



# Defence Procurement Procedure

## Capital Procurement



2011  
Ministry of Defence  
Government of India





रक्षा मंत्री  
भारत  
MINISTER OF DEFENCE  
INDIA

**FOREWORD**

Defence Acquisition is a complex decision-making process that endeavours to balance the competing requirements of expeditious procurement, development of an indigenous defence industry, and conformity to the highest standards of transparency, probity and public accountability.

New Defence Procurement structures and systems were established in Ministry of Defence in 2001 in pursuance of the report of the Group of Ministers on reforming the National Security System. The Procedures for defence procurement laid down in 1992 were comprehensively reviewed and a revised Defence Procurement Procedure introduced in December, 2002. The scope of the Defence Procurement Procedure has been enlarged since then through amendments in 2003, 2005, 2006, 2008 and 2009. The categorisation of Defence Procurement has been expanded from only “Buy” cases to “Buy and Make through TOT”, “Buy and Make (Indian)” and “Make” procedures. The Defence Procurement Procedure has matured over the years.

The Defence Procurement Procedure 2011 incorporates further refinements, based on the experience of procurement agencies and feedback from the defence industry, both Indian and foreign. These are aimed at expediting decision making, simplification of contractual and financial provisions and also to establish a level playing field for the Indian defence industry, both public sector and private sector.

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Given the complexities of ship building, Chapter III of DPP relating to the Ship Building Procedure has been revised comprehensively and a new section introduced containing guidelines for ship building on competitive basis. The aim is to encourage participation of the private ship building industry in India is defence contracts. These guidelines will provide a level playing field for Indian shipyards and promote indigenisation and self-reliance in warship construction.

The scope of offset policy guidelines have been expanded to include civil aerospace, internal security and training within the ambit of eligible products and services for the discharge of offset obligations. The list of eligible offsets will now cover most aspects of civil aerospace, including aircraft, both fixed wing and rotary, air frames, air engines, aircraft components, avionics, aircraft design and engineering services, aircraft material, technical publications, flying training institutions and technical training institutions. A wide range of weapons and services for counter terrorism have been included in the list of products under “internal security”. These changes will provide a wider range of offset opportunities to vendors participating in defence procurements and encourage building up of indigenous manufacturing capability in crucial areas.

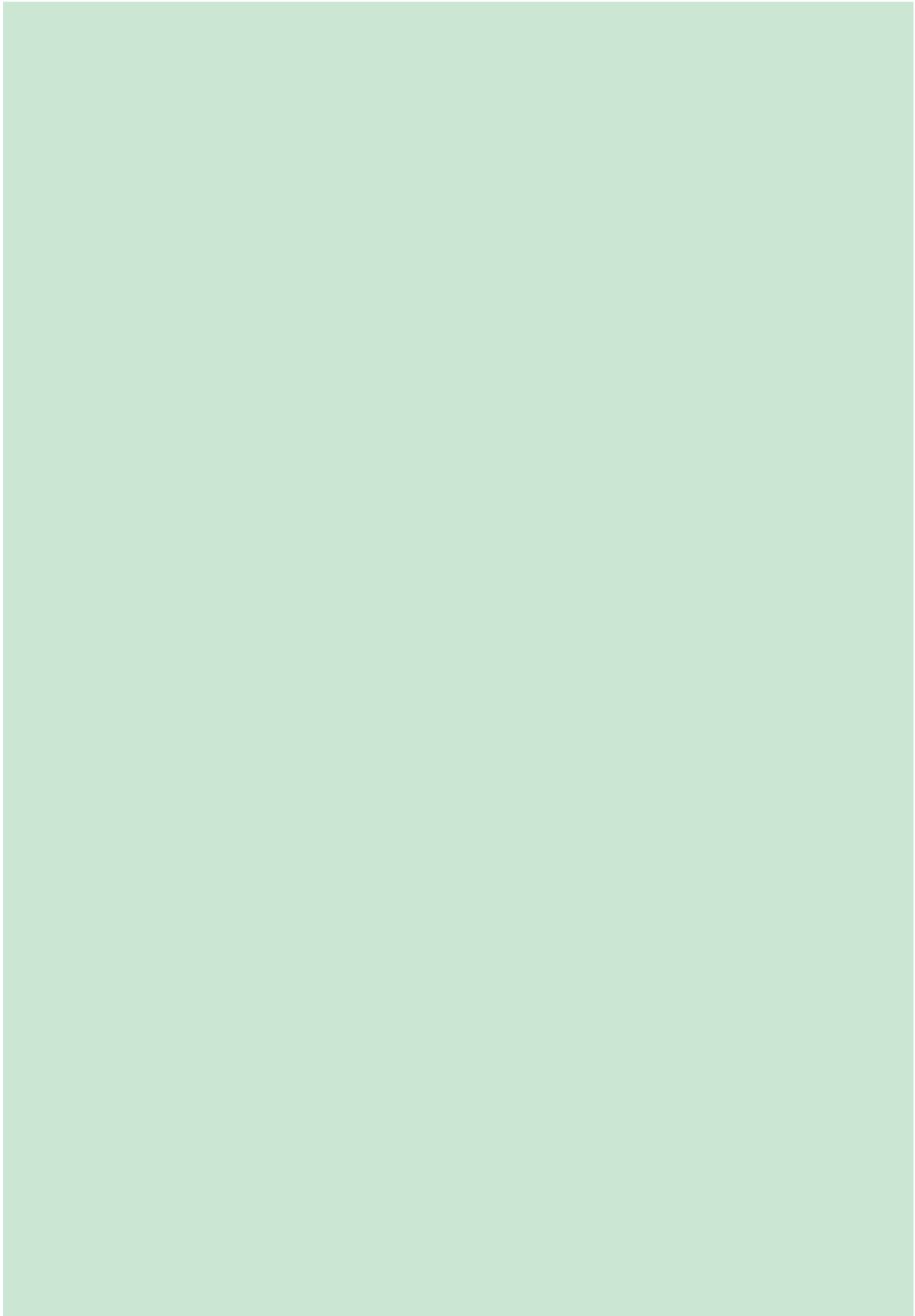
We hope that the Defence Procurement Procedure-2011 will be received as a progressive version by procurement agencies as well as the defence industry. We will continue to undertake periodic reviews in our effort to improve the Defence Procurement Procedure and welcome suggestions for improvement.

New Delhi  
December 27 , 2010



**(A.K. Antony)**

**Defence Procurement Procedure - 2011**



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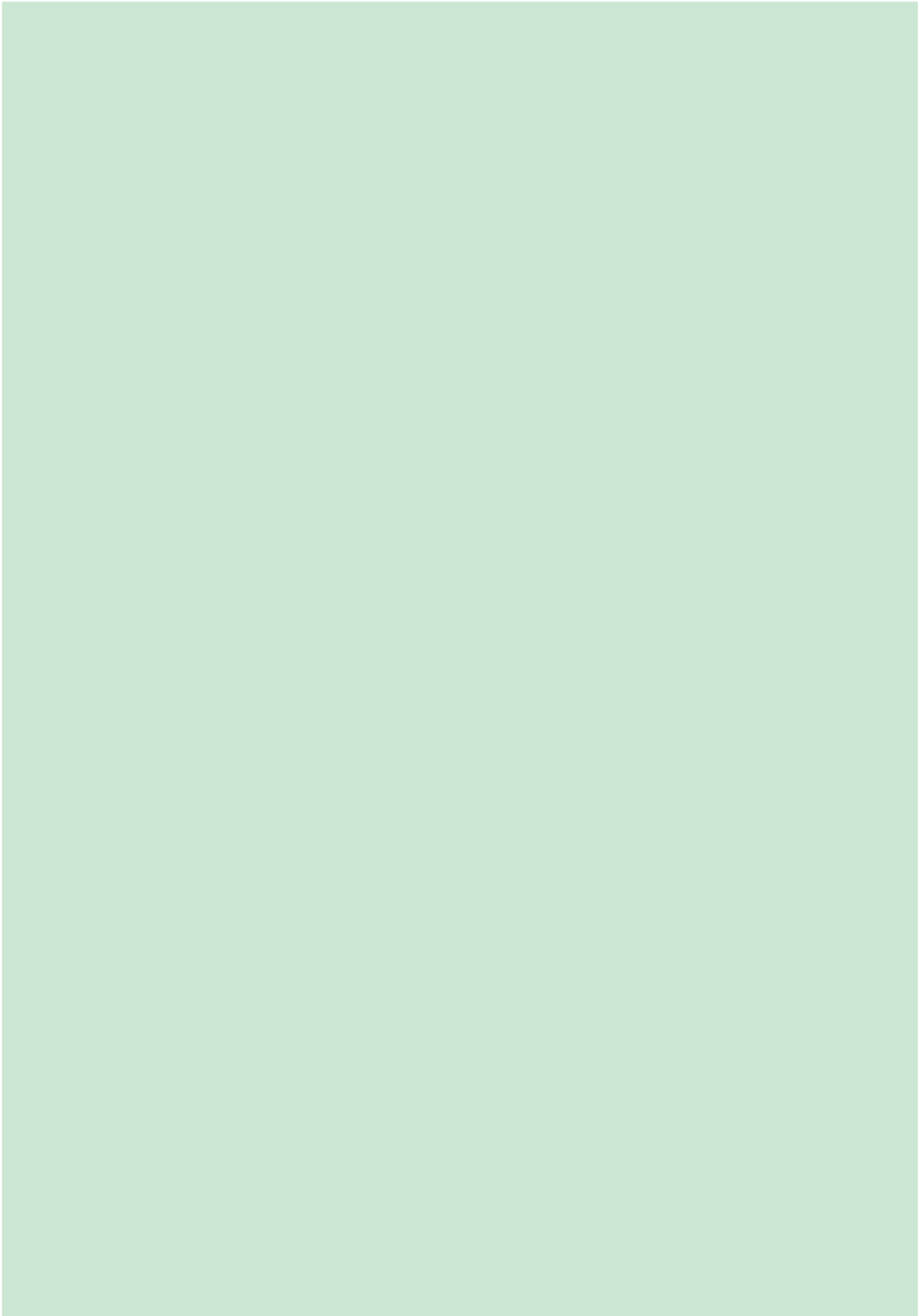


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**Defence Procurement Procedure - 2011**  
**(‘Buy’ and ‘Buy & Make’ Category)**



# **DEFENCE PROCUREMENT PROCEDURE – 2011**

## **General**

1. As part of the implementation of the report of the Group of Ministers on reforming the National Security System, new Defence Procurement Management Structures and Systems were set up in the Ministry of Defence (MoD) vide MoD order No SA/01/104/2001 dated 10 September 2001 and No 17179/2001-Def Secy/IC/2001 dated 11 October 2001. In order to implement the provisions laid out in the new Defence Procurement Management Structures and Systems, the procedure for Defence Procurement laid down vide MoD ID No 1(1)/91/PO (Def) dated 28 February 1992 was revised. The Defence Procurement Procedure - 2002 (DPP- 2002) came into effect from 30 December 2002 and was applicable for procurements flowing out of 'Buy' decision of Defence Acquisition Council (DAC). The scope of the same was enlarged in June 2003 to include procurements flowing out of 'Buy and Make' through Imported Transfer of Technology (TOT) decision. The Defence Procurement Procedure has since been revised in 2005, 2006, 2008 and 2009 enhancing the scope to include 'Make' Procedure, and 'Buy and Make (Indian)' categories. As part of the review exercise and on basis of experience gained in the procurement process, Defence Procurement Procedure has now been revised to DPP-2011.

## **Aim**

2. The objective of this procedure is to ensure expeditious procurement of the approved requirements of the Armed Forces in terms of capabilities sought and time frame prescribed by optimally utilising the allocated budgetary resources. While achieving the same, it will demonstrate the highest degree of probity and public accountability, transparency in operations, free competition and impartiality. In addition, the goal of achieving self-reliance in defence equipment will be kept in mind.

## **Scope**

3. The Defence Procurement Procedure – 2011 (DPP-2011) will cover all Capital Acquisitions, (except medical equipment) undertaken by the Ministry of Defence, Defence Services and Indian Coast Guard both from indigenous sources and ex-import. Defence Research and Development Organisation (DRDO), Ordnance Factory Board (OFB) and Defence Public Sector Undertakings (DPSUs) will, however, continue to follow their own procedures for procurement.

## **Capital Acquisitions**

4. Capital Acquisitions are categorized as under: -

(a) **Acquisitions Covered under the 'Buy' Decision.** Buy would mean an outright purchase of equipment. Based on the source of procurement, this category would be classified as 'Buy (Indian)' and 'Buy (Global)'. 'Indian' would mean Indian vendors only and 'Global' would mean foreign as well as Indian vendors. 'Buy Indian' must have minimum 30 % indigenous content if the systems are being integrated by an Indian vendor.

(b) **Acquisitions Covered under the 'Buy & Make' Decision.** Acquisitions covered under the 'Buy & Make' decision would mean purchase from a foreign vendor followed by licensed production / indigenous manufacture in the country.

(c) **Acquisitions Covered under the 'Buy & Make (Indian)' Decision.** Acquisitions covered under the 'Buy & Make (Indian)' decision would mean purchase from an Indian vendor including an Indian company forming joint venture / establishing production arrangement with OEM followed by licensed production / indigenous manufacture in the country. 'Buy & Make (Indian)' must have minimum 50 % indigenous content on cost basis.

(d) **Acquisitions Covered under the 'Make' Decision.** Acquisitions covered under the 'Make' decision would include high technology complex systems to be designed, developed and produced indigenously.

5. **Upgrades** All cases involving upgrade to an in service weapon system / equipment will also be covered by this procedure. Such cases could be categorised under any of the categories as given in Para 4 above. The categorisation may be carried out depending on scope of the proposal, availability of technology indigenously and the need for seeking critical technologies from foreign vendors.

6. This procedure named the Defence Procurement Procedure – 2011 is set out in the document. The following chapters are covered in this document:-

- (a) Chapter I - Defence Procurement Procedure for 'Buy' and 'Buy and Make' categories.
- (b) Chapter II - Defence Procurement Procedure for 'Make' category.
- (c) Chapter III - Procedure for Defence Ship Building.
- (d) Chapter IV - Fast Track Procedure
- (e) Chapter V - Standard Contract Document.

**CHAPTER I**  
**DEFENCE PROCUREMENT PROCEDURE -2011**  
**FOR 'BUY' AND 'BUY AND MAKE' CATEGORIES**

7. This chapter covers the procedure for Capital Acquisitions flowing out of 'Buy' and 'Buy and Make' decisions only.

**Linkage to Acquisition Plans**

8. Proposals for acquisition of capital assets flow out from the defence procurement planning process. This planning process will cover the long-term, medium-term and short-term perspectives as under: -

- (a) 15 years Long Term Integrated Perspective Plan (LTIPP).
- (b) 5 years Services Capital Acquisition Plan (SCAP).
- (c) Annual Acquisition Plan (AAP).

9. Based on the Defence Planning Guidelines, Headquarters Integrated Defence Staff (HQ IDS), in consultation with the Service Headquarters (SHQs), would formulate the 15 years Long Term Integrated Perspective Plan (LTIPP) for the Defence Forces. The Five Year Defence Plans for the services would also be formulated, by HQ IDS, which would include requirements of five years Services Capital Acquisition Plan. The SCAP should indicate the list of equipment to be acquired, keeping in view operational exigencies and the overall requirement of funds. The planning process would be under the overall guidance of the Defence Acquisition Council. Its decisions, as approved by the Raksha Mantri, will flow down for implementation to the Defence Procurement Board (DPB). While LTIPP and SCAP would be approved by the DAC, the AAPs would be approved by the DPB. The AAP would be a subset of the SCAP.

9a. It is important to share the future needs of Armed Forces with the industry. HQ IDS will bring out a public version of perspective document outlining the technology perspective and capability road map covering a period of 15 years. This document will be widely publicized and made available on MoD website.

**Annual Acquisition Plan (AAP)**

10. Annual Acquisition Plan(AAP) of each service would be a two year roll on plan for capital acquisitions and would consist of the schemes from approved five year Services Capital Acquisition Plan(SCAP). Accordingly, draft AAPs would be prepared by the SHQs taking into account the carry over schemes from the previous year AAP, schemes where AON has been accorded by DAC/DPB/SCAPCHC in the current year and schemes proposed to be placed before DAC/DPB/SCAPCHC in current/ensuing financial year.

