clause.** The Seller will confirm to the Buyer the range and depth of Accompanied Accessories/ User Replaceable Parts/Expendable, Spares and SMT/STE/Test Jigs being supplied are complete and adequate for carrying out repairs on the equipment up to the specified level. The Seller will also commit that any additional items, spares, tools and equipment needed for use, maintenance and repair will be supplied by the Seller at prices and within a period as specified in the contract, on receipt of notification from the Buyer for the Life-Cycle Support period. The Seller will confirm that, if two different prices have been given for the same/similar item, then the lower price quoted will prevail. In case, the quoted accessories has several items viz, Sampling Accessory Kit and add up price of these items is higher than the quoted price of the accessory, then the price would be lowered / adjusted proportionately for the items.

(ii) **'Buy Back' Clause.** The Buyer would have the option to amend the Manufacturer's Recommended List of Spares (MRLS) proposed by the Seller

within a period specified in the contract, post expiry of the warranty period. The Seller needs to agree to either 'Buy Back' the spares rendered surplus or exchange them on 'cost-to-cost' basis with the spares, as required by the Buyer. The said spares would be purchased / replaced by the Seller, based on the prices negotiated in the contract.

Note. Vendors quoting lesser ESP / MRLS in terms of range and depth will be governed by the Adequacy Clause. The vendors quoting surplus items in ESP / MRLS would have to buy back the surplus spares as per the Buy Back Clause.

(b) **User Defined List of Spares (UDLS).** Cases where the equipment is already in use with the Service, the initial lot of spares being procured by the Buyer shall be based on User Defined List of Spares (UDLS), predicated on the exploitation of the equipment as well as on the recommended list furnished by the maintenance agency, rather than the MRLS.

65. **Special Maintenance Tools / Special Test Equipment and Test Jigs (SMTs/STEs/Test Jigs).** SMTs/STEs and Test Jigs are essential tools /Jigs / fixtures that are required to undertake effective engineering support / repairs on the equipment and its systems, based on the repair philosophy as enunciated at Para 3 above. This would be formulated in a similar manner as explained for MRLS and details are to be included in both Technical and Commercial Proposals. SMTs/STEs/Test Jigs will be provided by the Seller, as per the list prepared by the Buyer on completion of MET, where applicable. The list of equipment required to be supplied will incorporate Adequacy Clause, as elaborated above.

66. **Technical Documentation.** The Bidder will be required to provide the technical literature preferably in IETM (Interactive Electronic Training Manuals) in Level 4 format or higher. An illustrated list of documents which may be submitted by the Seller is as under:-

- (a) User Handbook/Operators Manual in English and Hindi.
- (b) **Technical Manuals.**
  - (i) **Part I.** Tech description, specifications, functioning of various systems.
  - (ii) **Part II.** Inspection/Maintenance tasks repair procedures, materials used, fault diagnosis and use of Special Maintenance Tools (SMTs)/Special Test Equipment (STEs).
  - (iii) **Part III.** Procedure for assembly/disassembly, repair up to component level, safety precautions.



- (iv) **Part IV.** Part list with drawing reference and List of SMTs/STEs Test Bench.
- (v) Rotable list, norms of consumption, mandatory/ non-mandatory spares list for each system.
- (c) Table of Tools & Equipment (TOTE) & carried spares.
- (d) Complete Equipment Schedule.
- (e) Repair and Servicing schedule.
- (f) Design Specifications.
- (g) Technical Manual on STE with drawing references.
- (h) Condemnation limits.
- (i) Packing specifications /instructions.
- (j) Any additional information suggested by the OEM.

67. **Details of OEMs.** For major / complex equipment, a large number of other OEMs may also be involved in manufacture of various systems/sub systems / support equipment. Details of such OEMs would also have to be intimated by the Seller. The list of OEMs of corresponding equipment would be submitted as per Table 3 below:-

Table 1 - Format for Submitting Details of OEMs

Ser No	Equipment	Part No	OEM	Contact Details (Tel/Fax/Email)	Details of Government License to OEMs

68. **Training.** A training package for training of operators, operator trainers and maintenance personnel to undertake operation and maintenance of equipment, along with tools and test jigs training would be required to be carried out in English language. This training shall be designed to give the operators necessary knowledge and skills to operate & maintain equipment (level 1 to 4 or 'O' / 'I' / 'D') as stipulated in respective contract. The syllabus will be defined by the Seller in consultation with the Buyer at the time of MET. The maintenance training will be imparted to the satisfaction of the Buyer and Seller will ensure that the training content and period will be to impart working proficiency up to the required level. All training requirements such as training aids, projection system, complete equipment with accessories / optionals, technical literature, spares, test equipment / test set up, charts, training handouts, power point presentations, Computer Based Training (CBT), Documentation, Simulators etc will be catered by the Seller.

69. The Seller would provide the following training to the personnel of the Buyer based on agreed terms of contract:-

- (a) **Operator Training.** Operator training for the duration and strength (as specified in the contract) would be provided both at OEM premises and in India.
- (b) **Repair and Maintenance Course.** Maintenance training at OEM premises (as per contract terms) would be undertaken both for Field and Base level repairs.
- (c) The above training would be decided (based on contact) by the Buyer and should meet the needs of repair & maintenance of the complete equipment, SMTs/STEs, test set up, assemblies/sub-assemblies as per the stipulated repair philosophy.

70. The Operator and Field Repair training should preferably be conducted before the induction of the equipment. The balance of the training would be undertaken as per the agreed terms of contract.

### **Maintenance Contracts**

71. Maintenance Contracts are recommended for conclusion along with the acquisition of the equipment for providing maintenance support. These would be covered under Annual or Comprehensive Maintenance Contracts (CMCs) for a period of at least three to five years beyond the warranty period. The AMCs/ CMCs would be provided by the OEM / licensed entity / OEM authorised representative and would commence on completion of warranty period.

### **Annual Maintenance Contracts (AMC)**

72. The Annual Maintenance Contracts include Maintenance and Repair services by the Seller in order to ensure serviceability of the equipment covered / services desired for pre-determined annual periods. The cost of material spares consumed in execution of these services is provided by the Buyer or paid to the Seller, in addition to the AMC charges. In these contracts the services of the specialist are costed based on the pre-determined Man-day rates. Therefore, the rates for Services of Specialists and hiring Special Tools comprising all-inclusive man-day rates at shore, and on operational platform viz, ship at sea, aircraft will have to be submitted. The following AMC clauses will form part of the contract: -

- (a) **Period of AMC.** The Seller would provide AMC for a period as stipulated in the contract. The AMC services should cover the repair and maintenance of the specified equipment and systems purchased under the present contract. The Buyer Furnished Equipment which is not covered under the purview of the AMC should be separately listed by the Seller.

(b) **Spares for AMC.** The Spares will be provided by the Buyer and would be supplied through the Spares contracted under the Engineering Support Package mentioned above or the cost of spares paid to the Seller, in-addition to the AMC charges.

(c) **Response and Repair Time.** During the AMC period, the Seller would carry out all necessary servicing/repairs to the equipment/system under AMC at the current location of the equipment. The response time of the Seller should not exceed the time specified in the contract from the moment the breakdown intimation is provided by the Buyer. Prior permission of the Buyer would be required in case certain components/sub systems are to be shifted out of location. Maximum repair turnaround time for equipment/system would also be as specified in the contract. However, the spares for other systems should be maintained in a serviceable condition to avoid complete breakdown of the equipment/system.

(d) **Termination of Contract.** The Buyer may terminate the maintenance contract at any time without assigning any reason after giving a suitable notice as agreed to in the contract. The Seller will not be entitled to claim any compensation against such termination and, if any payment is due to the Seller for maintenance services already performed, the same would be paid as per the contract terms.

### **Comprehensive Maintenance Contracts (CMC)**

73. The Comprehensive Maintenance Contracts are concluded for a pre-determined period in multiples of Annum. The scope of CMC, in addition to services of the Specialists as mentioned for AMC, include provisioning of spares, tools and equipment as required for Maintenance and Repair of the equipment. In this arrangement, the OEM will ensure that the down time of the equipment does not exceed the minimum period stipulated in the CMC. In such cases, Engineering Support Package may be reduced proportionately based on the operational requirements and functional sensitivities such as geographical spread, remote location, poor connectivity, intense threat environment precluding employment of civil support, etc.

74. CMC by means of Comprehensive Maintenance would be provided by the vendor, which will include all corrective and preventive maintenance of the systems, equipment and machinery in satisfactory working order and 'Planned Preventive Maintenance' (PPM), repairs, servicing, calibration, replacement of defective parts, sub-assemblies, equipment, preservation /de-preservation as applicable.