10(a). The draft AAPs would be prepared in two parts. Part A would comprise of carry over schemes from the AAP of previous year and schemes where AON has been accorded during the year. Part B would include the cases likely to be initiated for seeking AON in the forthcoming year. The draft AAPs would be circulated to respective AM/TM/FM in Acquisition Wing and thereafter forwarded to HQ IDS by 31 December of each year by SHQs after clearing the observations of Acquisition Wing. HQ IDS will allot a unique identification number to each case and would obtain approval of final AAP from DPB by 15th April of the relevant Financial Year. Part A would be the working document for Acquisition Wing for issue of RFP and subsequent monitoring of the progress of each case. Inclusion of fresh schemes to Part A from Part B of AAP after accord of AON would be a regular process. Proposal not listed in the SCAP may only be processed after due approval of the DAC.

10(b). In consonance with schemes likely to be included in AAPs, HQ IDS would work out the annual requirement of funds for capital acquisitions of each service taking into account committed liabilities and anticipated cash outgo, likely to be incurred on account of the fresh schemes, during the ensuing financial year.

11. The DPB may also carry out amendments in the Annual Acquisition Plan, if considered necessary, on account of national security objectives, operational urgencies, budgetary provisions or any other exigency based on recommendations made by SHQ / HQ IDS / Department of Defence / Defence (Finance). All proposals that need to be included in the AAP owing to reasons stated above should be put up to DPB for approval prior to inclusion in the AAP. The Acquisition Wing will process all acquisition proposals incorporated in the 'Annual Acquisition Plan' under the overall guidance of the DPB.

## ACQUISITION PROCESS

### General

12. The acquisition process for schemes categorised as 'Buy' and 'Buy and Make' with ToT', will involve the following functions: -

- I Services Qualitative Requirements (SQRs).
- II Acceptance of Necessity (AON).
- III Solicitation of offers.
- IV Evaluation of Technical offers by Technical Evaluation Committee (TEC).
- V Field Evaluation.
- VI Staff Evaluation.
- VII Oversight by Technical Oversight Committee (TOC) for Acquisitions above ₹ 300 Crs.
- VIII Commercial negotiations by Contract Negotiation Committee (CNC).

- IX Approval of Competent Financial Authority (CFA).
- X Award of contract / Supply Order (SO).
- XI Contract Administration and Post-Contract Management.

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

13. All Capital Acquisitions shall be based on Services Qualitative Requirements (SQRs). The SQRs should lay down the user's requirements in a comprehensive, structured and concrete manner. It should, however, be ensured that the SQRs are broad-based and realistic. As far as possible, SQRs should specify the requirement of military grade, ruggedised and Commercially Off the Shelf (COTS) items. The SQRs must express the user's requirements in terms of capability desired with minimum required verifiable functional characteristics and its formulation must not prejudice the technical choices by being narrow and tailor made.

14. The SQRs would be drafted by the user directorate at SHQ. In order to make broad based SQRs, required inputs will be obtained by issue of RFI on MoD website by SHQ/and by corresponding with maximum manufacturers. Additional inputs should be obtained from defence attaches, internet and defence journals/magazines/exhibitions, previously contracted cases in such category. The inputs so obtained should result in the form of a compliance table of SQRs vis a vis technical parameters of equipments available in world market, in as much detail as feasible. Draft SQR would be circulated by SHQ to all concerned for obtaining their views/comments including other possible user directorates, maintenance directorate, HQ IDS, DRDO, Department of Defence Production (DDP), Director General of Quality Assurance (DGQA)/Director General of Aeronautical Quality Assurance (DGAQA), Directorate of Standardisation, Technical Managers and any other necessary department. These agencies will also be represented on the Staff Equipment Policy Committee (SEPC) for approving the SQRs. Records in respect of Qualitative Requirements (QRs) will be maintained by the User Service(s). In cases where commonality of equipment exists and standardisation of QRs is merited, it would be the responsibility of HQ IDS to constitute a Joint Staff Equipment Policy Committee, with representative of all members as above, from the three services, in order to formulate Joint Service Qualitative Requirements (JSQRs) for such equipment. The QRs shall be prescribed in clear-cut terms and they should not be vague or ambiguous. Prior to according approval to the SQRs, the SEPC should assess that it would result in a multi vendor situation. If a single vendor situation is likely then the reasons for formulation of such SQRs be recorded. Such cases would be debated in the SCAPCHC meeting while seeking AON and approved by DAC/DPB.

15. RFI should also ask the vendor to provide all the elements which need to be structured into the costing of the weapon / equipment system (including that of a comprehensive maintenance / product support package. The RFI may also seek ToT aspects to include range and depth of ToT and the key technologies identified by DRDO. This will serve as a guideline to formulate an all encompassing Commercial Offer format at the stage of the RFP. RFI may also be issued in certain cases as advance intimation for the vendors to obtain requisite government clearances.

16. The SQRs of the equipment to be procured should be of a contemporary technology widely available in the world /indigenous market. The performance parameters given in the SQR



should be verifiable and classified as 'Essential Parameters'. These are defined as the minimum essential military requirements, corresponding to the task or tasks to be performed by the system. Accordingly, the 'Essential' classification to a requirement must result from an in-depth critical analysis of the necessity of requirement. There would not be any 'Desirable Parameters' in the SQRs.

17. **Waiver of SQR Parameters.** Waiver/amendment to parameters of SQR may be accorded by the SHQ concerned before issue of Request for Proposal (RFP). Thereafter, no waiver of parameters would be granted.

### **Acceptance of Necessity**

18. In order to seek Acceptance of Necessity, the Service Headquarters would prepare a Statement of Case as per format at Appendix 'A' to the DPP -2011. Four copies of the Statement of Case would be prepared, justifying the procurement proposal. One copy each would be forwarded to DDP, DRDO, MoD (Fin) and Administrative Branch of MoD. The statement of case would include the total quantities required, the break up based on five years plans and the quantity that is required to be procured in next two years. The quantity vetting would be recommended by the Administrative Branch in consultation with MoD (Fin). The quantities duly vetted along with other comments on the proposal, would be sent back to the SHQ by DoD and MoD (Fin). DRDO and DDP will also forward their comments to Service HQ, who would then compile all the comments and give their final views. The statement of case, along with all the comments, would then be forwarded to HQ IDS which would examine aspects of interoperability and commonality of equipment for the three Services. The statement of case would then be placed for consideration of the categorisation committee. The categorization committee will also invite the representative of industry associations/ representatives nominated by industry associations, wherever participation by Indian industry is probable. The representatives so invited would give presentation and clarifications, as required by the Categorization Committee. The representatives would, however, not be present in the internal discussions and during the decision making stage of categorization committee meeting. The categorization committee, after taking into account all inputs, will approve cases of the three Services under the delegated powers to the three Services upto ₹ 50 Crs and recommend cases beyond ₹ 50 Crs and upto ₹100 Crs to DPB and beyond ₹ 100 Crs to DAC for final approval. For cases under the delegated financial power for capital expenditure to three Services, guidelines given vide MoD ID No 470/Dir(Acq)/07 dated 12 Sep 2007 including gist of references and two MoD (Fin) letters indicated therein as at Appendix A1 would be followed. In respect of cases of Coast Guard, the categorisation committee will approve cases up to ₹ 10 crs and submit cases beyond ₹ 10 crs for final approval by DAC/DPB. All other provisions, as per MoD ID No. 470/Dir(Acq)/07 dated 12 Sep 2007, would also be applicable to the Indian Coast Guard. In order to ensure that this process is completed in a time bound manner, each case would be processed by DRDO/DDP/MoD/ MoD (Fin) within four weeks of receipt, so that the proposals can be considered by the Categorisation Committee within a 4 to 6 week cycle.

19. In cases where ToT is being sought, the appropriate Production Agency (PA) would be approved by the DAC based on the recommendations of the SCAPCHC. The PA could be selected from any of the public/private firms including a joint venture company based on the inputs from

DDP and, if required, from DRDO.

20. In cases where the total requirement of equipment / weapon system is spread over two or more plan periods, the AON will be processed for the entire quantity, clearly indicating the quantities sought during various periods/stages. The AON once accorded will deem to be valid for the subsequent procurements also, however, quantity vetting would be done at each stage. AON would lapse for all cases where the RFP for approved quantity is not issued within two years from accord of AON. In such cases, the SHQ would have to re-initiate the case and seek fresh AON with due justification for not processing the case in time. For cases where the original RFP has been issued within two years from accord of AON and later retracted for any reason, the AON would continue to remain valid, as long as the original decision and categorization remain unchanged, provided the subsequent RFP is issued within one year from the date of retraction of original RFP.

### **Procurement of Equipment Available at Director General of Supplies & Disposal (DG S&D) Rate Contracts**

21. After AON, for the procurement of common user equipment available at Director General of Supplies & Disposal (DG S&D) rate contracts, has been accorded by DAC/DPB/SCAPCHC, the Technical Managers would vet the Form 131 for technical parameters. Thereafter, approval of CFA will be sought and orders will be placed directly, on the DG S&D approved source of supply (Rate Contract Holders).

### **Procurement of Products Developed by Army Base Wksps, Naval Dockyards and Air Force Repair Depots**

21a. Products developed by Army Base Wksps, Naval Dockyards and Air Force Repair Depots for 'in house' requirements can be procured by the Services from these agencies under 'Buy (Indian)' category with the approval of SCAPCHC. The total cost of proposed quantity of each item required by Service HQ under this procurement will be within the delegated powers of the Service HQ. The costing of such proposals will be vetted by the IFA with respective Service. Service HQ can carry out user trials for the equipment without issue of RFP. Procurement of the equipment will be done by the services by placing indents.

### **Offsets**

22. The offset clause would be applicable for all procurement proposals where indicative cost is ₹ 300 Crores or more and the schemes are categorized as 'Buy (Global)' involving outright purchase from foreign / Indian vendors and 'Buy and Make with Transfer of Technology' i.e Purchase from foreign vendor followed by Licensed Production. The procedure for implementing the offsets provisions is given at **Appendix D** to this chapter.

### **Solicitation of Offers**

23. **Single Stage Two Bid System.** Solicitation of offers will be as per 'Single Stage –

Two Bid System'. It will imply that a 'Request for Proposal' would be issued soliciting the technical and commercial offers together, but in two separate sealed envelopes. This system safeguards against the possibility of the vendor increasing his commercial offer consequent to development of a single vendor situation after evaluation.

24. Once the SQRs have been finalised, the sources of procurement of the weapon system/stores shall be ascertained and short-listing of the prospective manufacturers/suppliers carried out by the SHQ. The short-listed vendors will be the Original Equipment Manufacturers (OEMs)/ Authorised Vendors/ Govt Sponsored Export Agencies (applicable in the case of countries where domestic laws do not permit direct export by OEMs). In cases involving TOT, the short-listing of the vendors would take into account their ability to transfer requisite technology for license production. The list of short-listed vendors may be supplemented by the Technical Managers in Acquisition Wing for which, a databank will be maintained by them. Keeping the security and other relevant aspects in view, appropriate publicity may be given to the proposed procurement with a view to generate maximum competition. In order to generate maximum vendor response the following means would be adopted.

(a) **Vendor's Identification through Internet.** The generic requirements of the services would be advertised on the MoD website. All vendors desirous of responding to any of the listed proposals would be asked to send their request to the concerned Technical Managers as per the format at **Appendix E** to this chapter, which would also be placed on the website. All the relevant details like the financial status of the company, product structure with specifications, annual report, past supplies / contracts be sought from the prospective vendors. On scrutiny of their response, they would be included in the vendor database. This database would be product / system specific. The vendor database may be shared with various Industry associations as deemed necessary.

(b) **Case Specific Advertisement on the Internet.** In addition to the method indicated in sub para (a) above, when a case is being processed for seeking AON, the statement of case would also include information regarding the procurement that can be placed on the MoD website to generate larger vendor response. This aspect would be debated by the SCAPCHC to recommend as to whether or not the information can be placed on the MoD website. For cases which are recommended to be placed on the MoD website the nature / scope of the information would also be indicated, keeping the security concerns of the services in mind. A draft format indicating nature/scope of information to be provided in such cases is placed at **Appendix E 1**. After DAC/DPB/SCAPCHC accords approval, the details would be placed on the MoD website by respective SHQ and the vendors would respond to concerned Technical Manager as per the format at **Appendix E**.

(c) Expression of Interest and advertisements through newspapers may be resorted to in case the measures adopted above do not generate enough responses from the vendors.

25. It is well accepted that the market for state-of-the-art defence equipment and platforms is circumscribed by denial regimes. In addition, national security concerns prevent operational parameters of equipment required by defence services being made public. The procurement of defence equipment on the basis of limited tenders, therefore, becomes imperative. Such RFPs

would be processed by SHQs, after due consultation with all concerned agencies including user, procurement and maintenance directorates at SHQ and the Quality Assurance (QA) agency. In cases where ToT is being sought, the nominated Production Agency (PA) would vet the RFP. Inputs may be sought from DRDO on case to case basis. The RFPs would then be vetted by the Acquisition Manager, Finance Manager and Technical Manager or their nominated representatives in a collegiate manner, before submission to the Director General (Acquisition) for approval and issue to all shortlisted vendors by Technical Manager. No addition to the vendors would be allowed after issue of the RFP. However, it would be open for the Acquisition Wing in MoD to procure 'Commercially Off the Shelf' (COTS) equipment, not available on DGS&D rate contract (refer para 21), on the basis of open tenders.

**25a. Buy and Make (Indian).**

- (i) In cases categorized as 'Buy and Make (Indian)', RFP will be issued to only Indian vendors, who are assessed to have requisite technical and financial capabilities to undertake such projects.
- (ii) For selection of such cases, SHQ will prepare a Capability Definition Document which outlines the requirement in operational terms and briefly describes the present capabilities determined on the basis of the existing equipment, manpower etc. This document should also indicate long term requirement in terms of numbers, time schedule, immediate fund availability and the critical technologies to be absorbed by Indian partner. The critical technologies will be identified in consultation with DRDO.
- (iii) Capability Definition Document will be examined by the SCAPCHC before identification of the project under 'Buy and Make (Indian)' category. DAC will decide selection of a project under 'Buy and Make (Indian)' on the recommendation of the SCAPCHC.
- (iv) The Capability Definition Document would be floated to Indian firms who are known to have requisite technical and financial capabilities to undertake such projects. These Indian firms will be short-listed on the basis of the responses to RFI and through interaction with representatives of industry association by SHQ through HQ IDS.
- (v) The Indian firms would be required to give a Detailed Project Proposal which will outline the roadmap for development and production of the item either by themselves or with the help of any production arrangement with foreign manufacturer. The production arrangement must be clearly spelt out giving details of the workshare, ToT in range and depth of the technology, and any other detail considered important/relevant. The Indian partner should absorb the critical technologies, 50% of which will be in category I and II as given at Para 1(k) (i) and (ii) of Appendix L to Schedule I of DPP-2011.
- (vi) The Detailed Project Proposal will be appraised by a Project Appraisal Committee (PAC) constituted by the Acquisition Wing and those found acceptable will be short listed by the committee. The PAC will verify the credentials of the foreign partner while confirming acceptability of the JV/Production partner(s). The Committee will also firm up technical requirements for inclusion in the RFP. The PAC will be headed by an officer nominated by DDP with members from DRDO, SHQ and MoD (Fin). The PAC report

will be approved by DG (Acq), on recommendations of Technical Manager. The PAC Report, duly approved by DG (Acq), will be forwarded to SHQ. Thereafter, SHQ will prepare and process the RFP for issue by the Acquisition Wing. From this stage onwards, the procedure described for 'Buy and Make' category will apply.

(vii) In cases involving large quantities and where multiple technological solutions are acceptable, on approval of DAC/DPB, an option may be provided for procurement from more than one vendor on the condition that other vendors accept the price and terms & conditions quoted by the L1 vendor.

(viii) Defence Production Board will monitor the implementation of projects taken up under this category. A multi-disciplinary Project Monitoring Team (PMT) will also be constituted by the Defence Production Board for each project to regularly monitor the implementation, including aspects such as absorption of Transfer of Technology (ToT) by the firm, work-share and indigenous content as per the agreed plan.

26. **Request for Proposal (RFP).** 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 document is attached as **Schedule I** to Chapter I. This will be applicable for all acquisitions. It will generally consist of four parts as under: -

(a) 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), Offset obligations (if applicable) and warranty/guarantee conditions, etc. It specifies the prescribed procedure and last date and time for submission of offers.

(b) The second part of the RFP incorporates the SQRs describing the technical parameters of the proposed equipments in clear and unambiguous terms. In case equipment is being procured for the first time and needs to be evaluated, the RFP includes the requirement of field evaluation on a "No Cost No Commitment" (NCNC) basis. Compliance of offers would be determined only on the parameters spelt out in the RFP.

(c) The third part of the RFP outlines the commercial aspects of the procurement, including clear statements on Payment Terms, Performance-cum-Warranty Guarantees & Services thereon to be performed by the supplier. It also includes standard contract terms along with special contractual conditions, if any.

(d) The fourth part of the RFP defines the criteria for evaluation 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) and identification of Lowest (L1) vendor. Submission of incomplete format enclosed along with commercial offer will render the offer liable for rejection.

27. In cases where TOT is involved, the RFP would include the requirement for licence production under TOT. The RFP should spell out the requirements of TOT in range and depth of the technology required. These could cover technology for repair and overhaul, production from Completely Knocked Down (CKD) /Semi Knocked Down (SKD) kits and production from raw material and component level. Aspects to be included in the RFP, in case production from SKD/

CKD / Indigenous Manufacture (IM) Kits is based, are given at Appendix 'L' to the RFP Document at Schedule I.

28. **ToT For Maintenance Infrastructure.** The provision of ToT to an Indian Public/ Private entity, for providing Maintenance Infrastructure, would be applicable for 'BUY (Global)' category cases, where equipment is being bought from foreign vendors. The decision to apply this clause would be debated in the SCAPCHC meetings on a case to case basis and approved by DAC. In such cases, the foreign vendor would have to transfer technology for maintenance to an Indian entity which would be responsible for providing base repairs (third line) and the requisite spares for the entire life cycle of the equipment. The Indian entity could be a company incorporated under The Companies Act 1956, including DPSUs or entities like OFB / Army Base Workshops / Naval dockyards / Base Repair Depots of Air Force. This entity would be nominated by DDP at SCAPCHC stage and would be included in the recommendations of SCAPCHC as also in the SoC submitted to DAC for seeking approval of AON. The RFP would spell out the specific requirements of ToT for Maintenance Infrastructure which could cover the production of certain spares, establishment of base repair facilities including testing facilities and the provision of spares for the entire life cycle of the equipment. Both the foreign vendor and the nominated Indian entity would be jointly responsible for providing the maintenance facilities and support for that equipment.

29. The concept of maintenance for all types of equipment should normally be based on estimation of the cost of life cycle product support of the equipment. Towards this end, for all cases above ₹ 100 Crores, the RFP should seek the cost of the Manufacturer's Recommended List of Spares (MRLS), Itemised Spare Parts Price List, optional equipment, the likely consumption rate of the spares based on the exploitation pattern of the equipment. The RFP should also mention that the vendor would have to finalise the terms for the life time product support in the current contract only.

30. Normally, TOT will be negotiated along with the first procurement. However, there may be occasions where it is not feasible to negotiate the TOT simultaneously. To cater to such contingencies, the RFP should clearly indicate that Government reserves the right to negotiate TOT terms subsequently and that the availability of TOT would be a pre-condition for any further procurements. In such cases terms and conditions of obtaining TOT would be included in subsequent RFP.

31. Consequent to 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 on due date. If necessary, a pre-bid meeting of all the vendors may be invited by the user directorate along with representatives from Weapons Equipment Dte / ACNS (P&P) / ACS (Plans), Technical Managers and Finance Managers. The clarifications should be given in writing to all the vendors by the Technical Managers. However, it should be ensured that the parameters of RFP (SQRs) should not be changed/ amended at this stage. Cases involving clarifications regarding the TOT aspects would be dealt by the Production Agency in a similar manner.

32. The offers received should be opened on the notified date & time, by the members of a committee chaired by the Technical Manager, 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 Acquisition Manager, unopened. Offers which do not conform to the prescribed procedure for submission of offers as laid down in Para 21 of the standardised RFP (Schedule I) or which are received after the scheduled time for submission of offers, and unsolicited offers will not be entertained.

33. **Extension of Time.** Notwithstanding the above, situations may arise in which it may be appropriate to extend the time allowed for submission of offers. The extension so granted should not exceed a period of eight weeks from the original date of submission of offers. Extension of only four weeks could be given by the DG(Acq) and for further extension of four weeks, the proposal with justification should be submitted to RM on file for approval.

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

34. 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, apart from the representatives of the user service and maintenance agency, representatives of QA. In addition, in cases where TOT is involved, TEC will also include representatives of PA and DRDO, as deemed necessary. The TEC will examine the extent of variations/ differences, if any, in the technical characteristics of the equipment offered by various vendors with reference to the QRs 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 of the Schedule I. Non compliance of a vendor to any of the provisions in this Annexure would lead to rejection of his bid at this stage. Cases where ToT for maintenance infrastructure to an Indian Public / Private firm 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. While preparing the compliance statement, the TEC will ensure that the same equipment has not been offered by two or more vendors. In such an eventuality, the equipment offered by the OEM will only be accepted. The TEC may invite the vendors for technical presentations/ clarifications on technical issues.

35. A technical offer, once submitted, should not be materially changed subsequently. However, minor variations which do not affect the basic character/ profile of the offer may be acceptable. The following must be ensured:-

- (a) An opportunity for the revision of minor technical details should be accorded to all vendors in an equal measure to ensure fair play.
- (b) No extra time to be given to any vendor to upgrade his product to make it SQR compliant.
- (c) No dilution of SQR is carried out.
- (d) The original commercial quote submitted earlier must remain firm and fixed.

36. The Director General (Acquisition) will formally accept the report of the TEC on recommendations of the Technical Managers. If at the TEC stage, only one vendor is found complying to all the SQR parameters, then the RFP would be retracted on approval of the Director General (Acquisition). A review of the acquisition scheme would also be carried out by the TEC to derive the causes of such single vendor situation at TEC stage and details would be brought out in its report. The RFP would be reissued with the approval of DG (Acq)/Vice Chiefs of Service Headquarters/DG ICG, as the case may be, after taking suitable corrective measures including reformulating SQRs.

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

37. Field Evaluations (Trials) will be conducted by the User Service on the basis of trial methodology given in the RFP. The manufacturers of the short listed equipment shall be asked to send the desired number of units of the equipment/weapon system to India for Field Evaluation. SHQ will formulate the Trial Directive in conformity with the trial methodology given in the RFP and constitute the Trial Team. The trial directive must specify the fundamental points that need to be addressed for validating the 'Essential' parameters. The SQRs of the equipment would be a part of the trial directive. Parameters not mentioned in the RFP should not be considered for field evaluation. The validation of the support system and maintainability trials, integral to and complementing the trial programme of the weapon system should be held simultaneously, wherever feasible. Representatives of DRDO, QA agency may also be part of the field evaluation, on as required basis. A representative of the Acquisition Wing may also participate in the field evaluation as an observer. 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 RFP parameters, 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 placed on file for record. The field evaluation shall be conducted by the user in all conditions where the equipment is likely to be deployed, and a detailed Field Evaluation Report shall be drawn up and sent to SHQ for preparation of Staff Evaluation.

37(a) The requirement of Field Evaluation Trials/NCNC Trials will not be applicable for procurement cases in respect of acquisition/construction of Ships, Submarines, Yard Craft, Tugs, Ferry Craft and Barges, where there is no prototype available for conduct of NCNC Trials. However, Technical Evaluation and Acceptance Trials for these will be carried out.

37(b) 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 Transfer of Technology, representative of Production Agency may be included as an 'associate member'.

38. The field evaluation will normally be conducted on NCNC basis. There may be cases where trials are not visualised or trials need to be conducted abroad in vendor premises. Where field evaluation is not feasible, there may be possibility of conducting evaluation through computer simulation. In such cases, the exact scope of the trials shall be included in the Statement of Case



while seeking the AON. The SCAPCHC shall debate the scope of trials and recommend suitable options to be approved by the DAC/DPB, as applicable. Similar actions as given in Para 37 would be taken in the cases where Trial Teams are deputed abroad for evaluation purposes.

39. 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. Approvals for such validations abroad would have to be taken on file from the Raksha Mantri.

40. In certain conditions the Acquisition Wing, particularly in cases involving integration of systems or sensitive equipment, can depute a multi-disciplinary Technical Delegation abroad for evaluation and an Empowered Committee for negotiation purpose. Both could be combined as a Multi-Disciplinary Committee. The Technical Delegation should have representatives, on need basis, from the user service, DRDO, Maintenance agency, QA agency and the Technical Managers. In addition, Acquisition Manager, and Finance Manager or their representatives will be included in the Empowered Committee. Such committee would be constituted after due approval of the DPB.

41. After the acceptance of TEC Report, all selected vendors would be asked to provide their equipment for trials simultaneously in India (except when trials are to be conducted at vendor's premises). Any vendor failing to produce equipment for trials by due date would normally be given a grace period of 15 days to produce the equipment for trials. An additional grace period of upto 30 days may be obtained by Service Headquarters from their respective Vice Chief keeping in view the practical time period necessary for trials. Equal opportunity would be provided to all vendors while granting such grace period. Wherever feasible, the entire trials viz. user, technical, Maintainability Evaluation Trials (MET) and EMI/EMC would be conducted simultaneously in order to save time. If the equipment is not evaluated in the initial trials then the vendor/ equipment would not be considered at a later point of time.

42. All evaluations for confirmation/ validation of parameters should be completed and accepted prior to commencement of the CNC. In cases where subsequent confirmation/ validation are merited, the same would be duly justified and recorded in the CNC minutes. Approval of CFA would be sought specifically on such issues.

### **Staff Evaluation**

43. Based on the field evaluation carried out as described in Para 37 onwards, the SHQ will carry out a staff evaluation, which gives out the compliance of the demonstrated performance of the equipment vis-à-vis the SQRs. The staff evaluation will analyse the field evaluation results and shortlist the equipment recommended for introduction into service. The staff evaluation report will be approved by the Service HQ and forwarded to the Acquisition Wing for acceptance. The Technical Manager would receive the Staff Evaluation Report, and after due examination, submit the report to the Director General (Acquisition) with his recommendations for acceptance or otherwise. In case no vendor meets the SQRs in the field evaluations then the case would be foreclosed on approval of Director General (Acquisition) and a fresh RFP issued after reformulating

the SQRs. The result of technical trials and evaluation along with reasons for disqualification, would also be intimated to vendors by the Technical Managers. Such intimation would be done after acceptance of TEC/ Staff Evaluation/Technical Oversight Committee Report (whichever applicable). However, approval of DG(Acquisition) would not be required on the Staff Evaluation Report before the acquisition process is initiated in Design & Development cases undertaken by DRDO / Defence PSUs/OFB/ any other nominated agencies. In such cases, the SHQ on being satisfied with the trials of the equipment after D&D, will initiate the proposal for acquisition and seek approval of DAC/DPB thereon. While doing so, approval may also be taken on need for limited validation trials or waiver of trials.

44. In cases involving TOT, if a joint venture company has participated in the tender then the company would qualify only if it has been able to absorb the technology as per the RFP requirements (to be read in conjunction with Para 19).

### **Turnkey Projects**

45. There are cases where the project involves establishment of maintenance / overhauling facilities or infrastructure for an equipment or Turnkey projects involving establishment of communication facilities along with associated infrastructure at number of locations in the country. 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 in Para 24, reputed integrators would also be considered. Being a Turnkey Project, the trials are not initially envisaged till establishment of the Test Bed and hence it is essential to select the vendors with requisite capabilities prior to issuing RFP. For such cases, a Detailed Project Report (DPR) would be worked out by the concerned SHQ. It should lay down the detailed scope of work involved, bill of material, approximate cost estimates and the time frame for project completion. This report should be placed before the GSEPC for ratification. The DPR would be forwarded to the SCAPCC / SCAPCHC along with the Statement of Case while seeking the AON and categorisation. In certain complex cases, the DPR may be outsourced by SHQ, the justification of which may be given in the statement of case for seeking the AON. Consequent to the AON, a committee would be formed comprising of representatives of user directorate, maintenance directorate, DRDO, DDP, Def (Fin), Technical Manager 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.
- (b) Acceptance of Necessity.
- (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.

### **Technical Oversight Committee (TOC)**

46. TOC provides expert oversight over the technical evaluation process. Defence Secretary will constitute TOCs for selected acquisition proposals in excess of ₹ 300 Crores and any other case recommended by the DPB. A TOC will comprise three members- one Service Officer, one DRDO scientist and one representative of DPSU. Members nominated should have adequate seniority and experience and should not be involved with that acquisition case. The TOC will be tasked to see whether the trials, trial evaluations, compliance to QRs and selection of vendors were done according to prescribed procedures. Mandate of TOC would also include providing oversight on the adopted trial methodology during trials vis-a-vis trial methodology given in the RFP and the trial directive. The committee will have to give its ruling, based on a majority decision, within 30 days which shall not be extended on any ground. Technical Managers of the Acquisition Wing will provide the secretarial support to the TOC and ensure availability of all inputs from DDP/Acquisition Wing, Defence Finance and SHQ to the TOC. The Technical Manager will clarify any queries raised by the TOC. The TOC Report will be submitted to the Defence Secretary for acceptance.

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

47. The process of commercial negotiations will commence, wherever necessary, after Staff Evaluation Report has been accepted by the Director General (Acquisition) and the TOC Report has been accepted by the Defence Secretary, as applicable. The standard composition of the CNC shall be as indicated at **Appendix B** to this procedure. Any change in the composition of the CNC may be effected with the approval of Director General (Acquisition). 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 Raksha Mantri. The concerned organisations/ agencies 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 CNC would carry out all processes from opening of commercial bids till conclusion of contract. 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. The bids of the competing firms shall be read out to all present and signed by all members of the CNC.

48. It would be desirable to negotiate the licence production contract along with the contract for the finished product. In cases where this is not feasible, the purchase contract should include a clause wherein the vendor agrees to negotiate the licence contract at a subsequent date, thus obtaining a commitment from the vendor to part with the ToT. 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.

49. The 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), etc. Comprehensive analysis of the commercial offer would form the basis for subsequent decisions.

50. The CNC would prepare a Comparative Statement of Tenders (CST) with a view to evaluate the technically acceptable offers and determine the lowest acceptable offer (L1 Vendor).

51. In multi vendor cases, on opening of commercial offers, once L1 vendor is identified, the contract should be concluded with him 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 should be established. In all cases, CNC should establish a benchmark and reasonableness of price in an internal meeting before opening the commercial offer. 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 such multi vendor cases, should clearly lay down that no negotiations would be carried with the L1 vendor once the reasonability of the price quoted by him 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.

51(a) In case it is found that the lowest tenderer (L1) is not able to supply the entire quantity within the prescribed time-frame, the CNC will have the right to divide the quantity amongst other qualified tenderers (L2, L3..... in that order), on the condition that other tenderers accept the price and terms & conditions quoted by the lowest tenderer. In cases, where it is decided in advance to have more than one source of supply, ratio of splitting the supply would be pre disclosed in the RFP.

52. Cases for 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 endeavor should be to conclude the CNC early so that the operational / urgent requirement of the indenting Service is met in a time-bound manner.

53. For certain category of items, where orders have been placed in the past or involves invoking of the Option Clause, there could be downtrend 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.

54. To ensure product support during the assured life cycle of the product, the CNC 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.

55. **Fall Clause.** An undertaking would be sought from the bidder that he has not supplied/ is not supplying the similar systems or subsystems at a price lower than that offered in the present bid in respect of any other Ministry/Department of the Government of India and if the similar system has been supplied at a lower price then the details regarding the cost, time of supply and quantities should be included in the commercial offer. If it is found at any stage that the similar system or sub-system was supplied by the Bidder to any other Ministry/Department of the Government of India at a lower price, then that very price with due allowance for quantities and intervening time period would be applicable to the present case and the difference in the cost would be refunded by the Bidder to the Buyer, if the contract has already been concluded.