75. All equipment supplied under the proposed contract is to be maintained on site by the supplier through a CMC (inclusive of spares and labour) post warranty, for duration as specified in the contract. CMC will ensure performance of the equipment in the range and accuracies as set in equipment Technical Manual. The equipment proposed to be under CMC

would be listed along with their locations. An equipment repair Log book will be maintained to keep a record of the equipment down time during defect rectification. The scope of work would also involve the following:-

- (a) **Preventive Maintenance.** The maintenance of the equipment is to be carried out by the Seller at the Buyer premises. The equipment will be maintained as per the OEM specified maintenance schedules and equipment manuals. However, the number of visits by the supplier to the customer premises should be at least once a quarter or as agreed to in the contract. The preventive maintenance team visiting the unit should be composite and possess sufficient expertise and spares to carry out preventive maintenance activities and resolve any pending unserviceability issues of the equipment.
- (b) **Breakdown Maintenance.** In addition to preventive maintenance, the supplier will also be responsible to undertake breakdown maintenance of the equipment. Defects on the equipment as and when observed, will be intimated to the Seller by telephone/ fax. The Seller will depute a team for undertaking repairs of the equipment within two working days from the reporting of the defect, in order to make the equipment operational. The supplier will need to diagnose, test, adjust, calibrate and repair / replace the goods/equipment during the CMC period. However, defective hard disks, strong devices, if any, of the equipment, will not be returned to the supplier and would be retained for destruction / safe custody. The downtime of the equipment will commence from the time a defect is reported by the user and the log of the same would be maintained.
- (c) **Calibration.** Periodic inspection and calibration services as set forth in the equipment manual shall be provided by the supplier, to ensure operational availability of the equipment. Requisite certificates may be rendered whenever major repairs/maintenance on equipment is undertaken.
- (d) **Spares.** Supply of all parts (spares sourced from the OEM/OEM authorised vendor), including consumables, if any and material required for the optimal performance of the equipment as per the designed specifications mentioned in the equipment manual would be the responsibility of the Seller.
- (e) **Software.** The supplier will provide support for maintenance of the software(s) during the period of CMC and would include the following:-
- (iii) Upgrades, patches, fixes to the OS and the Application software.
  - (iv) Back-up and restoration of software, as and when required.
- (f) **Obsolescence Management.** The obsolescence management for the equipment delivered under the scope of contract would form part of CMC Services.

The obsolescence management will include providing “Form, Fit and Function” replacement of any system/sub system rendered obsolete during the period of CMC.

### **Life Cycle Support Contract (LCSC)**

76. A life cycle support contract (LCSC) would be signed along with the main acquisition contract for all equipment. Life-cycle support for all types of equipment through its service life would be provided by the Seller through a LCSC, which inter-alia would include supply chain to ensure platform supportability and availability in accordance with specifications, supply of spares, special tools, repair of defective equipment / modules / LRUs, services of specialists, creation of maintenance eco-system, obsolescence management, etc.

77. The Seller will provide life-cycle support through a Life Cycle Support Contract (LCSC) as per the agreed terms. LCSC would bound the Seller to provide product support through Long Term contract (for 5 to 8 years) for supply of spares, repairs and Man-day rates of Specialists. The RFP shall clearly mention that the vendor would have to finalise the terms for the life time product support and the LCSC along with the current contract only. LCSC, will also include active obsolescence management, wherein even after the mandatory period, the Seller would be bound to give at least two years notice to the Government of India prior to closing the production line to enable a Life Time Buy of all spares. Under the LCSC, Spares and Repair support would be provided by the Seller through the following Rate contracts which would be signed with the main contract:-

(a) **Itemised Spare Parts Price Lists (ISPPL)**. ISPPL for all Spares or Line Replaceable Units (LRUs) of the equipment along with their Base price, annual escalation, delivery period and the MTBF (where applicable) be provided, at the time of submission of offer. The ISPPL shall also include details of the source, especially for items which are COTS, bought-out, proprietary, etc. ISPPL shall also indicate interoperability of spares across projects, in case spares/equipment is already inducted in the Indian Armed Forces. The Seller would submit a comprehensive Itemised Spare Parts Price Lists (ISPPL) comprising the following: -

- (i) Complete Part Identification List (PIL) for all Spares or Line Replaceable Units (LRUs), along with corresponding unique part numbers. The list is not to be limited to MRLS (Depot spares) or On-board Spares (spares along with the system) and should comprise entire list of spares of the equipment.
- (ii) Base Price list of each of the spares along with annual escalation at time of submission of the offer.
- (iii) Delivery Period of each spare after receipt of Order.
- (iv) Mean Time Between Failure (MTBF), where applicable.

- (v) Terms and conditions for supply of spares.

**Table 2 -Illustrative Format for Submitting Details of Spares**

Ser No.	Part No.	Description	Qty/MoQ (where applicable)	Unit Price List (along with annual escalation)	Delivery Period	If Recommended, as MRLS

Note:- The following details be included in the spare parts submission offer:-

- (i) Sourcing of spares wrt COTS and Proprietary.
- (ii) Interoperability of spares across projects, in case the part/system/sub-system, etc. is already inducted in some other equipment currently in service with the Indian Armed Forces, or has been contracted for supply to the Indian Armed Forces.
- (b) **Repairable Items Price Lists (RIPL).** RIPL would comprise of all repairable sub systems/ blocks and units. Wherever applicable, source of components required for repairs of units should also be specified. RIPL will also indicate reparability of these in India. The Seller should submit the RIPL comprising the following:-
- (i) Complete catalogue of repairable spares (at LRU level), along with their Part numbers. Source of components required for repairs of units should also be specified, wherever applicable.
- (ii) Base Price list for repairs clearly indicating repairs that can be undertaken in India and at OEM premises. RIPL will comprise of all repairable sub systems/ blocks and units.
- (iii) Terms and conditions for undertaking repairs be specified.
- (vi) Delivery Period after receipt of order must be mentioned.
- (vii) For imported equipment, the impetus is to undertake repairs in India. Repair list in such cases should clearly segregate the list of items that can be repaired in India and those that have to be undertaken to the OEM premises.

**Table 3 - Illustrative Format for Submitting Details of Repairable Spares**

Ser No.	Part No.	Description	Repairs to be Undertaken	Unit Qty	Price Lists (along with annual	Delivery period

					escalation)	
			In India	OEM premise		

Note: - The following aspects to be ensured:-

- (i) Repair costs to be all-inclusive (collection/delivery ex-Depot).
- (ii) Warranty post repairs will be as specified in the contract document.

(c) **Man-Day Rates for Services/Special Tools.** Man-day Rates for Services/Special Tools of Specialists (where applicable) should be specified corresponding to the categorisation of specialists, e.g. Designers, Engineers and Technicians, as applicable. Man-day Rates for hiring Special Tools, where applicable will also be provided.

78. **Online Inventory Management System (OIMS) (Optional for Services to Exercise).** To leverage information technology and ensure expeditious order placement as well as timely product support, the Seller, for all Contracts above ₹ 300 Crores, may be asked by the SHQ, if desired, to provide an Online Inventory Management System (OIMS), as per mutually agreed format, to place Purchase/Repair Orders (as applicable) online. OIMS for delegated powers projects will be optional. The OIMS shall also provide feature to track the delivery status of the items. Further the OIMS should provide dashboard for intimation on obsolescence and offer of lifetime buy alongwith provision for user to interact with the OEM for technical assistance etc. The detailed scope and features of OIMS shall be finalised during the negotiations on LCSC. The OIMS may be decided on case to case basis.

79. **Active Technology Obsolescence Management.** OEM will indicate the methodology on how the OEM intends to undertake Active Obsolescence Management through life cycle of equipment which would include upgradation of system/ subsystem/ units on completion of its fair service life. The Seller/OEM (as applicable) shall also intimate Buyer on likely technology obsolescence of various sub-assemblies/units/modules of equipment through an Annual Bulletin. In case of impending obsolescence of components, bulletin should specify either alternate item or option for life-time buy as under:-

- (a) The Seller/OEM (as applicable) will notify the Buyer not less than three years before the closure of its production line about the intention to close production of equipment for provision of purchasing spare parts, before closure of the said production line.
- (b) Three years prior to completion of design/service life of equipment, the Seller/OEM (as applicable) will submit techno-commercial proposal for upgradation

of equipment, wherever applicable, to mitigate technology obsolescence and for ensuring product support for next 15 years.

### **Performance Based Logistics (PBL)**

80. For certain equipment /platforms, the life cycle support could also be provided through implementation of the Performance Based Logistics (PBL). The requirement of PBL would be specified in the RFP. The PBL is a Supply Chain concept for optimising the availability of spares and services support to meet the pre-determined level of operational availability. The criteria for the PBL supply chain is based on approved Performance Metrics. The OEM or the contracted Vendor would implement the desired Supply Chain Management system for meeting the operational performance level. The vendor shall provide overall logistics support and perform tasks, functions and responsibilities to support the equipment as a PBL package.

81. The PBL package is inter-alia based upon the following aspects :-

- (a) Type and number of Equipment.
- (b) PBL Duration
- (c) Desired Exploitation Rate per equipment per year.
- (d) Desired average and overall equipment availability.
- (e) Maximum acceptable downtime.
- (f) Acceptable MTBF and time for repairs.
- (g) Mode and timelines for replenishment of Spares

82. **Equipment Delivery & Base Opening Plan.** The PBL package would be designed based on the equipment deliveries and the number of bases where equipment will be deployed.

83. **Performance Metrics.** The performance metrics are measurable performance indicators. Seller/buyer agree on, what is a successful outcome of the metric and mutually agree on performance of each metric. Both, the level of required outcome and, the related key metric need to be spelt clearly. This is necessary to manage performance and consequent remuneration, which can be an incentive in case of exceedance in performance, and penalty, in case there is short fall in desired outcome. An indicative list of performance metrics is attached as Annexure – 1.