55(a) **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 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. For cases where vendors want to submit fresh commercial proposal, their old proposals would be returned unopened to them by the Acquisition Managers. 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 Technical Managers.

### **Approval of Competent Financial Authority**

56. 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. 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.

57. For DRDO schemes, the task of the CNC would be limited to firming up the scope, identifying milestones and the likely cash outgo based on costs estimated by Additional Financial Advisor (Addl FA) DRDO.

58. 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) A summary of the recommendations.

59. The CNC Report, along with the summary of recommendations, would be processed by the Director / Acquisition Manager at their level, as applicable, for obtaining expenditure clearance

and CFA approval.

### **Standard Contract Document**

60. The Standard Contract Document at Chapter V 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. The draft contract would be prepared as per these guidelines. However, for single vendor procurements, if there is a situation where Govt. of India has entered into agreements with that vendor / country regarding specific contractual clauses, then the terms and conditions of such agreements would supersede the corresponding standard clauses of DPP 2011. Consequent to the approval of the CFA, the contract would be signed by the concerned Acquisition Manager/ Director (Procurement) in the Acquisition Wing.

### **Integrity Pact**

61. An 'Integrity Pact' would be signed between government department and the bidders for all procurement schemes over Rs 100 Crores. The Integrity Pact would be a binding agreement between the government department and bidders for specific contracts in which the government promises that it will not accept bribes during the procurement process and bidders promise that they will not offer bribes. The Pre Contract Integrity Pact document is placed as Annexure I to the **Appendix 'H' of Schedule I** (RFP format).

### **Post Contract Monitoring**

62. While responsibility for contract administration and management would be that of the SHQ concerned, post-contract monitoring would be conducted by the Acquisition Wing. Depending on the degree of complexity of a project, the reviews will be carried out as elucidated below:-

- (a) **Simple Projects.** Projects involving one time off the shelf buys, without any design and development, shall be reviewed by the Acquisition Manager / equivalent service officer in the SHQ.
- (b) **Complex Projects.** Projects which require design, development and testing in consultation with the users, with likely TOT, and have enlarged scope in terms of basic complexities, depth of design and development, and consideration of a large number of participants, would be reviewed by a steering committee headed by Director General (Acquisition) in the MoD or Principal Staff Officer at SHQ, with members from MoD, MoD (Fin), DRDO, DDP and SHQ. In such cases, the Acquisition Wing will submit quarterly Contract Implementation Reports (CIR) to the DPB.

### **Equipment Induction Cells (EICs)**

63. EICs will be raised for major projects on a case-to-case basis in SHQ at the discretion of SHQ. The EICs will deal with the induction of major equipment and help in planning the

requirement of facilities essential for the serviceability and maintainability aspect of that acquisition. The EICs will help the Defence Procurement Board to move towards Life Cycle Cost Concept.

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

64. For equipment / systems / platforms already inducted into service, it may be necessary to go back to the OEMs for placing repeat orders. In such cases it may be ensured that the SQRs of the equipment are as per the previous order. All such cases would not be construed as single vendor cases. In such cases, after seeking AON, a commercial RFP would be issued to the vendor, for quantity not exceeding 100% of the previous order. Specific approval of DAC/DPB, 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 categorized as 'Buy and Make' / 'Make' / 'Design & Development' cases other than 'Make' category. 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 / 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.

65. Repeat order cases, where equipment has already been inducted into service and thereafter it involves change in SQRs / modifications of minor nature / upgrades of assemblies or subassemblies, would have to be debated in the SCAPCHC meetings while seeking the AON. The SCAPCHC would recommend either issuing a commercial RFP with validation of modifications / upgrades or issuing of a fresh techno commercial RFP on a multi vendor basis. This would be approved by DAC/DPB while according the AON.

66. For repeat orders to be placed on OFB for Capital items included in the AAP, the Acquisition Manager will place indents on OFB.

67. If repeat order is to be placed for equipment/system which have been indigenously developed or for which TOT has been obtained earlier by a DPSU/OFB, it would not be treated as a 'single vendor' case and only Commercial RFP would be issued. It will however be checked prior to placing further orders that the technology absorption levels agreed to while concluding TOT contract have been achieved.

68. If equipment proposed to be procured has already been procured by a sister service after following due process, then such cases would be treated as repeat order and provisions of Para 64 to 67 would apply.

### **Single Vendor Situation**

69. If certain state-of-the-art equipment being manufactured by only one vendor is to be procured to get qualitative edge over our adversary, then such case should be debated by the DAC after proper technology scan is carried out by HQ IDS in consultation with the DRDO.

70. **Cases Not Falling under Single Vendor Situation.**

(a) Cases in which bids had 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.

(b) Cases which are being undertaken by DRDO/ Defence PSUs / OFB and RURs, as a design and development projects, would not fall in the category of Single Vendor cases. However, approval of DAC for carrying out the design and development need to be sought prior to commencing the design and development process.

(c) If DPSU/ OFB 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 requiring approval of DAC again. Alternatively, if the DPSU/OFB 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**

71. There may be occasions when procurements would have to be done from friendly foreign countries which may be necessitated due to geo-strategic advantages that are likely to accrue to our country. Such procurements would not classically follow the Standard Procurement Procedure and the Standard Contract Document but would be based on mutually agreed provisions by the Governments of both the countries. Such procurements will be done based on an Inter Governmental Agreement after clearance from CFA. The following cases would fall under the preview of this provision:-

(a) There are occasions when equipment of proven technology and capabilities belonging to a friendly foreign country is identified by our Armed Forces while participating in joint international exercises. Such equipment can be procured from that country which may provide the same, ex their stocks or by using Standard Contracting Procedure as existing in that country. In case of multiple choices, a delegation may be deputed to select the one, which best meets the operational requirements.

(b) There may be cases where a very large value weapon system / platform, which was in service in a friendly foreign country, is available for transfer or sale. Such procurements would normally be at a much lesser cost than the cost of the original platform/ weapon system mainly due to its present condition. In such cases, a composite



delegation would be deputed to ascertain its acceptability in its present condition. The cost of its acquisition and its repairs / modifications would be negotiated based on Inter-Governmental Agreement.

(c) In certain cases, there may be a requirement of procuring a specific state of the art equipment/platform, however, the Government of the OEM's country might have imposed restriction on its sale and thus the equipment can not be evaluated on 'No Cost No Commitment' basis. Such equipment may be obtained on lease for a specific period by signing an Inter-Governmental Agreement before a decision is taken for its purchase.

72. In cases of large value acquisition, especially that 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 Govt 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 Govt of India and should also provide for assistance of the foreign Govt in case the contract(s) runs into an unforeseen problem.

### **Procedure for Procurement on Strategic Considerations**

73. In certain acquisition cases, imperatives of strategic partnerships or major diplomatic, political, economic, technological or military benefits deriving from a particular procurement may be the principal factor determining the choice of a specific platform or equipment on a single vendor basis. These considerations may also dictate the selection of particular equipment offered by a vendor not necessarily the lowest bidder (L1). Decisions on all such acquisitions would be taken by the Cabinet Committee on Security (CCS) on the recommendations of the DPB.

### **Processing of Procurement Cases**

74. 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 C**, 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 statement of case is forwarded by SHQ to MoD, consolidated observations/ clarifications sought upto and including the level of JS / Acquisition Manager in the MoD and MoD (Fin) should be clarified in an across the table discussion, and minutes of the same recorded on file. All efforts should be directed towards avoiding multi-layered examination of proposals in MoD (Acquisition Wing), and decisions should be taken by Acquisition Managers /Finance Managers /Technical Managers in a collegiate manner.

(c) A defence procurement network, electronically connecting all agencies involved

in defence procurement, to build up a data base and information system, should be set up.

### **Deviations from DPP-2011**

75. Any deviation from the prescribed procedure will be put up to Raksha Mantri through DPB for approval.

### **Review**

76. Reviews of the procurement procedure would be undertaken by the DPB after every two years.

## **CONCLUSION**

77. This procedure would be in supersession of Defence Procurement Procedure 2008 and subsequent amendments in 2009. DPP-2011 will come into effect from 01 Jan 2011. There are, however, cases which would be under various stages of processing in accordance with provision of DPP-2008 at the time of commencement of DPP-2011. The processing of these cases done under the earlier procedure will be deemed to be valid. Only those cases in which RFP is issued after 01 Jan 2011, will be processed as per DPP-2011.

SECURITY CLASSIFICATION**Appendix A**

(Refers to Para 18 of Chapter I)

**BRIEF OF PROPOSAL BEING CONSIDERED BY DEFENCE  
ACQUISITION COUNCIL/DEFENCE PROCUREMENT BOARD FOR  
CATEGORISATION AND ACCORD OF AON**

<u>NAME OF PROPOSAL</u>	-	
<u>SERVICE</u>	-	
<u>CATEGORISATION STATUS</u>	-	
(a) SCAPCC	-	(To be entered by HQ IDS)
(b) SCAPCHC	-	
(c) DAC/DPB	-	
<u>REFERENCE NO ALLOCATED</u>	-	
(a) SCAPCC	-	
(b) SCAPCHC	-	
(c) DAC/DPB	-	

BRIEF OF PROPOSAL

1. Introduction.
2. Proposal.     *(Generic in nature and desired capability indicators)*
  - (a) Mission Needs.
  - (b) How Mission Currently Undertaken.
  - (c) Deficiency in Capability Observed which Needs Rectification.
  - (d) Whether Changes in Doctrine/Tactics Cannot Overcome the Void without a Material Solution?
  - (e) Material Solution Proposed with Time Frame and Linkage to LTIPP.

SECURITY CLASSIFICATION

SECURITY CLASSIFICATION

- (i) What is the capability being sought to be inducted?
  - (ii) What additional capability is being generated? How does this mesh with the long term capability requirements?
  - (iii) Is there any other associated induction required subsequently to make the equipment operational?
  - (iv) Which equipment is being phased out / replaced? What will be the life cycle of the new equipment?
3. Detailed Justification. *(The following aspects to be included, where applicable):-*
- (a) Details of Equipment/Proposal.
  - (b) Operational Role and Necessity.
  - (c) Quantity Required *(This should be vetted by Def (Fin) prior to SCAPCHC meeting).*
    - (i) How have the quantities required been worked out? What are the details of quantities required for operational units, training and WWR? What are the details on the scaling of the item?
    - (ii) In case of phased induction of equipment, what are the exact quantities sought during various plan periods / stages?
  - (d) Whether Technology is state-of-the-art and ToT considered?
    - (i) In cases where transfer of technology is being sought, which is the production agency identified by DDP for the same? What are the capabilities of absorption of ToT / manufacture as per requirements?
  - (e) Whether Item is scaled /not scaled. If scaled, quote Authority.
  - (f) Maintenance Aspects.
    - (i) How is the Engineering / Maintenance support catered for the full life cycle of the equipment?
    - (ii) Is a ToT proposed for providing Maintenance Infrastructure to an Indian firm? If so, are Indian entities identified based on inputs from DDP?

SECURITY CLASSIFICATION

SECURITY CLASSIFICATION

- (g) **Details of GSQR/JSQR.** *(in case GSQR/JSQR is not formalized, major essential capabilities required and whether a development program has been initiated with DRDO/Industry and its current status).* A copy of the GSQR.
- (i) *In all cases essential capability and corresponding minimum verifiable functional characteristics in a tabulated form be provided.*
- (ii) For all repeat order cases of equipment already inducted into service, are there any changes in SQR, modifications of minor nature or upgrades of assemblies/sub assemblies involved? Would this need a Commercial RFP with validation of modifications / upgrades, or issuing of a fresh techno commercial RFP of a multi vendor basis?
- (iii) *In all cases details of essential verifiable functional characteristics vis-à-vis technical parameter of the equipment available in the world market, in as much details as possible in a tabulated form be provided.*
- (h) Whether Proposal is for Replacement/Upgrade/New Induction making up WWR Deficiency?
- (j) **Trials.** In cases where trials are not envisaged, are envisaged outside India, or through simulation, what is the exact scope for the same?
- (k) Time Schedule for induction *(To give full details of induction /delivery schedules).*
- (l) Commonality and Interoperability Aspects with other Services.
- (m) **Manpower.** What is the effect of the induction on manpower requirements? How would the surplus / deficiencies be adjusted?
- (n) **Turnkey Projects.** For all major Turnkey Projects, has a Detailed Project Report been prepared / attached by Service HQ laying down detailed scope of work involved, bill of material, cost estimates and time frames for project completion ?
- (o) **Single Vendor.** In case of a Single Vendor Clearance, which is the vendor and what is the detailed justification for the single vendor option?
- (p) **Timeline for Procurement.** Are there likely to be deviations to the timelines given at Appendix C to Chapter 1 of DPP? If so, deviations and week-wise targets to be proposed by SHQ with justification *(Format of proposed timeline is given at Annexure to this Appendix).*
4. **Financial Aspects.** *(To include cost of proposal and recurring expenditure, if any and the basis of cost estimation and the Base year for which the cost is indicated).*
5. **Annual Acquisition Plan/Budgetary Provisions.**
- (a) Whether the proposal is included in the AAP *(include AAP Ser No).*
- (b) Availability of necessary budgetary provision for the current year cash outgo.

SECURITY CLASSIFICATION

- (c) In case the project involves cash outgo over one year, confirmation regarding inclusion of budgetary requirements for future years in the five year plan period to be given.
6. Recommended Mode/Source of Acquisition.
- (a) *(Buy 'Global', Buy 'Indian', Buy & Make, Buy & Make 'Indian' and Make with justification).*
- (b) Justification for Procurement from a Single Vendor *(If applicable).*
7. Comments of HQ DRDO.
- (a) *(To develop and productionise items and certify lack of capability to meet the needs if above not feasible).*
- (b) Offset Clause (Proposals ₹ 300 Crs & above). *(Recommendation as to the offset amount / percentage or any other comment).*
8. Comments of DDP.
- (a) *(To specify capability to manufacture and supply, provide product support, time frame and approximate costs jointly with the R&D and the resources available to the industry. Also certify if such capability does not exist).*
- (b) Offset Clause (Proposals ₹ 300 Crs & above) *(Recommendation as to the offset amount / percentage or any other comment).*
9. Comments of DoD. | *(To recommend the quantities to be procured along with other comments).*
10. Comments of MoD (Fin). |
11. Final Comments of Service HQ Based on inputs of DRDO and DDP.

Details to be mentioned by HQ IDS

12. Comments of HQ IDS. *(The issues of commonality and interoperability will be duly commented upon).*
13. Recommendation of SCAPCC including Reference No Allotted.
14. Recommendation of SCAPHC including Reference No Allotted.
15. Decision of DAC/DPB and Reference No allotted.
16. Recommendation for Offset Clause Implementation *(if applicable).*

SECURITY CLASSIFICATION

**Annexure**  
(Refer Para 3(p) of Appendix A)

**PROPOSED TIMELINE FOR PROCUREMENT**

Ser No.	Stage of Procurement	Time Line as per DPP-2011 (in weeks)	Time Line as per DPP-2011 (Cumulative Time - in weeks)	Proposed Time Line	Remarks/ Reason for variation
1	Acceptance of Necessity	--	To		
2	Initiation of draft RFP for collegiate vetting at MoD	04	To+04		
3	Issue of RFP	04	To+08		
4	Pre Bid Meeting	06	To+14		
5	Dispatch of Pre Bid reply	03	To+17		
6	Receipt of Responses	03	To+20		
7	Completion of TEC Report	12	To+32		
8	Acceptance of TEC Report	04	To+36		
9	Completion of Technical Offset Evaluation Committee Report	04-08* (*concurrent activity)	To+36* (*concurrent activity)		
10	Acceptance of Technical Offset Evaluation Committee Report	04* (*concurrent activity)	To+36* (*concurrent activity)		
11	Completion of Field Evaluation (Trials)	20-45	To+56 - To+81		
12	Completion of Staff Evaluation	04	To+60 - To+85		
13	Acceptance of Trials/Staff Evaluation Report	04	To+64 - To+89		
14	Acceptance of TOC Report (If applicable)	04	To+68 - To+93		
15	(i) Finalisation of CNC Report (ii) Finalisation of Offset Contract	(i) Multi-vendor -06 (ii) Resultant Single Vendor 18-26	(i) Multivendor - To+74 - To+99 (ii) Resultant Single Vendor To+86 - To+119		
16	Obtaining of CFA - MoD / MoF / CCS approval	04-16	(i) Multivendor -To+78 - To+115 (ii) Resultant Single Vendor To+90- To+135		
17	Signing of Main Contract & Signing of Offset Contract	02	(i) Multi-vendor -To+80 - To+117 (ii) Resultant Single Vendor To+92-To+137		

**Appendix - A1**

(Refers to Para 18 of Chapter - I)

Government of India  
Ministry of Defence  
(Acquisition Wing Secretariat)

Dated 28th July, 2008

**OFFICE ORDER No. 413/Dir(Acq)/07**

Subject: Delegation of Financial Power to Defence Secretary for sanction of schemes/projects/acquisition of non-scaled and new items under Capital budget.

\*\*\*\*

In pursuance to the decision taken by the Defence Acquisition Council (DAC) under the Chairmanship of Raksha Mantri in its meeting held on 9th July, 2008, the revised Financial Power of Defence Secretary for sanction of schemes/projects/acquisition of non-scaled and new items from indigenous and foreign sources under Capital budget, will be above Rs. 50 crore and upto Rs. 75 crore. These orders will supercede all the existing orders/instructions on the above subject.

2. All cases will be submitted to Defence Secretary for financial approval accordingly with immediate effect.
3. These powers will be exercised in consultation with FA(DS).
4. This has the concurrence of MoD(Fin.) vide their ID No.3114 /FA(DS) dated 23 July, 2008.

(G.S. Arora)  
Under Secretary(Acq)

To:

CISC/VCOAS/VCAS/VCNS  
Addl. FA(A)/JS(E)/JS(G/Air)/JS(O/N)  
All JS & AMs/FMs/TMs  
CGDA  
DGADS



Copy to:-

PS to RM  
PS to RRM  
PS to RURM  
SO to Defence Secretary  
PS to Secretary (DP)  
PS to Secretary (R&D)  
PS to SS(R)  
FA(DS)  
FA(Acq)

No.470/Dir(Acq)/07  
Government of India  
Ministry of Defence  
New Delhi  
Dated 28th July, 2008

To:

The Chief of Army Staff  
The Chief of Naval Staff  
The Chief of the Air Staff  
Chief of Integrated Staff Committee

## **DELEGATION OF FINANCIAL POWERS FOR CAPITAL EXPENDITURE**

Sir,

In pursuance to the decision taken by the Defence Acquisition Council (DAC) under the Chairmanship of Raksha Mantri in its meeting held on 9th July, 2008, I am directed to convey the sanction of the President to the enhancement of delegation of financial powers of the Vice chief of Army Staff/Vice Chief of Naval Staff/Deputy Chief of Air Staff/CISC from Rs.30 crores to Rs.50 crores for sanctioning capital acquisition schemes for procurement of equipment and stores. These powers will be exercised with the concurrence of the integrated Financial Advisers.

2. In respect of cases of Coast Guard the delegation of financial powers to DG Coast Guard will remain Rs.10 crores.
3. The guidelines given in Government Order issued vide MoD Order No.470/Dir (Acq)/07 dt. 12th September, 2007 and 5th December, 2007 would continue to be followed in respect of delegation of financial powers to Service Headquarters/CISC/ DG Coast Guard.
4. This has the concurrence of MoD(Fin.) vide their ID No.3114 /FA(DS) dated 23 July, 2008.

Yours faithfully,

(K .K. Kirty)  
Director (Acquisition)

Copy to :

CGDA -20 copies (including an ink signed copy) for circulation

DGADS -5 copies

SO to Defence Secretary

PS to Financial Adviser(Defence Services)

PS to Secretary(Defence Production)

PSs to SA to RM, SS(R), DG(Acq), FA(Acq), AS(N), AS(DP)

All Joint Secretaries in the MoD

All addl FAs & JS in MoD(Fin)

All JS & AMs, FMs, TMs,

All IFAs in the Service HQrs

ADG(WE), ACNS(P&P), ACAS(Plans)

F. No.470/Dir(Acq)/07  
Government of India  
Ministry of Defence  
New Delhi  
Dated 12th September, 2007

To:

The Chief of Army Staff  
The Chief of Naval Staff  
The Chief of the Air Staff  
Chief of Integrated Staff Committee

### **DELEGATION OF FINANCIAL POWERS FOR CAPITAL EXPENDITURE**

Sir,

1. I am directed to refer to the following letters of the Ministry of Defence
  - (a) A/89591/FP-1/1974/2006/D(GS-1) dated 26 July 2006
  - (b) PL/3221/NHQ/486-S/2006/D(N-IV) dated 19 July 2006 as amended vide Corrigendum No.PL/3221/NHQ/486-S/2006/D(N-IV) dated 25 July 2006
  - (c) Air HQ/95378/1/Fin P/2431/US(RC)/Air-II/06 dated 14 July 2006, Air HQ/95378/1/Fin P/2520/US(RC)/Air-II/06 dated 20 July 2006, And Corrigendum No. air HQ/96378/1/Fin P/2321/SO(S)/air-II/06 dated 18 October 2006.
  - (d) FP/20135/HQIDS/2350/2006/D(GS-I) dated 8 September 2006 regarding delegation of financial powers to various authorities in the Services for revenue and capital expenditure and to convey the sanction of President to enhancement of powers of the Vice chief of Army Staff/Vice Chief of Naval Staff/Deputy Chief of Air Staff/CISC from Rs.10 crores to Rs.30 crores for sanctioning capital acquisition schemes for procurement of equipment and stores. These powers will be exercised with the concurrence of the integrated Financial Advisers. The relevant schedules will be deemed to have been amended accordingly. All provisions of MoD Finance letters No. Misc/ Addl.FA(M)/06 dated 26.7.2006 and 16.1.2007 would continue to be followed except as amended by this letter.
2. I am also directed to convey the sanction of the President to the following change in the procedure with immediate effect:
  - (a) SCAPCHC will be competent to grant Acceptance of Necessity (AON), categorisation and Quality Vetting in respect of procurement proposals up to the delegated powers of the Services HQrs, provided such proposals are included in the Five Year

Plan. Any change there from would need the approval of the DPB.

(b) Participation of Adviser (Cost) would be on actual requirement basis.

(c) The Chairman of the CNC in the Services, to be nominated by the CFA, will not be below the level of Brigadier/equivalent rank. The level of the Finance and other members of the CNC will be decided by the IFA and other agencies concerned.

(d) Where the CNC is attended by Jt.IFA/Dy.IFA or any other representative of Integrated Finance, the recommendations of the CNC will be sent for approval with the concurrence of the IFA.

3. It is also clarified that procurement proposals of items upto Rs.30 crores which have been approved on the basis of estimated prices as part of the procurement proposal of a main weapon system/platform will be negotiated by CNCs under the delegated powers and provided the cost is within the ceiling limit approved for the item(s) no fresh CFA approval will be required. Acceptance of CNC recommendations and expenditure clearance in such cases will be done by the CFA under the delegated powers. The linkage to the main proposal should be brought to the notice of the CFA under delegated powers.

4. The exercise of the financial powers is also subject to availability of funds in the sanctioned budgetary allotment under the relevant Budget Head.

5. The delegated powers also include procurement from foreign sources provided full rupee backing for the amount is available. Separate approval for release of FFE will not be required and release of FFE will only be noted by the respective Financial Planning Directorates after expenditure angle approval for the purchase has been given by the CFA.

6. Directorates of Financial Planning will keep a record of expenditures incurred under the delegated powers. Financial Planning division of HQIDS will be the nodal agency for compiling data of the three Services. HQIDS as nodal agency will submit the monthly expenditure report to FA(Acq)&AS.

7. All provisions of DPP 2006 not affected by the decisions mentioned above and other orders/instructions/procedures concerning capital procurement will continue to be applicable to procurements under the delegated powers.

8. A flow chart highlighting the various stages of the Acquisition process indicating the concomitant responsibility in respect of Service HQrs. for exercising delegated powers is also enclosed.

9. The procedure set out in this letter will apply to all pending procurement proposals that have not already been approved by the DPB/DAC.

10. This issues with the concurrence MoD(Fin) vide ID No. 1310/FM(LS/07 dated 3.8.2007.

Yours faithfully,

(K. K. Kirty)  
Director (Acquisition)

Copy to:

CGDA -20 copies (including an ink signed copy) for circulation

DGADS -5 copies

SO to Defence Secretary

PS to Financial Adviser(Defence Services)

PS to Secretary(Defence Production)

PSs to SA to RM, SS(J), DG(Acq), FA(Acq), AS(N), AS(DP)

All Joint Secretaries in the MoD

All addl FAs & JS in MoD(Fin)

All JS & AMs, FMs, TMs,

All IFAs in the Service HQrs

ADG(WE), ACNS(P&P), ACAS(Plans)

**FLOW CHART FOR PROPOSED CAPITAL ACQUISITION**

<b><u>Stage</u></b>	<b><u>Responsibility</u></b>
QR formulation	Service HQ/ Joint Staff
Categorisation/ AON/ Qty. Vetting	SCAPCHC – For schemes included in 5 Year CapitalPlan Any change therefrom – DPB
RFP	* Collegiate Vetting by TM, SHQ and IFA. *Issue of RFP by TM after approval of DCAS/ VCNS/ VCOAS/CISC
TEC	) Approval through TM by
Field Trials	) VCOAS/VCNS/DCAS/
Staff Evaluation	) CISC
CNC	Not below the level of Brigadier Composition: Maj Gen/Equivalent - Chairman IFA, TM, Rep ADGWE /ACNS(P&P)/ ACAS (P&P), Reps DGQA, Repair Agency, Contract Management Branch at SHQ. For CNCs at Brigadier level (Reps.of IFA & TM). VCOAS/DCAS/VCNS/CISC/
CFA approval	with concurrence of IFA.
Contract monitoring	Service HQ/Joint Staff/IFA

**Notes:-**

- (a) Letter No. A/89591/FP-1/1974/D(GS-I) dt. 26.07.2006 of MoD on the subject “Delegation of Financial Powers to Army authorities for Revenue and Capital Expenditure” is addressed to the Chief of the Army Staff.

This letter supersedes the delegation of financial powers laid down in respect of the authorities for the specified purpose in the FRs and Schedules to MoD letter No. A/89591/693/FP-1/2002/D(GS-I) dt. 22.04.2002 or any other previous orders/ instructions on the subject.

The exercise of these financial powers are to be governed by existing orders and instructions on the subject, as amended by the Government from time to time. Standard Operating Procedures (SOPs) relating to the exercise of the financial powers as issued and amended from time to time will be strictly followed. However, where SOPs conflict with the Govt. Rules/Instructions, the later will prevail. Cases not covered by the delegated financial powers will be referred for sanction of the Ministry of Defence.

Appendix and Notes in the Schedules I to XXIII to this order covers the detailed guidelines for exercise of delegated financial powers in the Army.

- (b) Letter No. PL/3221/NHQ/486-S/2006/D(N-IV) dt. 19.07.2006 of MoD as amended vide Corrigendum dt. 25.07.2006 on the subject “Enhancement of Delegated Financial Powers of Naval Authorities” is addressed to the Chief of the Naval Staff.

Detailed guidelines for exercise of delegated financial powers to various Naval Authorities are given in Enclosures 1 to 3 of this letter. Re-numbering of the Annexures has been given in the Corrigendum to MoD letter No. PL/3221/NHQ/486-S/2006/D(N-IV) dt. 25.07.2006. Certain key areas that require close monitoring have been identified and placed at enclosure 3 of the letter. Standard Operating Procedures (SOPs) relating to the exercise of the financial powers as issued and amended from time to time will be strictly followed. However, where SOPs conflict with the Govt. Rules/Instructions, the later will prevail. Cases not covered by the delegated financial powers will be referred for sanction of the Ministry of Defence.

(c) Letter No. Air HQ/95378/1/Fin P/2431/US(RC)/Air-II/06 dt. 14.07.2006 of MoD on the subject “Delegation of Financial Powers to various Indian Air Force Authorities” is addressed to the Chief of the Air Staff. Amendments to this letter were issued on 20.7.2006 and 18.10.2006. 21 Annexures to these letters indicate in detail the guidelines for exercise of delegated Financial Powers, separately for Capital and Revenue procurement cases. In respect of Capital procurement, Air HQ has to render a Quarterly Report to MoD(Acquisition Wing) on the progress of various schemes under delegated powers, indicating the actual cash outgo against the budgetary projections.

- (d) Letter No. FP/20135/HQ IDS/2350/2006/D(G-I) dt. 08.09.2006 of MoD on the subject “Delegation of Financial Powers to the Joint Staff Authorities” is addressed to CISC.

The delegated financial powers to the CFAs are to be read in conjunction with the financial instructions and orders issued by the three Services in the form of Army instructions/orders, Naval instructions/orders and Air Force instructions/orders and SOPs for any clarification or



reference, until issuance of Joint Staff Orders/SOPs. Powers conferred for Projects specifically sanctioned by the Government will also continue to be operative for the duration of such projects and these would be applicable for the Joint Staff Organisations/Inter-Service organisations under HQ IDS.

Detailed guidelines for exercise of delegated financial powers are given in the enclosures 1 & 2 of this letter. The procurement policy to be followed by the Joint Staff Organisation and certain key areas that require close monitoring are given at enclosure 3 of this letter.

(e) MoD (Fin) ID No. Misc/Addl. FA(M)/06 dated 26.07.2006 on the subject "Delegation of Capital Acquisition Powers to the Services" is addressed to VCOAS, VCNS, CISC, DCAS and officers of Acquisition Wing. This letter gives the details of delegation of powers at the level of SHQs/IDS for Capital Schemes/projects costing upto Rs. 10 Crore. Detailed procedures have also been laid down in the form of a Flow Chart showing the various stages of Acquisition process.

(f) MoD (Fin) ID No. Misc/Addl. FA(M)/06 dated 16.01.2007 is in partial modification of the letter referred to at (e) above regarding Quantity Vetting and composition of CNC.

**Appendix B**

(Refers to Para 47 of Chapter I)

**STANDARD CNC COMPOSITION**

*(Approval of Director General (Acquisition) to be solicited for any change in the compositions mentioned above. However, in the delegated power cases member of any other agency apart from the prescribed members can be associated with the approval of Vice Chiefs/CISC/DG ICG.)*

**FOR SERVICES - ABOVE ₹ 75 CRORES**  
**FOR COAST GUARD - ABOVE ₹ 20 CRORES**

1. Acquisition Manager - Chairman.
2. Technical Manager.
3. Finance Manager.
4. Advisor (Cost).
5. DGQA Representative.
6. Procurement Agency Representative.
7. User Representative.
8. Representative of Contract Management Branch at SHQ.
9. Repair Agency Representative.
10. Under Secretary concerned.
11. Member Secretary to be nominated by the Chairman.

**Note:**

*(i) If with ToT – rep of DDP, DRDO and Production Agency to be included as member.*

*(ii) If the CNC is chaired by a Service Officer then reps may be nominated in place of officers mentioned at Serial no. 1,2,3 above.*

*(iii) Participation of Adviser (Cost) is not required in every CNC and it had to be on actual requirement basis as determined by the Chairman.*

*(iv) If Offset included, then rep of Defence Offset Facilitation Agency to be included as member.*

*(v) In the absence of the designated member, the authorised representative would be deemed to be suitably empowered to take decisions.*

**FOR SERVICES-ABOVE ₹ 50 CRORES AND UPTO ₹ 75 CRORES**  
**FOR COAST GUARD- ABOVE ₹ 10 CRORES AND UPTO ₹ 20 CRORES**

1. Deputy Secretary/ Director - Chairman.
2. Representative of Technical Manager.
3. Representative of Finance Manager.
4. Joint Director (Cost)/ Director (Cost)
5. DGQA Representative.
6. Procurement Representative.
7. User Representative.
8. Representative of Contract Management Branch at SHQ.
9. Repair Agency Representative.
10. Member Secretary to be nominated by the Chairman.