84. **Vendor Responsibilities.** Division of responsibilities between the vendor and buyer, for various activities under PBL would be clearly defined as per a Vendor Responsibility Matrix. An indicative format of responsibility matrix is attached as Annexure-2. The nature of such responsibilities would differ on case to case basis, but an indicative list of vendor responsibilities is as follows:-

- (a) Supply Chain Management up to the Buyer's central Warehouse.
- (b) Repair and Overhaul of all components/LRUs of the equipment delivered during the PBL period.
- (c) Repair/replacement of spare parts.
- (d) Replenishment of all expendables to support the periodic maintenance activities of equipment.
- (e) Compliance of modifications, Airworthiness Directives & Mandatory Service Bulletins (MSBs) etc.
- (f) Calibration and maintenance of the GSE, GHE, STE and role equipment.
- (g) Provide an Information Technology (IT) tool for managing information with the Buyer.

85. **Sample PBL Contract.** An indicative and sample Scope of Work for a PBL contract is attached as Annexure-3.

### **RFP: Vetting And Issue**

86. The procedure for RFP vetting and issue will be as follows:-

- (a) All activities internal to SHQ for preparation of RFP, which includes consultation with all agencies concerned such as procurement and maintenance directorates at SHQ, Quality Assurance agencies, DRDO etc. would be completed prior to consideration of the case by AoN according authority. Broad Quality Assurance Plan (QAP) and essential details to be included in the draft ATP by the vendor in technical bid or to be submitted by the vendor one month before commencement of FET, will be clearly spelt out by the QA agencies and the same will be included in the RFP. All issues identified after internal vetting of draft RFP at SHQ, which merit incorporation in the SoC for AoN, be included in the SoC for consideration by AoN according authority.
- (b) Concurrent to the circulation of the SoC being fielded in the first SCAP committee, a draft RFP will be circulated by the SHQ to dealing AM, TM and FM for

the non-delegated power cases, and TMs and IFA (Capital)/ PIFA for delegated power cases along with other stakeholders. Observations, if any, will be intimated to the SHQ within four weeks, based on which the the draft RFP will be amended accordingly. SHQ may also interact with vendors/industry at the draft RFP stage, so that in case any changes are felt necessary, these are incorporated prior issuance of RFP.

(c) Single stage Collegiate vetting of RFP and the finalisation of Vendor List will be done after the accord of AoN in a collegiate comprising of AMs, TMs, FMs and SHQ representatives in non-delegated power cases, and collegiate comprising of representatives of SHQs, TMs and IFAs (Capital) in all delegated power cases.-

(d) Approval of DG (Acq)/VCDS/VCOAS/VCNS/DCAS/DG ICG (as applicable) for issue of RFP would be obtained after accord of AoN.

(e) The RFP in all non-delegated and delegated cases will be issued by the respective TMs.

(f) No addition to the vendors would be allowed after issue of the RFP.

87. Consequent to the issue of RFP, a number of queries relating to the RFP may be raised by the vendors. It should be ensured that all the queries are answered in an acceptable time frame so that the vendors are able to submit their techno-commercial offers by the due date. Pre-bid meeting(s) of all the vendors would be conducted by the User Directorate along with representatives from Weapons Equipment Directorate/ACNS (P&P)/ACAS (Plans), representatives of Defence Offset Management Wing (DOMW) for Offset matters, representatives of PA for ToT/MToT matters, representatives of trial agencies for trial methodology related issues, AMs, TMs and FMs (for non-delegated cases)/IFA(Capital) (for delegated power cases). The clarifications should be processed by the SHQ and be given in writing to all the vendors by the TMs preferably within three weeks of the pre-bid meeting. In case a need arises to modify the RFP owing to typographical errors, the amendment will be issued after due approval of the DG(Acq) for non-delegated cases and VCDS/Vice Chiefs in delegated power cases. In all other cases, amendments to the RFP may be issued after approval of AoN approving authority, provided that the change does not put any vendor at a disadvantage. Copies of such amendment/modification would be simultaneously sent to all vendors to whom RFP has been issued. After such amendments, the time and date of submission bids may also be extended suitably, with the approval of the AoN according authority/DG(Acq)/VCDS/Vice Chiefs, as the case may be.

### **Offer Opening**

88. In case of a Techno Commercial RFP, the bids received should be opened on the notified date & time, by the members of an Offer Opening committee chaired by the TMs/SHQs, in the presence of the bidders or their authorised representatives, as may choose to be present. The committee will open the envelope containing the sealed technical and commercial offers. The technical offer will be opened by the committee and sent to SHQ for

evaluation by a Technical Evaluation Committee (TEC) and the sealed envelope containing the commercial bid will be sent to the AMs/SHQs, unopened. In case where only a Commercial RFP has been issued, the CNC will also check the bid for technical compliance. Offers which do not conform to the prescribed procedure for submission of offers, as laid down in Para 27 of the Standardised RFP (Schedule I) or which are received after the scheduled time for submission of offers and unsolicited offers, will not be accepted.

89. In multiple vendor cases, if a single bid is received at the bid submission stage, SHQ may proceed with the process and complete the Technical Evaluation without retracting the RFP. Within 4 weeks from the acceptance of the Technical Evaluation Committee (TEC) report, the case must be referred directly to the AoN according authority. In case it is concluded that any change in SQRs would not meet the operational requirements of the Service; or any change in other conditions of the RFP is unlikely to increase the vendor base; or it may inordinately delay the procurement, then the case may be progressed with the approval of AoN according authority, provided the vendor agrees to hold the original commercial bid till completion of the procurement process. In such single vendor situation, efforts should be made to complete the acquisition process before expiry of original validity of commercial bid.

90. In case of 'Buy and Make (Indian)' category, situations may arise in which all bids submitted by Indian vendors, indicate a collaboration with a single foreign vendor. Such cases have to be discussed and deliberated by the AoN according authority and if it is concluded that there is no scope for change in SQRs and other conditions of the RFP; and that retraction and reissue of RFP is not likely to increase the vendor base, then the case may be progressed with the approval of the DAC.

91. In case of 'Buy and Make' category, situations may arise in which all bids submitted by foreign vendors, indicate collaboration with a single Indian vendor, where foreign vendors were permitted to select an Indian PA. This may also not be treated as a single vendor situation, as techno commercial arrangement of collaboration for each foreign vendor may be different from those of other vendors.

92. **Extension of Time.** No extension of time will be provided under normal circumstances. However, situations may arise in which it may be appropriate to extend the time allowed for submission of offers. If an extension is being sought by the vendor, the request with justification must be received by the TM concerned from the vendor at least two weeks prior to bid submission date, failing which such requests may not be entertained. Extension of upto four weeks could be given by SHQ and the approval for further extension has to be sought from the DG(Acq)/Vice Chiefs/VCDS as per applicability of Non Delegated/Delegated Power Cases.

93. **Unsolicited Bids.** Bids/response to RFPs shall not be accepted from any vendor, other than those vendors to whom a RFP has been issued.

#### **Technical Evaluation Committee (TEC)**

94. A TEC will be constituted by the SHQ for evaluation of the technical bids received in response to RFPs, with reference to the QRs, under an officer from the SHQ. It will include representatives of the user service, maintenance agency and representatives of QA. Representative of FM (in non delegated cases) and PIFA/IFA (Capital) (in delegated power cases) will also be part of the TEC to verify financial criteria as laid down for Vendor Selection, if applicable. In addition, in cases where ToT is involved, TEC may also include representatives of PA, in case where PA is nominated by AoN according authority. The TEC will examine the extent of variations/differences, if any, in the characteristics of the equipment offered by various vendors with reference to the QRs as given at Appendix A to Schedule I (RFP) and prepare a 'Compliance Statement' short listing the equipment for trials/induction into service, as applicable. TEC will also examine compliance of vendors to provisions of RFP as listed at Appendix B to Schedule I (RFP). Non-compliance of vendors to any of the required provisions would lead to rejection of the bid at this stage. Cases where ToT for maintenance infrastructure to an Indian entity is sought, the TEC will examine the joint compliance of the OEM and the Indian entity for establishing the required maintenance infrastructure as laid down in the RFP. In cases other than Buy (Global), where an OEM bids, along with other vendors supplying the same product of the OEM, only the bid of the OEM will be accepted.

95. To ensure timely completion of the trial evaluation process, Certification of Conformance (CoC) alongwith test standards and test results, graphs and accredited lab certifications and draft ATP submitted by vendor as part of the Technical bid, where applicable, would be shared with representative(s) of QA and EMI/ EMC Evaluation agency. The user would reserve the right to undertake random /sample test to validate the CoC submitted by the vendor/ OEM during FET.

96. The TEC may invite the vendors for technical presentations/clarifications on technical issues. A technical offer, once submitted, should not undergo subsequent material changes. However, minor variations which do not affect the basic character/profile of the offer may be acceptable, under the following conditions:-

- (a) To ensure fair play, an opportunity to revise minor technical details should be accorded to all vendors in equal measure.
- (b) No extra time to be given to any vendor to upgrade their product; except in case of Essential Parameters-B, as detailed in Para 15.2 (Chapter II).
- (c) No dilution of SQR is carried out.
- (d) The original commercial quote submitted earlier cannot be revised by the Vendor.