**Note:**

1. *If with ToT – rep of DDP, DRDO and Production Agency to be included as member*
2. *Participation of Joint Director/Director (Cost) is not required in every CNC and it had to be on actual requirement basis as determined by the Chairman.*
3. *In the absence of the designated member, the authorised representative would be deemed to be suitably empowered to take decisions.*

**FOR SERVICES - UPTO ₹ 50 CRORES**  
**FOR COAST GUARD - UPTO ₹ 10 CRORES**

1. Officer nominated by Vice Chiefs of SHQs/DG ICG - Chairman
2. Representative of IFA
3. Representative of TM
4. Representative of ADGWE/ACNS (P&P)/ACAS (P) as applicable
5. Representative of DGQA
6. Representative of Repair Agency
7. Representative of Contract Management Branch at SHQ.

8. Representative of Advisor (Cost).
9. Representative of User Directorate.
10. Member Secretary to be nominated by the Chairman.

Note:

1. *If with ToT – rep.of DDP, DRDO and Production Agency to be included as member*
2. *Participation of Rep of Costing Cell is not required in every CNC and it had to be on actual requirement basis as determined by the Chairman*
3. *The authorised representative would be deemed to be suitably empowered to take decisions.*

**Appendix C**  
(Refers to Para 74 of Chapter I)

**BROAD TIMEFRAME FOR PROCUREMENT ACTIVITIES**

Ser No	Stage of Procurement	Time (in weeks)	Cumulative Time (in weeks)	Offset Activity	Time (In Weeks)	Cumulative Time (in weeks)
1	Acceptance of Necessity	-	-	-	-	-
2	Initiation of draft RFP for collegiate vetting at MoD	04	04	-	04	04
3	Issue of RFP	04	08	-	04	08
4	Pre Bid Meeting	06	14	-	-	-
5	Dispatch of Pre Bid reply	03	17	-	-	-
6	Receipt of Responses	03	20	Receipt of Offset Compliance Commitment	12	20
7	Completion of TEC Report	12	32	Submission of Technical and Commercial Offset proposals	12	32
8	Acceptance of TEC Report	04	36	Acceptance of TOEC report by DG(Acq)	8-12	40-44
9	Completion of Technical Offset Evaluation Committee Report	04-08 (concurrent activity)	36 (concurrent activity)	-	-	-
10	Acceptance of Technical Offset Evaluation Committee Report	04 (concurrent activity)	36 (concurrent activity)	-	-	-
11	Completion of Field Evaluation (Trials)	20-45	56 - 81	-	-	-
12	Completion of Staff Evaluation	04	60 - 85	-	-	-
13	Acceptance of Trials/Staff Evaluation Report	04	64 - 89	-	-	-
14	Acceptance of TOC Report (If applicable)	04	68 - 93	-	-	-

15	(i) Finalisation of CNC Report  (ii) Finalisation of Offset Contract	(i) Multi vendor-06  (ii) Resultant Single Vendor 18-26	(i) Multivendor 74 - 99  (ii) Resultant Single Vendor 86 - 119	Evaluation of Commercial Offset Offers will be done concurrently by CNC	Concurrent with other negotiations	74-137
16	Obtaining of CFA - MoD / MoF / CCS approval	04-16	(i) Multivendor 78 - 115  (ii) Resultant Single Vendor 90 - 135			
17	Signing of Main Contract & Signing of Offset Contract	02	(i) Multi-vendor 80 - 117  (ii) Resultant Single Vendor 92 - 137			

**Appendix D**  
(Refers to Para 22 of Chapter I)

**PROCEDURE FOR IMPLEMENTING OFFSETS' PROVISIONS**

The provisions in the Defence Procurement Procedure (DPP) concerning offsets will be implemented as per the following procedure.

**1. SCOPE**

1.1 These provisions will apply to all Capital Acquisitions categorized as 'Buy (Global)', i.e. outright purchase from foreign/Indian vendor, or 'Buy and Make with Transfer of Technology', i.e. purchase from foreign vendor followed by Licensed Production, where the estimated cost of the acquisition proposal is ₹ 300 crore or more.

1.2 A uniform offset of 30% of the estimated cost of the acquisition in 'Buy (Global)' category acquisitions and 30% of the foreign exchange component in 'Buy and Make' category acquisitions will be the minimum required value of the offset. Offset obligations may be discharged only with reference to "eligible" products and eligible services.

1.3 The DAC may, after due deliberation, also prescribe varying offset percentages above 30% or waive off the requirement for offset obligations in very special cases. Such directions may be made applicable for different classes of cases or for individual cases depending upon the factors involved such as type of acquisition, strategic importance of the acquisition or technology, enhanced ability of Indian defence industry to absorb the offset, export potential generated, etc. However, offset will not be applicable in 'Option Clause' cases, where the same was not envisaged in the original contract.

1.4 These provisions will also apply with appropriate modifications to 'Buy' and 'Buy and Make with TOT' components for warship construction where the estimated cost of individual contracts is ₹ 300 crore or more. In such cases, references to the Acquisition Wing will mean the DDP or shipyard which is building the ship and procuring the system or sub-systems.

1.5 This offset condition will form a part of the RFP and, subsequently, of the contract. Offset conditions as specified in the RFP will be binding.

1.6 These provisions will not apply to procurements made under Fast Track Procedure.

**2. Defence Offset Obligations**

2.1 For the purpose of defence purchases made under the DPP 2011, offset obligations shall be discharged directly by any combination of the following methods:

- a) Direct purchase of, or executing export orders for, eligible products and components manufactured by, or services provided by, Indian industries, i.e. Defence

Public Sector Undertakings, the Ordnance Factory Board and private Indian industry. A list of products eligible for discharge of offsets is given at Annexure VI to this Appendix.

b) Direct foreign investment in Indian industries for industrial infrastructure for services, co-development, joint ventures and co-production of eligible products and components.

c) For the purpose of discharge of offsets, 'services' will mean maintenance, overhaul, upgradation, life extension, engineering, design, testing of eligible products and related software or quality assurance services with reference to eligible products as indicated in Annexure VI and training. Training may include training services and training equipment (e.g. simulators) but exclude civil infrastructure.

d) Direct foreign investment in Indian organisations engaged in R & D as certified by Defence Offset Facilitation Agency (DOFA). While certifying, DOFA shall not consider civil infrastructure and such technologies that are otherwise easily available in the open market.

e) Foreign vendors could consider creation of offset programmes in anticipation of future obligations. Offset credits so acquired can be banked and discharged against future contracts. Banked offset credits would not be transferable except between the main contractor and his sub-contractors within the same acquisition programme. The main contractor would be required to submit a list of such sub-contractors at the time of signing the contract. Guidelines for banking of offsets are placed at Annexure-VII to the Appendix-D.

2.2 The Indian industries or organisations concerned are here after referred to as the Indian offset partner. The Indian offset partner shall, besides any other extant regulations in force, also comply with the guidelines/licensing requirements issued by the Department of Industrial Policy and Promotion.

2.3 The offset obligations are to be fulfilled co-terminous with the period of the main contract.

2.4 All offset offers which satisfy the minimum eligibility conditions will be placed on par and no preference will be given for any extra amount offered.

### **3. Defence Offset Facilitation Agency**

3.1 The functions of 'Defence Offset Facilitation Agency' (DOFA) set up under the DDP as a single window agency are to:

- (a) Facilitate implementation of the offsets policy.
- (b) Assist potential vendors in interfacing with the Indian industry.
- (c) Assist in vetting offset proposals technically.
- (d) Assist in monitoring the offset provisions.
- (e) Suggest improvements in the policy and procedures.
- (f) Interact with Headquarters Integrated Defence Staff and Service Headquarters.



- (g) Advise, in consultation with the Headquarters Integrated Defence staff, Services and Defence Research and Development Organisation, areas in which offsets will be preferred.
- (h) Promote exports of eligible products and services.

#### **4. 'Acceptance of Necessity' Stage**

4.1 While being considered by the Services Capital Acquisition Plan Categorization Higher Committee (SCAPCHC), Capital Acquisition Projects of the 'Buy' or 'Buy and Make with TOT' categories whose indicative cost is ₹ 300 crore or more, will be recommended for application of the standard 30% offset clause. However, based on detailed examination of the capability of the Indian industry to absorb the offset value available and its strategic importance, the SCAPCHC may recommend increased offset percentages or waiver of offsets in very special cases. The DOFA may also advise on areas where offsets will be preferred.

4.2 The DAC will consider the recommendations and take the final decision.

4.3 This offset condition will form a part of the RFP and, subsequently, of the contract. Offset conditions as specified in the RFP will be binding.

#### **5. Solicitation of Offers**

5.1 Para 26 of Chapter 1 read with Schedule I of DPP 2011 prescribe the standardised RFP document. Para 6 of the RFP format will apply wherever offsets are attracted. In order that the secrecy of the commercial bid is maintained, the vendor is only required to give a written undertaking to the effect that it will meet the offset obligation laid down in the RFP. This undertaking in the format at Annexure-I to these guidelines will be included in the envelope containing the vendor's technical offer. It will be binding on the vendor and will clearly state that failure at any stage, on the part of the vendor to meet the offset obligation specified in the RFP at any stage will disqualify the vendor from any further participation in the contract and render its offer as null and void.

5.2 The technical and commercial offset offers would have to be submitted by the vendors by a date to be specified in the RFP, which would be not earlier than three months from the date of submission of the initial technical and commercial offers. These offset offers would have to be submitted together in two separate sealed covers to the Technical Manager.

#### **6. Technical Evaluation of Offset Offers**

6.1 The technical offset offer would contain details of the products, services and investment proposals indicating relative percentages, proposed Indian partners for offset investment and other relevant information in the format given at Annexure II. Details of Banked offset credits as discharged offset obligations will also be indicated. The commercial values of the offset proposals are not to be indicated in this technical offset offer.

6.2 The technical offset offers would be scrutinised by a Committee to be constituted by the

concerned Technical Manager of the Acquisition Wing, with the prior approval of Director General (Acquisition). The Committee may include representatives of the Services, Defence Finance and DRDO. DOFA will assist the Committee in the scrutiny by providing information as to the technical feasibility of the offset offer. The Committee may also incorporate experts as identified by the DRDO for scrutinising the technical offset offers. This Committee will examine the compliance of technical offset offers by the vendors for meeting the offset obligations. The Technical Managers will process the report of this Committee for approval by the Director General (Acquisition).

6.3 The vendor will be free to select the Indian offset partner for implementing the offset requirement. After the offset contract is signed changes will not be permitted in respect of offset components or value. In exceptional cases MoD may permit change in offset partner, on being convinced that the change is desirable to enable the vendor to fulfill offset obligations.

6.4 Only contracts for export of eligible products or services or investment made in eligible products or services after the signing of the main contract will be reckoned for discharging offset obligations. However, pre-approved offset banking agreements and banked offset credits will be considered for discharge of offset obligations. For products which contain imported components, only the value addition in India will count towards offset obligations, viz. the value of imported components will not count towards offset obligations.

6.5 For 'Buy (Global)' category procurements, where offset is applicable, if an Indian firm including a Joint Venture between an Indian Company and its foreign partner is bidding for the proposal and is offering an indigenously developed product, then for such a case offset would not be applicable. For applicability of this clause, indigenous content in the product has to be a minimum of 50 percent. In case the indigenous content in the product is less than 50 per cent, the Indian firm or the Joint Venture has to ensure that the offset obligations are fulfilled on the foreign exchange component of the contracted value.

## **7. Commercial Offset Offers**

7.1 The Commercial Offset Offer, format in Annexure-III, will contain the detailed offer specifying the absolute amount of the offset with a break up of the details, phasing, Indian partner, and banked credits as discharged obligations.

7.2 The model formats at Annexure-II and Annexure-III may be amended by the vendor without however deviating from the mandatory offset requirements prescribed.

## **8. Examination of Offset Offers**

8.1 The offset offer will be examined in two stages by the Acquisition Wing. In the first stage, the first part of the offset offer (refer Para 6.1 and 6.2 above) will be examined to ensure that the offset offer fulfils the mandatory requirements and thereby qualifies the vendor for opening of its commercial offset bid.

8.2 These commercial offset offers would be opened along with the main commercial offer. The Contract Negotiating Committee (CNC) would verify that the Commercial Offset Offers

meet the stipulated offset obligations. The L1 vendor can amend the commercial offset offer at this stage subject to meeting the offset obligations as stipulated in the RFP. The CNC will be advised by an official representative of DOFA (government/DPSU/OFB or as deemed necessary) on offset matters, whenever required.

8.3 The Commercial Offset Offer would have no bearing on the determination of the L1 vendor. After the CNC is satisfied that the offset offer is in accordance with the prescribed norms, the L1 vendor will be invited to sign the main contract and the offset contract.

## **9. Contents of an Offset Contract**

9.1 A model Offset Contract is placed at Annexure-IV. It may be varied depending upon the facts and circumstances of each case.

9.2 The offset contract is to be signed simultaneously with the main contract. The vendor will not under any circumstances delay the execution of the main contract on the plea of failure of Indian industry to execute various offset contracts.

## **10. Monitoring Implementation of the Offset Contract**

10.1 The vendor will submit quarterly reports in the format in Annexure-V on implementing the offset contract to the Acquisition Manager concerned. The Offset Monitoring Cell in the MoD will assist the Acquisition Manager concerned in the Acquisition Wing in monitoring the implementation of the offset contract. Where necessary, an audit by a nominated official or agency may be conducted to confirm the actual status of implementation.

10.2 A vendor may, giving reasons, request re-phasing of the offset obligations within the period of the main contract. Director General (Acquisition) may allow the request in consultation with DOFA if the reasons are considered justified.

10.3 Any request on exceptional grounds for extension of the period of the offset contract beyond the period of the main contract will be examined by the Acquisition Wing in consultation with DOFA and placed before the Defence Acquisitions Council for decision.

10.4 If a vendor fails to fulfil the offset obligation in a particular year, a penalty equivalent to the unperformed offset obligation will be levied. 5% of the value of the unfulfilled portion of the annual offset obligation will be paid as penalty or recovered from the bank guarantee of the main contract, subject to replenishment, or deducted from the amount payable under the main contract, and the unfulfilled offset value will be carried forward to the subsequent year.

10.5 Any vendor failing to implement the full offset obligations during the period of the main contract, or during the period duly extended, will be liable to be disqualified for participation in future defence contracts. The disqualification will be decided by the Acquisition Wing after giving an opportunity to the vendor to explain the reasons.

10.6 Any differences or disputes will be settled through discussions. The decision of the Acquisition Wing will be final. The provisions in the main contract regarding arbitration will apply to the offset contract also.

\*\*\*\*\*

**UNDERTAKING TO COMPLY WITH OFFSET REQUIREMENTS**

1. The Bidder -----( name of the company) hereby
  - (i) undertakes to fulfil the offset obligation as laid down in the Request For Proposals.
  - (ii) undertakes to ensure timely adherence to fulfilment of offset obligations.
  - (iii) accepts that any failure on the part of the Company to meet offset obligations will render disqualification from any further participation in the contract and render ibid offer as null and void.
  - (iv) undertakes to furnish technical details of offset obligations indicating products and services and corresponding Indian Industry partner(s) for the same when so required to by Ministry of Defence, Government of India, after being found to satisfy the SQRs.
  - (v) undertakes to translate the detailed technical offset offer given at para (iv) above into a business implementation plan now furnishing complete commercial details of investments, products and services, Indian Industry partners, amount, phases and time plan for the same in the form of a commercial offset offer as and when so required to by MOD, GOI.

**Annexure-II**  
(Refer to Para 6.1)

**TECHNICAL OFFSET OFFER**

1. The Bidder -----(name of the company) hereby offers the following Direct Foreign Investment(DFI), products and services with Indian Industry partners in compliance to the technical offset obligations in the RFP.
2. The Bidder hereby also furnishes MoU with Indian Industry partners for the proposed investments, products and services.

**OFFER LIST OF PRODUCTS AND SERVICES**

S.No.	DFI, Products & Services	Indian Offset Partner	Percentage Cost of Offset	MoU (If Applicable) Obligation	Remarks
1.	DFI/Products / services	Indian offset Partner	Percentage	Memorandum1	
2.	DFI/Products / services	Indian offset Partner 2	Percentage	Memorandum2	
3.	Similarly for all				

3. Banked Offset Credits. The bidder will also mention the details of the banked offset credits indicating the Project Identification Number. The bidder will also inform Offset Monitoring Cell in the MoD about this commitment.