97. For non-delegated and delegated cases, approval of the TEC shall be done by the SHQ. However, in non-delegated/delegated cases where any vendor(s) is found non-compliant at the TEC stage, approval of DG (Acquisition)/Vice Chiefs respectively will be obtained, through respective TMs, prior to progress the case further. In a multi-vendor case, if

a single vendor situation emerges post technical evaluation by TEC, procurement process will continue as planned without retracting the RFP for this reason, provided the vendor agrees not to revise the commercial bid, during the remaining part of the acquisition process. SHQ will however examine reasons for single vendor situation, record the same in their report and submit the report to the AoN according authority. In case it is concluded that any change in SQRs would not meet the operational requirements of the Services; or any change in other conditions of the RFP is unlikely to increase the vendor base, or it may inordinately delay the procurement, then the case may be progressed with the approval of the AoN according authority, provided the vendor agrees to hold the original commercial bid till completion of the procurement process. In such situation, efforts should be made to complete the acquisition process before expiry of original validity of commercial bid.

### **Technical Offset Evaluation Committee (TOEC)**

98. The Technical Offset Evaluation Committee (TOEC) will be constituted by the TMs with approval of the DG (Acquisition), wherever applicable. The TOEC will include representatives of the SHQ, FM, DRDO and DOMW. The Committee may also include experts, as may be deemed necessary, with approval of the DG (Acquisition). The TOEC will be chaired by a representative of the SHQ. The Member Secretary shall be nominated by SHQ. The TOEC Report will be forwarded to the TM with approval of the concerned PSO of SHQ. The TMs will process the TOEC report for acceptance by DG (Acquisition).

### **Field Evaluation Trials (FET)**

99. **Trial Directive.** SHQs in consultation with shortlisted Vendors, will formulate a detailed Trial Directive in conformity with the trial methodology given in the RFP. The Trial Directive must specify the fundamental points/ parameters that need to be addressed for validation, along with methodology. Trial Directive, would also list out exact location and detailed trial schedule keeping in mind availability of the requisite infrastructure (ranges/labs), as also readiness of Vendors. Once the Trial Directive promulgates firm timelines for trial evaluation, the Vendor should ensure availability of their technical experts and maintenance teams, to ensure uninterrupted conduct of trial. Trial Directive would also include parameters/tests that would be acceptable by certification through accredited labs. The User would however reserve the right to undertake random / sample test to confirm the certified parameters.

100. **Trial Teams.** After the acceptance of TEC Report, SHQs will constitute the Trial Team. Representatives of QA agencies, EMI-EMC Cell and Maintainability trials (where applicable) may also be co-opted, based on requirement. Representative of the respective TMs may also participate in the FET as an observer for non-delegated cases. Wherever feasible, the entire trials viz. user, technical, Maintainability Evaluation Trials (MET) and EMI/EMC trials would be conducted simultaneously in order to save time. The trial team, for equipment being procured for more than one Service, will have representatives of each Service for whom equipment is being procured. Such trial team will be headed by

representative from the Service nominated as the lead Service. For trials of equipment involving ToT, representative of PA/DcPP, may be included as an associate member.

101. **Trial Overseeing Members from Service Headquarters.** To oversee conduct of FET in a correct and timely manner as also to provide timely guidance to trial teams in overcoming impediments encountered, if any, SHQs will depute a suitable representative, who has been associated with preparation of trial methodology, as also trial directives to oversee the trials. In addition, the Oi/c or a senior member of the Trial Team may also be called to SHQ for central briefing, to better understand the scope and extent of the trials.

102. **Setting-up FET Nodes in Training Establishments.** The Services have well established training establishments with the necessary infrastructure and facilities for conducting trials. SHQs will setup Trial Wings in these institutions/establishments for their respective arms/services and all trials will be conducted under the aegis of these wings. In cases where trials are not planned to be processed in the FET nodes, SHQs are to obtain prior approval of DG (Acquisition). Presence of large number of Subject Matter Experts as well as requisite trial infrastructure (ranges/labs) in these institutions will help in expediting trials, as also building institutional experience at the field level.

103. FET will be conducted by the user / lead Service, only pertaining to conditions where the equipment is most likely to be deployed. In other conditions where the probability of deployment is not high, appropriate certifications confirming the functional effectiveness under such conditions may be obtained; in cases where applicable, simulations based testing may be resorted to. All weather testing should be carried out only in cases in which testing is absolutely essential. If required, necessary certification may be taken to confirm the functional efficiency of the equipment in different weather conditions.

104. Cases involving Essential Parameters 'B' would be trial evaluated after the signing of the contract as provided in Para 20.2 of Chapter II of DPP 2020. However, Trials for Essential Parameters 'B', (if specified at Appendix A) may be conducted at the FET stage, if any vendor(s) claims that the equipment fielded by them for FET can meet Essential Parameters 'B' and such vendors are willing to get their equipment trial evaluated for Essential Parameters 'B' at FET stage (a written undertaking in this regard will be given by such vendor(s) to SHQ prior to date of commencement of FET).

105. Field Evaluation Trials will not be conducted as a process of elimination but with an objective to nurture competition. Vendors would, therefore, be allowed to undertake in-situ repairs during trials. Towards this, Vendors shall be adequately informed and advised at the pre trial stage itself so that they can ensure availability of requisite maintenance teams/experts onsite during the conduct of trials. Equipment fielded for trials may fail to meet one or more RFP parameters due to faults occurring during the course of trials, which can be overcome by servicing, repair or maintenance actions or a vendor may request for modifications to the equipment. The vendor may be permitted by the concerned SHQ to carry out in-situ servicing / repairs / maintenance/ modification and establish compliance provided that the equipment is not taken away by the vendor. In single vendor cases permission for

carrying out such in-situ servicing / repairs / maintenance/ modification may be permitted by the OIC Trials itself. In multi vendor cases, in case one or more Vendors fail in the trial, permission to participate in the Confirmatory Trials may be granted by the SHQ, on a case to case basis, in case the Vendor can submit the Equipment Under Trial (EUT) in a reasonable period of time, on payment of a specified penalty payment, which will cover the expenses of holding these retrials, by the Vendor.

106. **Technical Trials.** Technical trials will be conducted by QA agency to assess conformance to the quality requirements/standards/specifications. Equipment/assemblies/sub-assemblies will be subjected to environmental tests wherever applicable. Towards this, vendor will submit the technical documentation and draft ATP as part of technical bid or one month before commencement of FET. As far as possible, physical evaluation will only be carried out of critical parameters and other parameters will be evaluated based on vendor certification duly supported by certification by NABL accredited laboratories/internationally recognised laboratories.

107. **Maintenance Evaluation Trials (MET).** MET to address maintenance, repair and spares support aspects of acquisition, wherever feasible, will be undertaken through the OEM documentation. Actual stripping of the equipment to establish adequacy of maintenance tools, test equipment and spares utilisation will ideally be undertaken, where considered necessary by the User.

108. Confirmatory trials may also be held when, on completion of all trials, it is found that no equipment has fully met all the RFP parameters, but there is reason to believe, that vendors would be able to quickly overcome the drawbacks noticed. In multi vendor cases, confirmatory trials will be conducted with the approval of SHQ. However, in case of Single Vendor cases, if the equipment has failed the trials and processing a fresh procurement case is likely to cause substantial delay, the OIC Trials will be authorized to order confirmatory trials. Confirmatory trials should not be repetitive and should not be allowed to carry on indefinitely.

109. **Timelines.** Whilst DPP lays out a standard time period of 16 to 24 weeks (additional 12 weeks for winter trials) for completion of FET, in cases where it is anticipated that FET cannot be completed within the stipulated period due to nature, scope or any other factor, SHQ is to seek additional time while seeking accord of AoN along with proposed timeline.

110. In case the FET is not completed post commencement within the stipulated period as approved in the AoN, SHQ are to render an update to the under mentioned authorities, as follows: -

- |  |   |                                |
|--|---|--------------------------------|
| (a) DG (Acqn) (for non-delegated cases)    | - | for slippage beyond six months |
| (b) VCDS/Vice Chiefs (for delegated cases) | - | for slippage beyond six months |

(c) AoN According authority - for slippage beyond 12 months.

111. The requirement of FET/NCNC Trials will not be applicable for procurement cases in respect of acquisition/construction of Ships, Submarines, Yard Craft, Tugs, Ferry Craft and Barges (only for capacity cleared yards), where there is no prototype available for conduct of NCNC Trials. The FET/NCNC Trials will also not be applicable for aircraft simulators being built for the first time where there is no possibility of testing on a similar existing simulator (AF). However, Technical Evaluation and Delivery Acceptance Trials for these will be carried out.

112. For equipment available Commercially Off-The-Shelf (COTS), which have requisite IS/BIS or equivalent certifications, and meets the user requirements, the Service Headquarters may accept the equipment on the basis of self-certification by the vendor without going through the QA, EMI-EMC and maintainability trials. FET, where envisaged, may also be limited in its scope. Approval for such cases is to be sought at the time of seeking AoN.

113. All shortlisted vendors would be asked to provide their equipment for trials in India, except when trials are to be conducted at vendor premises abroad. In cases where the trials are planned abroad, approval of AoN according authority is to be sought at the time of seeking AoN.

114. Vendors will be asked to field the desired number of units of the equipment/ weapon system for FET as per dates promulgated in the trial directive. Any vendor failing to produce equipment for trials by date decided in the trial directive would normally be given a grace period of 30 days to produce the equipment for trials. An additional grace period of up to 30 days may be approved within SHQs keeping in view the practical time period necessary for trials. Equal opportunity would be provided to all vendors while granting such grace period. Vendors, who fail to provide their equipment even after providing 60 days grace period, would be asked to explain the reasons for the delay in producing equipment for trials. If the reasons for delay furnished by the vendor(s) are found satisfactory by SHQ, case for granting grace period beyond 60 days would be processed by SHQ for approval of DG (Acquisition).

115. To prevent deliberate delays in fielding the equipment by the vendor(s), the Trial Directive may include a provision of disqualifying the vendors who fail to position the equipment beyond a pre-determined time period arrived in consultation with vendors and trial agencies. In such eventuality even if only one vendor has submitted the equipment and clears the trials, the case would be progressed as Resultant Single Vendor.

116. If the equipment is not fielded at the start of trials, then the vendor/ equipment would not be considered at a later point of time. Such vendors including those whose reasons for delay as sought above are not satisfactory, may not be considered for subsequent procurement cases.



117. Single OEM equipment being fielded by multiple Indian vendors may have joint trials if two or more Indian vendors so desire. The Indian vendors who jointly field the equipment, may place a request and provide an undertaking that they will accept the trial results jointly and severally.

118. In cases where trials are not visualised or where field evaluation is not feasible, there may be possibility of conducting evaluation through computer simulations. In such cases, the exact scope of the trials shall be included in the SoC while seeking the AoN. The AoN according authority shall debate the scope of trials and approve suitable options, as applicable.

119. In certain cases, particularly in those involving integration of systems or sensitive equipment, the Acquisition Wing (for non-delegated cases)/ SHQs (for delegated cases) can depute a Multi-Disciplinary Technical Delegation (MDTD) abroad for evaluation. Where required an Empowered committee could also be deputed along with MDTD for negotiation purposes. The Technical delegation should have representatives, on need basis, from the user service, Maintenance agency, QA agency and the TMs. In addition, AMs and FMs or their representatives for non-delegated cases and IFA (Capital) / PIFA for delegated power cases may be included in the Empowered Committee. Such committee would be constituted after due approval of the AoN according authority.

120. There may be cases when, during the process of trials in India, it emerges that certain validations need to be carried out abroad in the vendor premises. This may be necessitated due to export restrictions, security related issues, availability of testing infrastructure/ platforms or such like reasons. Permission for such validations to be carried out abroad would have to be sought from the DG (Acq) (for non-delegated cases) and VCDS/ Vice Chiefs/ DG ICG (for delegated cases). SHQ would thereafter take AIP of the RM on file and depute a technical delegation abroad for evaluation purposes.

121. After each stage of the trials, a debriefing of all the vendors would be carried in a common meeting (wherever feasible) as regards the performance of their equipment. Compliance or otherwise, vis-à-vis the parameters listed in the trial directive, would be specifically communicated to all the vendors at the trial location itself. It would also be ensured that all verbal communication with the vendors is confirmed in writing within a week and all such correspondences are recorded and documented.

122. On completion of FET, a detailed Field Evaluation Report shall be drawn up and sent to SHQ for Staff Evaluation.

123. A brief on types of trials along with an indicative check-off-list for trial evaluation issues, as well as aspects relevant to QAP and ATP is placed at Annexure \_\_\_\_.

124. **Benchmarking Committee**. On receipt of Trial Report by SHQ, concurrent benchmarking will be carried out by a Benchmarking Committee headed by the Advisor (Cost), reps of FM/PIFA/IFA and reps of concerned SHQ Directorates, as per guidelines issued by Principal Advisor (Cost) and as amended from time to time. This process will be

automatically undertaken once SHQ informs Advisor (Cost) about receipt of Trial Report. Along with this information, SHQ will also provide Advisor (Cost) with details of reps of SHQ Directorates nominated as members of the concerned Benchmarking Committee. The recommendations of the Benchmarking Committee may be accepted as such / deliberated upon by the CNC post approval of GS Evaluation and promulgation of CNC. Till then, the Benchmarking Committee benchmark models and costing data will be kept in a sealed cover with the Chairman, CNC.

125. **Costing Committee.** In cases where DPSU equipment is being procured in a Single Vendor Case or as BNE, a Costing Committee constituted under Secretary (DP) for Pricing of DPSU equipment on orders of RM, will price the equipment post successful completion of trials and forward the same to the concerned AM/SHQ chairing the CNC. Such pricing by the Costing Committee shall take into account economies of scales and shall have validity of three years from its date of promulgation.

### **Staff Evaluation**

126. The Staff Evaluation will analyse the Field Evaluation results and shortlist the equipment recommended for introduction into the services. For non-delegated and delegated cases, where all vendors are compliant and there are no complaints related to the case, approval of the GS Evaluation will be done by the respective Vice Chiefs. However, in non-delegated/delegated cases where any vendor(s) is found non-compliant at the GS Evaluation or there are any complaints related to the case, approval of DG (Acquisition)/Vice Chiefs respectively will be obtained, through respective TMs, prior to progress the case further. Issues, if any, raised by the TMs on the Staff Evaluation Report, should be addressed in a collegiate manner with the SHQ. After due examination, the TMs will submit the report to the DG (Acquisition)/Vice Chiefs for non-delegated and delegated cases respectively, with recommendations for acceptance or otherwise. In case no vendor meets the SQRs in the field evaluations, then the case would be foreclosed and RFP retracted on approval of DG (Acquisition), for non-delegated cases and the respective SHQ authorities for cases under delegated powers.

127. Cases, in which bids have been submitted by more than one bidder in a competitive manner and the Staff Evaluation, after trials shortlists only one equipment for introduction into service, would not be considered as a single vendor situation, as the techno-commercial offers would have been received before trials and the commercial bids were competitive in nature. Bidders had submitted their offers in an open competition and were not aware of any single bidder getting approved after the trials.

### **Intimation to Vendors**

128. The TMs would provide intimation to all participating vendors about their respective status post acceptance of TEC/Staff Evaluation/Technical Oversight Committee Report (if TOC is held). Intimation with regards to Trials will be done by the conducting SHQ as per SOP promulgated on the subject.

129. **Turnkey Projects.** These are cases where the project involves supply, installation and commissioning of varied machines/equipment for establishing specialised maintenance/information technology/communication/storage/overhauling facilities (with or without infrastructure) at one or more locations in country. Such products including up-gradation/modernisation of existing assets may be carried out on Turnkey Basis and may also include setting up of requisite specialised technical infrastructure. The scope of such projects is large and varied involving number of activities; hence there is a requirement of identifying a single agency capable of completing the project on a Turnkey basis. In this context apart from the vendors listed as per Para 15 (Chapter II), reputed integrators would also be considered. Being a Turnkey Project, the trials are not initially envisaged and hence it is essential to select the vendors with requisite capabilities prior to issuing RFP, as per the SOP issued by Acquisition Wing and amended from time to time. For such cases, a Detailed Project Report (DPR) would be worked out by the SHQ concerned. In certain complex cases, the DPR may be outsourced by SHQ, duly justified in the SoC while seeking AoN. DPR should lay down the detailed scope of work involved, bill of material, approximate cost estimates and the time frame for project completion. The DPR would be placed before the SEPC for ratification. The DPR, once approved, would be forwarded to the AoN according authority along with the SoC while seeking the AoN and categorisation. Consequent to the AoN, a committee would be formed comprising representatives of user directorate, maintenance directorate, TM and FM (for non-delegated cases)/IFA Capital (for delegated cases) and any other agency as deemed necessary, for carrying out the selection of the prospective vendors who would be issued the RFP. The sequence of procurement procedure in such cases would be:-

- (a) Making of a Detailed Project Report (DPR).
- (b) Acceptance of Necessity (AoN).
- (c) Selection of Vendors.
- (d) Issue of RFP.
- (e) Technical Evaluations to shortlist the prospective vendors.
- (f) Price Negotiations.
- (g) CFA Approval and Contract conclusion.
- (h) Establishment of Test Bed.
- (i) Project Implementation.

### **Leasing**

130. Leasing will be another category for acquisition in addition to the existing 'Buy' and 'Make' acquisition categories and would be permitted in two sub categories i.e. Lease (Indian) and Lease (Global). The lease process will have the following stages:-

- (a) Request for Information (RFI)
- (b) Identification of Equipment and Operational Demonstration to identify the equipment that best meets the capability sought
- (c) Preparation of Leasing Operational Requirements (LOR)
- (d) **Obtaining of AoN.** AoN for lease cases will be accorded by the DAC. Such cases will be fielded directly in the DAC without first being examined by categorisation committee. After accord of AoN, the lease cases will be processed as per delegation of powers.
- (e) Solicitation of offers
- (f) TEC
- (g) CNC
- (h) Approval by CFA
- (i) Signing of Lease agreement
- (j) Post lease management

131. **Leasing Operational Requirements (LOR).** The LOR defines the operational capability sought and any special conditions of lease. The LOR will lay down fundamental user requirements in a comprehensive manner and must avoid ambiguity of any type. The LOR will be approved by the competent authority at SHQ. LOR of classified nature will be shared after a Non-Disclosure Agreement (NDA).

132. For proper performance of the lease, the lease agreement may have graded penalties linked to performance metrics for partial/full default on lease agreement. Various payment options could be used, such as advance percentage, stage payment, payments at the end of agreed periodicity, after the asset has been utilised as per agreed performance metrics. Same need to be defined in the SoC for seeking AoN.

133. Guidelines for various aspects of a lease case, including types of lease, details to be included in the abridged SoC, sample lease agreements, etc, will be issued separately by the Acquisition Wing.