**Annexure-III**  
(Refer to Para 7.1)

**COMMERCIAL OFFSET OFFER**

1. In compliance with the offset obligations, the Bidder \_\_\_\_\_ hereby offers following products and services with Indian Industry partners.
2. The Bidder hereby also furnishes MoU(s) with Indian offset partners for applicable investments, products and services.

**OFFER LIST OF PRODUCTS AND SERVICES**

S.No	DFI, Products & Services	Indian Offset Partner	Value (with time frame break up)	Time Frame (break up)	Remarks
1.	DFI, Products & Services 1	Indian Offset Partner 1			
2.	DFI, Products & Services 2	Indian Offset Partner 2			
3.	Similarly for all				

3. Details of Foreign Direct Investment/Joint Venture/Co Development/ToT – Give Details
4. Any other contracts with anyone in India – Give Details
5. Banked Offset Credits: The bidder will also mention the details of the banked offset credits indicating the Project Identification Number. The bidder will also inform Offset Monitoring Cell in the MoD about this commitment.
6. This Annexure will also be used by the vendor to submit proposals for banking of offsets (Para 2 Annexure-VII). In such cases the vendor will not be required to fill para 5.

**‘Annexure IV’**  
(Refer to Para 9.1)

**OFFSET CONTRACT**

Contract No. \_\_\_\_

Dated \_\_\_\_\_

This Offset Contract enter into this date of \_\_\_\_\_ hereinafter refer to as “Effective Date”, is by and between

(a) The President of India represented by the Joint Secretary and Acquisition Manager (Land Systems/Maritime Systems/Air) Ministry of Defence, Government of India, New Delhi, hereinafter referred to as the Buyer on one part and

(b) M/s (Name of the Vendor) duly represented by \_\_\_\_\_ and incorporated under the laws of \_\_\_\_\_ having its registered office at \_\_\_\_\_ hereinafter referred to as “Seller” on the other part.

Whereas, the Seller has been awarded a Contract, Contract Number \_\_\_\_\_ dated \_\_\_\_\_ for the Project entitled ‘ \_\_\_\_\_ ’, as the Supply Contract stipulates a total amount of \_\_\_\_\_ to be paid by the Buyer for the provision of the seller’s goods and/or services and

The Buyer clearly understands and agrees to the Offset Clause given in the RFP and the offset schedule defined in the Defence Procurement Procedure 2011 and the offset policy promulgated by the Government of India, referred to as the “ Offset Policy”.

Now, therefore, the Buyer and the Seller agree as follows: -

- (1) The Seller understands and agrees that supply contract is subject to fulfillment of the offset contract/contracts that the seller will execute with the Indian offset partner/ partners towards the complete fulfillment of Offset Obligations laid down in the RFP. The total amount this Offset Obligation is \_\_\_\_\_ which is (specified) percent (#%) of the supply contract value.
- (2) In the event that the supply contract value is increased or reduced then the Seller’s Offset Obligations shall be adjusted proportionately.
- (3) The Offset start date applicable to the Offset Obligations hereunder shall be the effective date of contract number \_\_\_\_\_.
- (4) Furthermore, the Seller agrees and promises to perform its Offset Obligation in accordance with the Offset Schedule of the commercial offset offer. The Offset Schedule may not be changed or amended in any way without the prior written agreement of the MoD, Govt of India.
- (5) Within ninety (90) calendar days from the Effective Date of this agreement, the Seller shall, in writing, provide the Ministry of Defence with a copy of the offset programme

contracts entered into with the Indian offset partners and a list of the Company's Official Contacts for all matters related to this agreement and the performance of the Seller's Offset Obligation. The list shall specify the name, mailing address, street address, telephone, and facsimile numbers of each Official Contact and shall be limited to three (3) Official Contacts. Any and all communications and correspondence by the Ministry of Defence to any one (1) of the said Official Contacts shall be deemed as if by the Ministry of Defence to the Seller.

(6) In the event of force majeure, representative of the MoD and the Seller's official representative will meet to assess progress to date under the program prior to the date of the force majeure event and to determine a mutually agreeable manner and schedule for the fulfillment of the Seller's remaining Offset Obligation.

(7) This Contract, and any and all matters relating to the fulfillment of the Seller's Offset Obligations and performance under the Programme shall be interpreted and be subject to the Laws of the Republic of India. This contract shall be governed by and interpreted in accordance with the laws of the Republic of India.

(8) This Contract shall expire upon fulfillment of the Company's Offset Obligations in accordance with the Contract.



**Annexure-V**  
(Refer to Para 10.1)

**QUARTERLY REPORT ON FULFILLING OFFSET OBLIGATIONS**

**REPORT FOR QUARTER ENDING -----**

1. MAIN CONTRACT NO AND EFFECTIVE DATE ---
2. BANKING PROJECT ID NO.(In case of banking) -----
3. INDIAN OFFSET PARTNER -----
4. OFFSET CONTRACT NUMBER (not required in case of banking) ----
5. PRODUCT NUMBER AND NAME
6. SCHEDULE OF OFFSET OBLIGATIONS AND FULFILMENT

NO	DFI/ PRODUCTS /SERVICES OFFERED	VALUE OF OFFSET COMMITTED	DATE BY WHICH TO BE FULFILLED	ACTUAL VALUE FULFILLED BY REPORTING DATE	REMARKS INCLUDING PENALTIES IF ANY
(1)	(2)	(3)	(4)	(5)	(6)

7. EXPLANATORY NOTES, IF ANY
8. SUPPORTING ENCLOSURES WITH RESPECT TO COLUMN 5 ABOVE FOR ACTUAL VALUE FULFILLED.

**Annexure VI to Appendix D**  
(Refer to Para 2.1a to Appendix D)

**List of Products Eligible for Discharge of Offset Obligations**

**1. Defence Products**

- Small arms, mortars, cannons, guns, howitzers, anti tank weapons and their ammunition including fuze.
- Bombs, torpedoes, rockets, missiles, other explosive devices and charges, related equipment and accessories specially designed for military use, equipment specially designed for handling, control, operation, jamming and detection.
- Energetic materials, explosives, propellants and pyrotechnics.
- Tracked and wheeled armoured vehicles, vehicles with ballistic protection designed for military applications, armoured or protective equipment.
- Vessels of war, special naval system, equipment and accessories.
- Aircraft, unmanned airborne vehicles, aero engines and air craft equipment, related equipment specially designed or modified for military use, parachutes and related equipment.
- Electronics and communication equipment specially designed for military use such as electronic counter measure and counter counter measure equipment surveillance and monitoring, data processing and signalling, guidance and navigation equipment, imaging equipment and night vision devices, sensors.
- Specialized equipment for military training or for simulating military scenarios, specially designed simulators for use of armaments and trainers.
- Forgings, castings and other unfinished products which are specially designed for products for military applications and troop comfort equipment.
- Miscellaneous equipment and materials designed for military applications, specially designed environmental test facilities and equipment for the certification, qualification, testing or production of the above products.
- Software specially designed or modified for the development, production or use of above items. This includes software specially designed for modelling, simulation or evaluation of military weapon systems, modelling or simulating military operation scenarios and Command, Communications, Control, Computer and Intelligence (C4I) applications.
- High velocity kinetic energy weapon systems and related equipment.
- Direct energy weapon systems, related or countermeasure equipment, super conductive equipment and specially designed for components and accessories.

## **2. Products for Internal Security**

- Arms and their ammunition including all types of close quarter weapons.
- Protective Equipment for Security personnel including body armour and helmets.
- Vehicles for internal security purposes including armoured vehicles, bullet proof vehicles and mine protected vehicles.
- Riot control equipment and protective as well as riot control vehicles.
- Specialized equipment for surveillance including hand held devices and unmanned aerial vehicles.
- Equipment and devices for night fighting capability including night vision devices.
- Navigational and communications equipment including for secure communications.
- Specialized counter terrorism equipment and gear, assault platforms, detection devices, breaching gear, etc.
- Training aids including simulators and simulation equipment.

## **3. Civil Aerospace Products**

- All types of fixed wing as well as rotary aircraft including their air frames, aero engines, aircraft components and avionics.
- Aircraft design and engineering services.
- Technical publications
- Raw material and semi-finished goods.
- Flying training institutions and technical training institutions (excluding civil infrastructure).

### **BANKING OF OFFSET CREDITS**

1. Offset banking will be permitted from the day DPP-2011 comes in to effect.
2. The proposals for banking of offsets will be submitted to the Joint Secretary in the MoD by the vendor according to the format at **Annexure-III** to Appendix-D. The banking proposal would be approved by MoD. A unique Project Identification Number would be allotted to each proposal at the time of approval.
3. Offset banking proposals will be in conformity with the valid discharge of offset obligations as specified in the DPP 2011. The banked offset credits are non-transferable except between the main contractor and his sub-contractors within the same acquisition programme.
4. A vendor will be able to discharge the banked offset credits for the RFPs which are issued within the two financial years of the date of approval of the banked offset credits. The cut off date would be 1st April and 1st October of the financial year. As an illustration, offset credits which have been banked on or after 1st April 2009 would be valid for discharge against RFPs issued up to 30th September 2011. Similarly offset credits banked on or after 1st October 2009 would be valid for discharge against RFPs issued up to 31st March 2012.
5. If a vendor is able to create more offsets than his obligations under a particular contract, the surplus offset credits can be banked and would remain valid for the period of two financial years after conclusion of the said contract. The surplus offset credits would be valid for discharge against the new RFPs which would be floated within this period.
6. Wherever the offset banking/discharge is done by way of investment in Indian defence industry and R&D, the related foreign investment should remain valid and active throughout the duration of the MoD contract in relation to the RFP.
7. The vendor will submit reports on implementation of banked offset credits to the Offset Monitoring Cell every six months according to the format in **Annexure-V**. The vendor will inform Offset Monitoring Cell about the RFP against which he wants to discharge the banked credits. The details of the banked credits would be transferred to the respective Acquisition Managers after the RFP is issued.

**INFORMATION PROFORMA**  
**(INDIAN VENDORS)**

1. **Name of the Vendor/Company/Firm.**

---



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(Company profile, in brief, to be attached)

2. **Type (Tick the relevant category).**

Original Equipment Manufacturer (OEM)

Yes/No

Authorised Vendor of foreign Firm

Yes/No (attach details, if yes)

Others (give specific details) \_\_\_\_\_

---

3. **Contact Details.**

Postal Address:

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City : \_\_\_\_\_ State : \_\_\_\_\_

Pin Code : \_\_\_\_\_ Tele : \_\_\_\_\_

Fax : \_\_\_\_\_ URL/Web Site: \_\_\_\_\_

4. **Local Branch/Liaison Office in Delhi (if any).**

Name & Address: \_\_\_\_\_

---

Pin code : \_\_\_\_\_ Tel : \_\_\_\_\_ Fax : \_\_\_\_\_

5. **Financial Details.**

(a) Category of Industry (Large/medium/small Scale) : \_\_\_\_\_

(b) Annual turn over : \_\_\_\_\_ (in INR)

(c) Number of employees in firm: \_\_\_\_\_

(e) Details of manufacturing infrastructure : \_\_\_\_\_

(d) Earlier contracts with Indian Ministry of Defence/Government agencies :

Contract Number	Equipment	Quantity	Cost

6. **Certification by Quality Assurance Organisation.**

Name of Agency	Certification	Applicable from (date & Year)	Valid till (date & year)

7. **Details of Registration.**

Agency	Registration No	Validity (Date)	Equipment
DGS&D			
DGQA/DGAQA			
OFB			
DRDO			
Any other Government Agency			

8. **Membership of FICCI/ASSOCHAM/CII or other Industrial Associations.**

Name of Organisation	Membership Number

9. **Equipment/Product Profile (to be submitted for each product separately)**

(a) Name of Product : \_\_\_\_\_

(Should be given category wise for e.g. all products under night vision devices to be mentioned together)

(b) Description (attach technical literature): \_\_\_\_\_

(c) Whether OEM or Integrator : \_\_\_\_\_

(d) Name and address of Foreign collaborator(if any): \_\_\_\_\_

(e) Industrial Licence Number: \_\_\_\_\_

(f) Indigenous component of the product (in percentage): \_\_\_\_\_

(g) Status (in service /design & development stage): \_\_\_\_\_

\_\_\_\_\_

(h) Production capacity per annum: \_\_\_\_\_

(j) Countries/agencies where equipment supplied earlier (give details of quantity supplied): \_\_\_\_\_

\_\_\_\_\_.

10. Any other relevant information: \_\_\_\_\_

\_\_\_\_\_

**INFORMATION PROFORMA**  
**(FOREIGN VENDORS)**

1. **Name of the Vendor/Company/Firm.**

---



---

(Company profile, in brief, to be attached)

2. **Type (Tick the relevant category).**

Original Equipment Manufacturer (OEM)	Yes/No
Government sponsored Export Agency	Yes/No (Details of registration to be provided)
Authorised Vendor of OEM	Yes/No (attach details)
Others (give specific details)	_____

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3. **Contact Details.**

Postal Address:

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City : \_\_\_\_\_ Province : \_\_\_\_\_

Country: \_\_\_\_\_ Pin/Zip Code : \_\_\_\_\_

Tele : \_\_\_\_\_ Fax : \_\_\_\_\_

URL/Web Site : \_\_\_\_\_

4. **Local Branch/Liaison Office/Authorised Representatives, in India (if any).**

Name & Address: \_\_\_\_\_

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City : \_\_\_\_\_ Province : \_\_\_\_\_

Pin code : \_\_\_\_\_ Tel : \_\_\_\_\_ Fax : \_\_\_\_\_

5. **Financial Details.**

(a) Annual turn over : \_\_\_\_\_ USD

(b) Number of Employees in firm \_\_\_\_\_.

(c) Details of manufacturing infrastructure available \_\_\_\_\_.



(d) Earlier contracts with Indian Ministry of Defence/Government agencies:

Agency	Contract Number	Equipment	Quantity	Cost

6. **Certification by Quality Assurance Organisation (If Applicable).**

Name of Agency	Certification	Applicable from (date & Year)	Valid till (date & year)

7. **Equipment/Product Profile (to be submitted for each product separately)**

(a) Name of Product : \_\_\_\_\_

(Should be given category wise for e.g. all products under night vision devices to be mentioned together)

(b) Description (attach technical literature): \_\_\_\_\_

\_\_\_\_\_

(c) Whether OEM or Integrator : \_\_\_\_\_

(d) Status (in service /Design development stage): \_\_\_\_\_

\_\_\_\_\_

(e) Production capacity per annum: \_\_\_\_\_

(f) Countries where equipment is in service: \_\_\_\_\_

(g) Whether export clearance is required from respective Government: \_\_\_\_\_

\_\_\_\_\_

(h) Any collaboration/joint venture/co production/ authorised dealer with Indian Industry (give details):

Name & Address: \_\_\_\_\_

\_\_\_\_\_

Tel : \_\_\_\_\_ Fax : \_\_\_\_\_

8. **Any other relevant information.** \_\_\_\_\_

\_\_\_\_\_

**Draft Format: Nature/Scope of Information Regarding Cases  
Which are Recommended to be placed on MoD Website**

*(THIS IS A STANDARDISED FORMAT 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)*

1. The Ministry of Defence, Government of India, intends to procure approximate \_\_\_\_\_ (generic nomenclature of equipment and approximate quantity).
2. This Request for Responding (RFR) consists of two parts as indicated below:-
  - (a) Part I. The first part of the RFR incorporates operational characteristics and features that should be met by the equipment. Few important technical parameters of the proposed equipment are also mentioned.
  - (b) Part II. The second part of the RFR states the methodology of seeking response of vendors. Submission of incomplete response format will render the vendor liable for rejection.

**PART-I**

3. The Intended Use of Equipment (Operational Requirements). To be decided by SHQ keeping in view security considerations.
4. Important Technical Parameters. To be decided by SHQ keeping in view security considerations.
5. Vendors should confirm that following conditions are acceptable:-
  - (a) The solicitation of offers will be as per 'Single Stage-Two Bid System'. It would imply that a 'Request for Proposal' would be issued soliciting the technical and commercial offers together, but in two separate sealed envelopes. The validity of commercial offers would be at least 18 months from the date of submitting of offers.
  - (b) The technical offers would be evaluated by a Technical Evaluation Committee (TEC) to check its compliance with RFP.
  - (c) The equipment of all TEC cleared vendors would be put through a trial evaluation in India on a 'No Cost No Commitment' basis. A staff evaluation would be carried out by SHQ to analyse the result of field evaluation and shortlist the equipment for introduction into service.