#### **Technical Oversight Committee**

134. It is expected that oversight should be part of the normal process of higher level approvals within SHQ/ Acquisition Wing. TOC, when constituted, must provide expert oversight over the technical evaluation process. The DG (Acquisition) may constitute a TOC

for acquisition cases in excess of ₹ 300 Crores and for any other case recommended by the Defence Secretary/DPB/DAC. Technical Oversight through a special committee would be resorted to in multivendor cases where a complaint has been received and not for Single Vendor Cases and cases where only DPSU(s) / OFB are participating. The TOC will comprise of a Convener nominated by the lead SHQ of the rank of Major General/equivalent and one member each from two sister services other than the lead agency of the rank of Brigadier/equivalent. Members nominated should have adequate seniority and experience and should not have been involved with that acquisition case, in any capacity in the past. The TOC will be tasked to verify whether prescribed procedure has been followed in the procurement case. The TOC will also review and bring out the status of a grievance or complaint, if any existing at this stage, pertaining to acquisition scheme and will have to give its observations and recommendations, based on a majority decision, within 30 days, which may be extended by a maximum period of 30 days, with the consent of the DG(Acquisition). TMs of the Acquisition Wing will provide the Secretarial support to the TOC and ensure availability of all inputs from DDP/Acquisition Wing, Def (Fin) and SHQ to the TOC. The SHQ will clarify any queries raised by the TOC. The TOC report will be submitted to the Defence Secretary for approval. In case of complaints, cases may be referred to the nominated Independent Monitors (IMs) by the Acquisition Wing/any other department of the MoD or initiated suo-moto by the vendors/any other agency. Post analysis, the IMs report will be submitted to the Acquisition Wing. All reports opined by the IMs as vexatious or frivolous or lacking cogent evidence will be put up for acceptance of the Defence Secretary. IM Reports which ascertain genuineness of the complaint and recommend that cognisance of the complaint/action on the same will be forwarded to the Raksha Mantri for acceptance.

### **Contract Negotiation Committee (CNC)**

135. The CNC will be constituted after the TEC/Staff Evaluation/TOC, as applicable, report has been accepted. CNCs in Non Delegated cases will be chaired by the respective AMs, while Delegated Power cases upto ₹ 150 crores will be chaired by Brigadier or equivalent of the SHQ and cases above ₹ 150 Crores to 300 Crores will be chaired by Major General or equivalent of the SHQ. In all cases, CNC will deliberate/accept recommendations of the Benchmarking Committee and establish reasonability of the benchmarked price, in an internal meeting before opening the commercial offer. Wherever necessary, additional inputs from other sources may be obtained by the CNC.

136. In cases where no field evaluation is to be undertaken or there has been oversight in constituting a Benchmarking Committee earlier or proceedings of the Benchmarking Committee have not been completed, the entire benchmarking activity will be undertaken by the CNC itself. In cases where there is no FET, the CNC would be constituted within a week of acceptance of TEC Report by the competent authority. The standard composition of the CNC shall be as indicated at Appendix G to this Chapter. Suitable technical member(s) may be co-opted by the Chairman to negotiate Life Cycle Support Contract (where applicable), along with the main contract. Any change in the composition of the CNC may be effected with the approval of DG (Acquisition) or CFAs. Where considered necessary, a Service officer or any officer other than from the Acquisition Wing of the MoD may be nominated as

Chairman of the CNC with the prior approval of RM. The organisations/agencies concerned should ensure that their representatives in the CNC have adequate background and authority to take a decision without any need to refer back to their organisation/agency. The sealed commercial offers of the technically accepted vendors shall be opened by the CNC at a predetermined date and time under intimation to vendors, permitting such vendors or their authorised representatives to be present, only after the acceptance of the TOC report, wherever applicable. The bids of the competing firms shall be read out to all members present and signed by all members of the CNC. The CNC would carry out all processes after opening of commercial bids, till the finalisation of CNC report.

137. In cases, where ToT for Maintenance Infrastructure is being sought, the maintenance contract involving the OEM and the industry receiving the technology would also be negotiated along with the main contract.

138. The contract negotiation process would start with preparation of a 'Compliance Statement' incorporating the commercial terms offered in the RFP and that sought by the vendor(s), analysis of the discordance and the impact of the same. A similar statement would be prepared in regard to deviations noticed in the delivery schedules, performance-cum-warranty/ guarantee provisions, acceptance criteria, Engineering Support Package (ESP), life-cycle support etc. Comprehensive analysis of the commercial offer would form the basis for subsequent decisions.

139. The CNC would prepare a Comparative Statement of Tenders (CST) with a view of evaluating the technically acceptable offers and determine the lowest acceptable offer (L1 Vendor); the methodology detailed in Para 10.3 (Chapter II), will be used wherever applicable.

140. Once the L1 vendor is identified in multi-vendor cases, the contract should be concluded with the vendor and normally there would be no need for any further price negotiations. However, it is important that the reasonability of the prices being accepted for award of contract is established. Once the commercial offers are opened and the price of the vendor is found to be within the benchmark fixed in the internal meeting, there should be no need to carry out any further price negotiations. The RFP in multi-vendor cases should clearly lay down that no negotiations would be carried out with the L1 vendor once the reasonability of the price quoted by the vendor is established. Aspects of advance and stage payments (where applicable) should also be given upfront in the RFP so that it facilitates selection of L1 vendor.

141. If the bidder, whose bid has been found to be the lowest evaluated bid withdraws or whose bid has been accepted, fails to sign the procurement contract as may be required, or fails to provide the security as may be required for the performance of the contract or otherwise withdraws from the procurement process, the Procuring Entity shall cancel the procurement process. Provided that the Procuring Entity, on being satisfied that it is not a case of cartelization and the integrity of the procurement process has been maintained, may, for cogent reasons to be recorded in writing, offer the next successful bidder an opportunity

to match the financial bid of the first successful bidder, and if the offer is accepted, award the contract to the next successful bidder at the price bid of the first successful bidder.

142. In cases, where specific approval has been taken in the AoN to have more than one source of supply, ratio of splitting the supply will be pre disclosed in the RFP and negotiations will be done with both the L1 and L2 vendor, provided the L2 vendor agrees to match the L1 price.

143. Cases in which contracts have earlier been signed and benchmark prices are available, the CNC would arrive at the reasonable price, taking into consideration the escalation/foreign exchange variation factor. The endeavour should be to conclude the CNC early so that the operational/urgent requirement of the indenting Service is met in a time-bound manner.

144. For certain category of items, where orders have been placed in the past or involves invoking of the Option Clause, there could be downward trend of prices since the last contract. It would thus be necessary for the CNC to verify that there has been no downward trend since the last purchase and this would have to be kept in mind while arriving at the prices.

145. In cases where DPSU equipment has been already priced by the Costing Committee constituted under Secretary (DP) for Pricing of DPSU equipment on orders of RM, such price may be adopted by the CNC and the CNC may not furnish reasonability of cost certificate for such DPSU items.

146. To ensure product support during the service/shelf life of the product, the CNC would negotiate the terms of life-cycle support along with the main contract and would finalise the following with the L1 vendor:-

- (a) Assured supply of information on product/technological improvement, modifications and upgrades.
- (b) Obsolescence management and life time purchases.
- (c) An illustrated spares price catalogue with base price and pricing mechanism for long term.
- (d) **Life Cycle Support Contract (LCSC)**. The LCSC would be signed along with the main contract and would clearly stipulate the obligations of vendor towards provisioning Life cycle support for the equipment.

147. In cases involving Buyer Nominated Equipment (BNE) being procured from a common single source, whether OFB, DPSU or private vendor, the commercial bid will clearly indicate the cost of BNE as quoted by OFB/ DPSU / private vendor, with documentary proof. L1 in such cases will be determined after deducting the cost of the OFB / DPSU / private vendor supplied BNE, from the total cost quoted by the vendor. However, payment will be made to the vendor after adding the actual cost of BNE, at the time of purchase from OFB / DPSU / private vendor, to the L1 cost determined as mentioned above; the cost of equipment supplied by OFB will be considered minus excise duties and other

applicable levies. This provision is applicable only in cases where the BNE has to be procured from a common single source, whether OFB, DPSU or private vendor and BNE rate in such cases would also be separately negotiated.

148. In cases owing to longer gestation time, the L1 vendor may offer better specifications of the equipment at the CNC stage at no additional cost. The CNC will be empowered to negotiate and recommend acceptance of the same to the CFA provided all parameters are met.

149. **ATP Issues at CNC Stage.** QAP (including ATP) finalised during the Technical trials for the equipment of L1 vendor, will be placed before the CNC and included in the draft contract. Methodology of JRI (wherever applicable) will be finalised by SHQ alongwith vendor and representatives of QA agency, and will also be included in the draft contract. Details of the Third Party Inspection by authorised TPI Agencies, if applicable, for Pre Despatch Inspection/Joint Receipt Inspection will also be finalised in the ATP.

150. **Return of Commercial Offers.** Situations would arise when the validity of the commercial offers submitted by vendors expire before acceptance of Staff Evaluation report in cases where the PVC is not applicable. In such cases, vendors would be given an option to either extend the validity of the commercial offer for a specified period (the period to be decided in consultation with SHQ) or to submit fresh commercial proposals except for cases referred in Paras 51 and 57 of this Chapter. For cases where vendors want to submit fresh commercial proposal, their old proposals would be returned unopened to them by the AMs/SHQs. However, for the cases where the RFP is retracted after submission of the bids or a vendor is rejected at TEC/Trial/Staff Evaluation stage or a vendor unilaterally withdraws from the acquisition process, their commercial offers would be returned unopened to them by the TMs/SHQs.

151. **Authority for Foreclosure of AoN.** Cases where the AoN is required to be foreclosed due to change in operational philosophy, change in prioritisation for procurement or budgetary constraints will be approved by AoN according authority. Foreclosures for reasons other than above including those at GS Evaluation stage may be approved by DG (Acq) & VCDS/VCOAS/VCNS/DCAS/ DGICG for non-delegated and delegated powers cases respectively. The case for foreclosure of AoN, where applicable need not be fielded in SCAP cycle, but directly in the AoN according committee as per the extant financial powers.

152. **Authority for Retraction of RFP.** Retraction of RFPs will be approved on file by the DG(Acq) and VCDS/VCOAS/VCNS/DCAS/DGICG for non-delegated and delegated powers cases respectively.

### **Approval of Competent Financial Authority (CFA)**

153. **CFA of Capital Acquisition Proposals.** The Cabinet Committee on Security (CCS) has approved delegation of financial powers to sanction capital acquisition proposals covered in the Services Capital Annual Acquisition Plans vide MoD ID No. 20(11)/2015-D(GS-IV) dated 19 February 2019, as follows:-



- (a) Upto Rs 300 Crore - VCDS, VCOAS, VCNS, DCAS, and DG(CG)
- (b) Above Rs 300 Crore and upto Rs 500 Crore - Defence Secretary.
- (c) Above Rs 500 Crore and upto Rs 2000 Crore - Raksha Mantri.
- (d) Above Rs 2000 Crore and upto Rs 3000 Crore - Finance Minister.
- (e) Beyond Rs 3000 Crore - CCS.

154. **Competent Authority to Place Indent.** The Competent Authority to place indents will be as under:-

- (a) Upto Rs 300 Crore - VCDS, VCOAS, VCNS, DCAS, and DG(CG)
- (b) Above Rs 300 Crore and upto Rs 500 Crore - Defence Secretary.
- (c) Above Rs 500 Crore - Raksha Mantri.

155. The CNC should document the selection of vendor using a formal written recommendation report addressed to the relevant approval authority. The report must be complete in all respects and should be checked by the members of the CNC. It should comprehensively elaborate the method of evaluation and the rationale for the selection made. Vetting of the draft contract may commence once the L1 vendor is declared. The Price Variation Clause (PVC), wherever applicable and incorporated in the RFP, will now be applied on the L1 price to cater for the escalation of price from the last date of submission of bid. Negotiations, if conducted, will be carried out with the L1 vendor considering the escalated price based on the PVC. The CNC will finalise the contract before seeking CFA approval taking into consideration any other issues that may arise during the course of CNC. The CNC report should also contain the draft Contract Document, duly vetted by all the stakeholders.

156. All CNC members should sign the recommendation report, in the interest of probity and accountability, as evidence that they concur with the process adopted and the ultimate selection made. Any dissenting view, including the reasons for the same, should also be documented.

157. The report of the CNC should include:-

- (a) A brief background to the requirement.
- (b) Composition of the CNC.
- (c) An explanation of the commercial evaluation process, selection criteria and commercial evaluation matrices, if used.
- (d) Brief description of different phases of the commercial negotiation process.

- (e) Draft Contract Document, duly vetted by all the stakeholders.
- (f) A summary of the recommendations.

158. The CNC Report, along with the summary of recommendations, would be processed by the Acquisition Manager/SHQ, as applicable, for obtaining expenditure clearance and CFA approval. In cases where CNC constituted based on AoN cost, negotiates a contract cost of higher/lower delegated powers, the proceedings of the CNC would be finalised and send to the applicable CFA (as per contract value) for sanction.

### **Award of Contract/Placing of Indents**

159. **Standard Contract Document.** The Standard Contract Document at Chapter VI indicates the general conditions of contract that would be the guideline for all acquisitions. The date of signing of the contract would be the effective date of contract for all acquisitions, unless the contract specifies otherwise. However the date of delivery would be reckoned from the date of release of Advance payment by the Buyer to the Seller (T0), provided the Seller submits the documents mandated by the DPP for release of advance by the Buyer within 45 days of signing of contract. In the event of the Seller not submitting the said documents within 45 days of signing of contract, the period between the 45th day and actual submission of documents will be excluded from the actual date of advance payment to arrive at the delivery date. In case, no advance is to be paid, the date for reckoning date of delivery would be the date of signing of contract. The above will apply to Fast Track Procedure (FTP) cases also. This clause will not be applicable in cases wherein Advance payment is released after First Off Production Model (FOPM) is successfully validated. In such cases, date of accord of Bulk Production Clearance will be date for reckoning date of delivery. The draft contract would be prepared as per these guidelines. However, for single vendor procurements, if there is a situation where Government of India has entered into agreements with that country regarding specific contractual clauses, then the terms and conditions of such agreements would supersede the corresponding standard clauses of DPP. Consequent to the approval of the CFA, the contract(s) (including Offset Contract and Life Cycle Support Contract) would be signed by the Acquisition Manager/Director (Procurement) concerned in the Acquisition Wing or by an officer authorised by the PSO at the SHQ.

160. **Integrity Pact.** An 'Integrity Pact' would be signed between government department and the bidders for all procurement schemes over ₹ 20 Crores. The Pre Contract Integrity Pact document is placed as **Annexure I to Appendix M of Schedule I** (RFP format). In 'Buy' and 'Buy and Make' cases schemes, the Indian or foreign vendors submitting multiple bids will be required to submit one Integrity Pact and one IPBG. Post contract, the IPBG submitted based on the estimated cost of the AoN will be replaced by a fresh IPBG based on the contracted price.

161. Guidelines for Putting on Hold, Suspension, Debarment and any other penal action on the Entities dealing with Ministry of Defence, as promulgated by Government from time to time and as hosted on MoD website, will be applicable on procurement process and bidders.

## **Contract Administration and Post-Contract Management**

162. All issues related to Post Contract Management will be governed as per Chapter \_\_\_ of this DPP.

### **Subsequent Procurement of Already Contracted Equipment**

163. To enhance standardisation and reduce inventory cost, as also training effort, Services may opt to procure equipment/systems/platforms already inducted into service through the original OEM/vendors. These cases would not be construed as ab-initio single vendor case and would be processed as mentioned at Para 114 to 121 below.

164. **Option Clause.** Where only part quantity of an equipment are being procured, SHQ may built-in provision for an 'Option Clause' in the main contract to procure additional equipment, spares, facilities or services, till last delivery of the main equipment, as per the cost, terms and conditions set out in the original contract. Such cases would be included in the SoC, at the time of seeking AoN for the initial procurement. SHQ will, however, obtain AoN directly from the appropriate approving authority for exercising the Option clause, without progressing the same through the SCAP cycle. While exercising the Option Clause, SHQ will examine the viability of the same viz-a-viz fresh procurement and the same will be endorsed in the SoC for seeking AoN for the same. All terms and conditions of the original contract will apply to the case in which Option Clause is being exercised.

165. **Repeat Order.** For equipment/systems/platforms already inducted into service, it may be necessary to go back to the OEM/vendors for placing repeat orders. AoN for repeat orders must be obtained within five years of date of completion of warranty on final delivery against the previous contract. In such cases it may be ensured that as far as possible the SQRs of the equipment are as per the previous order. Repeat order cases would not be construed as single vendor cases. Repeat Order would generally be limited to quantity not exceeding 100% of the previous order. Specific approval of DPB (in acquisition cases up to ₹ 500 Crores) or DAC (in acquisition cases excess of ₹ 500 Crores) as the case may be, would be obtained for Repeat Order of quantity exceeding 100% of previous order. Such restriction in Repeat Order would not be applicable for cases categorised as 'Buy and Make'/'Buy and Make (Indian)'/ 'Make'/'Design & Development' cases. Repeat order cases may fall under any of the following categories:-

- (a) **Additional Quantities.** This may be necessitated to make up for deficiency in the existing scaling or to cater for the requirements due to new raisings/War Wastage Reserves (WWR)/sector stores.
- (b) **Replacement Equipment.** This may be necessitated due to equipment declared 'Beyond Economical Repairs' (BER) or damages or loss to the earlier equipment by way of accidents/natural calamities or such like reasons.
- (c) Major-assemblies/sub-assemblies/Special Maintenance Tools (SMT)/Special Test Equipment (STE)/maintenance/integration of Buyer Furnished Equipment (BFE).

(d) **Spares for All Levels of Maintenance.** It must, however, be ensured that when spares etc, are procured from OEMs of sub-assemblies, the assurances/warranties extended by the OEM for the main equipment retain their validity.

166. Repeat order cases, where equipment has already been inducted into service and thereafter it involves change in SQRs/upgrades of assemblies or sub-assemblies/procurement of upgraded equipment, would be decided by AoN approving authority.

167. **Upgrades.** Due to constant changes in technology, various weapons, equipment, etc., which are already in service, may need to be upgraded/refurbished/modified/overhauled to incorporate advancements in technology. All cases, where an upgrade to an in service weapon system/equipment is being planned through the OEM (view proprietary equipment or where the OEM is offering an upgrade as part of life-cycle support, etc), will also follow the 'Repeat Order' procedure.

168. In cases of 'Option Clause' and 'Repeat Order', generally no FET would be conducted and only a commercial RFP would be issued to the vendor. However, limited Validation trials for cases involving changes to SQRs/upgrades may be conducted after including the same in the SoC while seeking AoN. 'Option Clause', 'Repeat Order' or 'Upgrade' cases will not follow the dual vetting of SCAP, but would be fielded directly in the AoN according committee, depending upon the financial value of the case.

169. If equipment proposed to be procured has already been procured by a sister service, Border Roads Organisation (BRO), other MoD agencies, Para Military Forces (PMF), ARC/NTRO, Central Armed Police Forces (CAPF) or any other Law Enforcement agency, after following due process, then such cases would be treated as Repeat Order and provisions of paragraphs 96-99 (Chapter II) would apply.

### **Change of Name of Vendor**

170. Whenever a change in vendor name occurs during any stage of procurement process- from submission of RFI till execution of complete contract; due to any reason such as change in business strategy, merger and acquisitions or any other reason, guidelines/procedure as given at Appendix F to this Chapter, are to be followed. Whenever a vendor applies to regulatory authorities for change of name, it must inform the SHQ User Directorate/MoD at the earliest. Notwithstanding the on-going process of change of name of any vendor concerned, the procurement process shall continue. On approval of change of name of vendor by legal authorities and issuance of new certificate of incorporation by Registrar of Companies (ROC)\* or any other relevant authority, all relevant documents, self-authenticated by authorised representative of new vendor (legal entity), must be submitted to the SHQ User Directorate/MoD by vendor at the earliest. Also, an undertaking by the new vendor as applicable has to be submitted as per the format given in Annexure to Appendix F to this chapter. Grant of consent for change of name by authorities concerned at SHQ/MoD is subject to submission of all relevant documents.

\* **Note:** Registrar of Companies (ROC) are appointed as per the applicable provisions of Companies Act, covering various States and Union Territories of India. For the purpose of this paragraph and related appendix and annexure thereof, the term ROC also includes relevant regulatory authorities of different countries in case of foreign vendors.

### **Ab-initio Single Vendor Cases**

171. If certain equipment being manufactured by only one vendor, which may not necessarily be a DPSU, is to be procured to attain qualitative edge over our adversary, then such cases should be discussed, deliberated and decided by the AoN according authority, after proper technology scan is carried out by SHQ, in consultation with DRDO/other stakeholders, as applicable.

172. Cases which are being undertaken by DRDO/DPSUs/OFB/Indian private industry as design and development projects or ToT has been obtained earlier by an Indian vendor, would not fall in the category of Single Vendor cases. However, approval of the AoN according authority for carrying out these projects needs to be sought prior to their commencement of the design and development process.

173. If DPSUs/OFB/Indian private industry signs a MoU with a foreign firm for co-production/ToT/procurement of equipment to be offered to services with approval of DAC, then such procurements, at a later point of time, would not be considered single vendor cases. Alternatively, if the DPSUs/OFB/Indian private industry signs a MoU without the approval of the DAC then it would have to compete in a competitive manner for the said procurement.

### **Inter Government Agreement (IGA)**

174. There may be occasions when procurements would have to be done from friendly foreign countries which may be necessitated due to geo-strategic advantages or imperatives of strategic partnerships or major military, technological, economic, diplomatic or political benefits. These principal factors may determine the choice of a specific platform or equipment on a single vendor basis. Such procurements would not classically follow the Standard Procurement Procedure and the Standard Contract Document but would be based on mutually agreed provisions between the Governments of both the countries. The procurements in such cases may be based on technical specifications and testing procedures of the OEM itself. Such procurements will be done based on an Inter-Governmental Agreement (IGA) after clearance from CFA and would be progressed with approval of AoN according authority. The broad procedure for concluding of an IGA will be as under:-

- (a) Approval of broad guidelines related to the proposed IGA will be approved by the DAC.
- (b) Negotiations with the foreign Government agency/OEM will then be carried out by a Committee comprising of representatives of the Acquisition Wing, concerned SHQ, Defence (Finance) and the nominated domestic manufacturer, if any, to determine draft terms of the IGA to include estimated price, availability, indigenisation plan etc.

(c) The MoD will then obtain the approval of the CCS on the draft IGA post which the IGA will be concluded with the foreign government.

175. For other arrangements like FMS/SCOC the case could be progressed with approval of AoN according authority.

176. AMs/SHQs would be authorised to issue the RFP/LoR/Memorandum/LoI and sign the Contract/LoA, as applicable. The following cases would fall under the purview of this provision:-

(a) When equipment of proven technology and capabilities belonging to a friendly foreign country is identified for procurement by our Armed Forces.

(b) When very large value weapon system/platform, which was in service in a friendly foreign country, is available for transfer or sale (ex stock or fresh production).

(c) When specific equipment/platform, is under restriction for sale by the Government of the OEM's country such equipment may be obtained on lease for a specific period by signing an Inter-Governmental Agreement before a decision on its purchase is taken.

177. In cases of large value acquisitions, especially cases requiring product support over a long period of time, it may be advisable to enter into a separate Inter Government Agreement (if not already covered under an umbrella agreement covering all cases) with the Government of the country from which the equipment is proposed to be procured after the requisite inter-ministerial consultation. Such an Inter-Governmental Agreement is expected to safeguard the interests of the Government of India and should also provide for assistance of the foreign Government in case the contract(s) runs into unforeseen problems.

178. **Co-development.** There may be cases where it is proposed to co-develop a product/equipment offering transformative/unique/niche' technology; or a futuristic equipment/platform with a friendly foreign country; or where co-development is likely to benefit ongoing indigenous projects in India. Such cases will be progressed under an Inter-Governmental Agreement/specific Project Agreement after clearance from the DAC.

179. **Co-production.** Similarly there may be cases where it is proposed to work with a foreign entity to co-produce equipment/assemblies/sub-assemblies/spares for defence usage in India. Co-production opportunity may be progressed in any of the following cases with approval of the DAC:-

(a) **Import Substitution.** Proprietary equipment or assemblies/sub-assemblies/spares of equipment in service with Indian Armed Forces and where production in India would lead to reduction in life-cycle cost, besides contributing towards building a robust defence eco-system.

(b) The platform/equipment is of unique nature, not available or being offered by other nations, and/or

(c) Equipment where co-production of the platform/equipment will contribute towards making India a global/regional hub for manufacture/MRO/spares, and/or provide a boost to defence exports.

(d) Where collaboration between Indian and foreign entity(ies) may lead to co-development/co-production of a product/components with potential for usage by Indian Armed Forces in future.

Note. In all such cases, SHQ would undertake a preliminary scan to prima facie establish rationale for processing the case on a Single Vendor Basis; that is to examine that no other nation can (e.g. proprietary equipment) or is likely to offer higher IC prior to seeking AoN. The guiding principle in such cases shall be to maximise Indigenous Content (IC), as well as ToT.

### **Processing of Procurement Cases**

180. In order to cut down the delays in procurement of equipment and ensure that the procurement system is more responsive to the needs of the Armed Forces, the following steps need to be taken:-

(a) Broad time frame for completion of different procurement activities, given at Appendix H should be adhered to. Major deviations from this time frame should be brought to the notice of the DPB, for necessary corrective measures.

(b) Once the SoC is forwarded by SHQ to MoD for non-delegated cases, consolidated observations/ clarifications sought from up to and including the level of JS/AM in the MoD and MoD (Fin) should be clarified in an across the table discussion and minutes of the same recorded on file. For delegated power cases same will be ensured by respective PIFA/IFA(Capital) for observations related to financial effects. All efforts should be directed towards avoiding multi-layered examination of proposals in MoD (Acquisition Wing) and decisions should be taken by AMs/FMs/TMs in a collegiate manner.

181. **Monitoring Mechanism.** To ensure that timelines of various stages are adhered to and the entire procurement schedule progresses in a time bound manner, regular feedback/update of all schemes will be conducted at SHQ/MoD levels as under:-

<b><u>Ser No</u></b>	<b><u>Stage of Procurement</u></b>	<b><u>Delegated Powers</u></b>	<b><u>Non Delegated Power</u></b>
(a)	Delay in formulation of SQRs by more than 52 weeks from receipt of RFI response	SPB	DPB
(b)	Delay in formulation of SQRs by more than 76 weeks from receipt of RFI response	DPB	DAC

(c)	Delay in fielding of case for AoN more than 24 weeks from approval of SQRs	SPB	DPB
(d)	Delay in fielding of case for AoN more than 52 weeks from approval of SQRs	DPB	DAC
(e)	Review of AoN and abnormal delays in Delegated Power cases	DG(Acq)	-
(f)	Delay in FET beyond 3 months	Vice/Deputy Chief/equivalent	DG(Acq)
(g)	Delay of CNC beyond eight weeks of acceptance of Staff Evaluation/TOC		
(h)	Delay of approval of CFA beyond eight weeks of submission of CNC report and draft CFA Note		
(i)	Progress of all ongoing cases including budget expenditure	Quarterly (April, July, October and January)	DPB
		Six Monthly (April and October)	DAC
(j)	Delay in deliveries of procurement cases > 1000 Crores	Six Monthly (April and October)	DAC

### **Deviations from DPP**

182. Any deviation from the prescribed procedure will be put up to DAC through DPB for approval.

183. Situations not foreseen and explained in the DPP may arise; under such circumstances the spirit as explained in preamble would provide the DAC the necessary guidance to determine the appropriate course of action.

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