- (d) Amongst the vendors cleared by GS evaluation, a Contract Negotiations Committee would decide the lowest cost bidder (L1) and conclude the appropriate contract.
- (e) Vendor would be bound to provide product support for time period specified in the RFP, which includes spares and maintenance tools/jigs/fixtures for field and component level repairs.
- (f) The vendor would be required to accept the general conditions of contract given in the Standard Contract Document at Chapter V of DPP 2011 placed on www.mod.nic.in.
- (g) Offset (if applicable). The vendor has to undertake offset contracts amounting to ----% of the value of commercial proposals (refer Appx D to Chapter I).
- (h) Integrity Pact (if applicable). An integrity pact along with appropriate EMD is a mandatory requirement in the instant case (refer Annx I to Appx H of schedule I of Chapter I).
- (j) Performance-cum-Warranty Bond. Performance-cum-Warranty Bond both equal to 5% value of the contract is required to be submitted after signing of contract.
- (k) ToT(if applicable). GOI is desirous of license production of equipment after acquiring ToT in the case.

## PART-II

### 6. Procedure for Response

- (a) Vendors must fill the form of response as given in Appendix E of Chapter I. Apart from filling details about company, details about the exact product meeting our generic technical specifications should also be carefully filled. Additional literature on the product can also be attached with the form.
- (b) The filled form should be dispatched at under mentioned address (concerned Technical Manager): -

\_\_\_\_\_

\_\_\_\_\_

Fax:

Email ID:

- (c) Last date of acceptance of filled form is \_\_\_\_\_ (to be decided by SHQ). The vendors short listed for issue of RFP would be intimated.

7. The Government of India invites responses to this request only from Original Equipment Manufacturers (OEM)/Authorised Vendors/Government Sponsored Export Agencies (applicable in the case of countries where domestic laws do not permit direct export by OEMs). The end user of the equipment is the Indian Armed Forces (name of user service).

8. This information is being issued with no financial commitment and the Ministry of Defence reserves the right to change or vary any part thereof at any stage. The Government of India also reserves the right to withdraw it should it be so necessary at any stage. The acquisition process would be carried out under the provisions of DPP 2011.

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**SCHEDULE 1**  
**Draft RFP Format**



**Schedule I to Chapter I**  
(Refers to Para 26 of Chapter I)

(THIS RFP PROVIDES A STANDARDISED FORMAT 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)

Tele: \_\_\_\_\_

E-mail: \_\_\_\_\_

File No: \_\_\_\_\_

Technical Manager (\_\_\_\_ Systems)

\_\_\_\_\_

\_\_\_\_\_

New Delhi-110011

\_\_\_\_\_ 2011

To

\_\_\_\_\_

**REQUEST FOR TECHNICAL AND COMMERCIAL PROPOSAL**  
**FOR (GENERIC NOMENCLATURE OF EQUIPMENT)**

Dear Sir,

1. The Ministry of Defence, Government of India, intends to procure \_\_\_\_\_ (generic nomenclature of equipment and quantity). This Request for Proposal (RFP) consists of four parts as indicated below:-

- (a) **Part I.** The first part consists of 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), Offset obligations and warranty/guarantee conditions, etc. It includes procedure and last date and time for submission of offers.
- (b) **Part II.** The second part of the RFP incorporates the aspects of SQRs describing the technical parameters of the proposed equipment. The operational characteristics and features that should be met by the equipment are elucidated at **Appendix A**. The Supplier would be required to offer the equipment for field evaluation on a “No Cost No Commitment” basis.
- (c) **Part III.** The third part of the RFP consists of the commercial aspects of the procurement, payment terms, performance-cum-warranty guarantees & services their on to be performed by the supplier. It also includes standard contract terms along with special contractual conditions, if any.
- (d) **Part IV.** The fourth part defines the criteria for evaluation and acceptance, both in terms of technical and commercial contents. A format has been enclosed for submission along



with commercial offer to facilitate preparation of Comparative Statement of Tenders (CST) and identification of L1 vendor. Submission of incomplete format enclosed along with commercial offer will render the offer liable for rejection.

2. The Government of India invites responses to this request only from Original Equipment Manufacturers (OEM) or Authorised Vendors or Government Sponsored Export Agencies (applicable in the case of countries where domestic laws do not permit direct export by OEM) subject to the condition that in cases where the same equipment is offered by more than one of the aforementioned parties, preference would be given to the OEM. The end user of the equipment is the Indian Armed Forces.

2a. ***Para Applicable to Indian Vendors in 'Buy Indian' Categorised cases only.*** This RFP is being issued under 'Buy Indian' Category and hence equipment offered must have minimum 30% indigenous content on cost basis. A certificate to this effect will be submitted by the Vendor along with technical offer.

### **PART I: GENERAL REQUIREMENTS**

3. **Year of Production.** Supplies should be of latest manufacture, conform to the current production standard and should have 100% of the defined life at the time of delivery. Deviations if any should be clearly brought out by the vendor in the Technical Proposal.

4. **Delivery Schedule.** *(The acceptable range of delivery schedule of the equipment must be indicated clearly in the RFP. Option for the supplier to indicate earliest delivery schedule must be given only in unavoidable cases).*

5. **Warranty.** The goods supplied shall carry a warranty for \_\_\_\_\_ months/ years / operational hours (***not to be left blank***) from the date of acceptance or from date of installation and commissioning, whichever is later. Draft Warranty Clause is given at **Appendix 'C'**.

6. **Offset (If applicable).** Offset obligation shall be discharged by the Vendor in accordance with provisions of DPP - 2011. The vendor has to undertake Offset contracts amounting to \_\_\_\_ % or \_\_\_\_ (***as approved by the DAC***) of the value of the commercial proposal. The technical offer should include a written undertaking to this effect. Failure to discharge this undertaking at any stage will result in disqualification of the vendor from further participation in the evaluation process and the offer will be treated as null and void. The terms and conditions of Offset are given at **Appendix K** to this RFP. (The procedure for implementation of the offset obligation is placed at **Appendix D** to Chapter I of DPP-2011, which is at [www.mod.nic.in](http://www.mod.nic.in) ).

7. **Engineering Support Package (ESP) / Annual Maintenance Contract (AMC) (if required).** After the specified warranty period, the Indian technicians would be required to repair and maintain the equipment during its exploitation. To enable this process, an appropriate ESP would be required to be provided by the supplier. For this purpose, the general concept of repair and maintenance of equipment followed by the Indian Army is given at **Appendix D**. The information on Engineering Support Package that is required to be provided is enclosed at **Annexures I to IV to Appendix D**. In case equipment is already in usage, the spare parts requirement must be specific based on the consumption pattern, rather than being based on MRLS [***If post warranty AMC is also being***

*sought from the OEM, the level of AMC required (with spares/without spares/repair rate contract) must clearly be indicated].* The details of AMC proposals must also be submitted separately by the vendor with technical aspects being included in the technical offer and commercial aspects being included in the commercial offer. The same will be taken cognisance of while deciding the L1.

8. The vendor is required to provide Itemised Spare Parts Price List (Prices to be indicated only in the commercial offer), list of optional equipment, the likely consumption rate of the spares based on the exploitation pattern of the equipment. The vendor would have to finalise the terms for the life time product support in the current contract only. *(For cases above Rs 100 Crs to be read in conjunction with Para 29 of the DPP-2011)*

9. The customer would have the option to amend the MRLS proposed by the seller within \_\_\_\_\_ years of the expiry of the warranty period. The seller would either 'Buy Back' the spares rendered surplus or exchanges them on cost to cost basis with the spares as required by the customer. The said spares would be purchased / replaced by the seller, based on the prices negotiated in the contract.

10. In Service Life/Shelf Life. The In Service Life/Shelf Life of the equipment *(as applicable)* shall be stipulated in the offer. In case of shelf life the relevant storage conditions should be clearly specified. The vendor is required to give details of reliability model, reliability prediction and its validation by designer/ manufacturer to ensure reliability of stores throughout shelf life. The efficacy of reliability model/prediction/validation would be verified during technical and environmental evaluation as indicated in Para 24 (b).

11. Product Support. The vendor would be bound by a condition in the contract that he is in a position to provide product support in terms of maintenance, materials and spares for a minimum period of \_\_\_\_\_ years. Even after the said mandatory period, the vendor would be bound to give at least two years notice to the Government of India prior to closing the production line so as to enable a Life Time Buy of all spares before closure of the said production line. The said aspect would also form an integral part of the contract. All upgrades and modifications carried out on the equipment during the next \_\_\_\_\_ years or during its life cycle *(as per requirement)* must be intimated to the SHQ.

12. Training of Crew and Maintenance Personnel. *(SHQ to give broad details of the training sought).*

13. Government Regulations. It may also be confirmed that there are no Government restrictions or limitations in the country of the supplier or countries from which subcomponents are being procured and/or for the export of any part of the system being supplied.

14. Agents / Technical Consultants / Authorised Vendors (Applicable in case of foreign vendors only) The vendor is required to give full details of any agents / technical consultants / authorised vendors that may have been appointed by them for marketing of this equipment in India. These details should include the scope of work and responsibilities that have been entrusted with the said party in India. If there is non involvement of any such party then the same may also be communicated in the offers specifically.

15. If the equipment being offered by the vendor has been supplied / contracted with any organization, public / private in India, the details of the same may be furnished in the technical as well

as commercial offers. The vendors are required to give a written undertaking that they have not supplied/ is not supplying the similar systems or subsystems at a price lower than that offered in the present bid to any other Ministry/Department of the Government of India and if the similar system has been supplied at a lower price then the details regarding the cost, time of supply and quantities be included as part of the commercial offer. In case of non disclosure, if it is found at any stage that the similar system or subsystem was supplied by the vendor to any other Ministry/Department of the Government of India at a lower price, then that very price, will be applicable to the present case and, with due allowance for elapsed time, the difference in the cost would be refunded to the Buyer, if the contract has already been concluded.

16. Patent Rights. The vendor has to confirm that there are no infringements of any Patent Rights in accordance with the laws prevailing in their respective countries.

16a. *(An Integrity Pact would be signed between MoD and the bidders for schemes exceeding ₹100 Crs, irrespective of the value of the commercial bids submitted by bidders).* In the subject RFP, the vendor is required to sign and submit pre contract integrity pact (IP) given at **Annexure I** to **Appendix H** and shall also deposit ₹\_\_\_\_\_ Crores as Earnest Money Deposit (EMD) through any of the instruments mentioned therein. This would be submitted in a separate envelope clearly marked as 'IP and EMD' at the time of submission of Technical and commercial offers.

17. Transfer of Technology (TOT)(If applicable). The Govt of India, Ministry of Defence is desirous of license production of (*generic name of equipment*) under TOT. Aspects of TOT which are to be fulfilled by the vendor are given at **Appendix 'L'**. Govt reserves the right to negotiate TOT terms subsequently but the availability of TOT would be a pre-condition for any further procurements. If negotiations for TOT are not held as a part of the negotiations for equipment, then subsequent and separate TOT negotiations would continue from the stage where the equipment has been selected.

**Note:-**

*(The RFP in such cases would spell out the requirements of TOT depending upon the depth of the technology which is required, and whose range could cover technology for repair and overhaul; production from CKD/SKD kits and production from raw material and components level. Aspects which are to be included in the RFP in case production from CKD/SKD/IM kits are given at Appendix 'L' to Schedule I. Care should be taken to spell out the selection criteria clearly. The nominated Production Agency (PA) for the receipt of technology will be closely associated in the preparation of RFP).*

18. Transfer of Technology for Maintenance Infrastructure (As applicable). The Govt of India, Ministry of Defence is desirous that the depot level maintenance (third line) and the life time support for the \_\_\_\_\_ (*generic name of the equipment*) be carried out through an Indian private / public firm. You are required to select an Indian entity which would be responsible for providing base/ depot level repairs (third line) and the requisite spares for the entire life cycle of the equipment. For this purpose you are required to set up maintenance infrastructure and facilities for third line repairs in India at the premises of the selected Indian firm as per the terms and conditions laid down in **Appendix 'E'**.

19. Any queries /clarifications to this RFP may be sent to this office within \_\_\_ days of issue of this RFP. A copy of the same may also be sent to (*address of the user directorate*).

\_\_\_\_\_

\_\_\_\_\_

20. A pre-bid meeting will be held at \_\_\_\_\_ hrs on \_\_\_\_\_ (*date*) at \_\_\_\_\_ (*venue*) to answer any queries or clarify doubts regarding submission of proposals. The vendor or his authorised representative is requested to attend. Necessary details may be sent a week in advance to \_\_\_\_\_ (*user directorate*), to facilitate obtaining of security clearance.

21. The Technical and Commercial Proposals should be sealed separately (the envelope should clearly state this letter No and the type of equipment) and submitted together along with 'IP and EMD' to the undersigned at the following address by \_\_\_ hours on \_\_\_ :-

As applicable { Technical Manager (Land Systems) Room No 30, D-2 Wing  
Sena Bhawan  
New Delhi - 110011  
Fax No: 23792414

22. The Technical Offer will be opened at \_\_\_ hours on \_\_\_\_\_ at the same venue as indicated at para 21 above. The vendor or his authorized representative is welcome to be present at the opening of the proposals. Necessary details may be sent a week in advance to facilitate obtaining of security clearance.

23. The Technical Offer will be evaluated by a Technical Evaluation Committee (TEC) to confirm that the equipment being offered meets the essential parameters as elaborated subsequently in this RFP at **Appendix A**. For cases where ToT for licence production / maintenance infrastructure is sought, the TEC will examine the compliance of the vendor as per the stated requirements of RFP. Thereafter, the vendor of the short listed equipment would be asked to provide the equipment (\_\_\_ Nos) for trial evaluation as per trial methodology given at **Appendix A1** in India at 'No Cost No Commitment' basis. (*The details / scope of the trials, if other than NCNC in India, to be included as per the decisions during AON by the DAC/DPB*).

24. For an equipment to be introduced in service it is mandatory that it successfully clears all tests/ trials/evaluations. The trial evaluation process comprises of the following phases. (*SHQ may amend this paragraph as per the requirement of the proposal*):-

- (a) User Trials.
- (b) Technical and Environmental Evaluation.
- (c) Maintainability Evaluation Trial (MET).
- (d) EMI/EMC Evaluation.
- (e) Secrecy Grading (*if applicable*).

**Note:- Cases involving equipment that need to undergo secrecy grading must incorporate details that the vendors need to provide as part of the technical offer. These details can be sought based on a Performa to be given by the SAG**

25. Commercial offers will be opened only of the vendors whose equipment is short-listed, after technical trials and evaluation and who have also submitted the offset offers (*if applicable*) and these have been accepted technically. In other words, the equipment would be required to be trial evaluated and found suitable prior to commencement of any commercial negotiations (*if trials are not proposed then the words 'trials and' may be deleted*).

## **PART II: TECHNICAL PARAMETERS**

26. Operational Characteristics and Features. The broad operational characteristics and features that are to be met by the equipment are elucidated at **Appendix A**.

27. Technical Offer. The Technical Offer must enable detailed understanding of the functioning and characteristics of the equipment as a whole and each sub system independently. It must include the performance parameters as listed at **Appendix A** and any other information pertaining to the technical specifications of the equipment considered important/ relevant by the vendor. The technical proposal should also include maintenance schedules to achieve maximum life and expected life of each assembly/ subassembly (or Line Replaceable Unit (LRU) / Shop Replaceable Unit (SRU)), storage conditions/ environment condition recommended and the resultant guaranteed in-service/shelf life.

28. Para applicable only for M-ToT cases. The detailed scope of the maintenance infrastructure and the conditions are elaborated at **Appendix 'E'**. A separate proposal for the third level maintenance and life cycle product support should be submitted along with the technical proposal. The proposal should clearly lay down the maintenance approach that has been worked out in coordination with the selected Indian entity. It should give compliance or otherwise to the conditions that have been elaborated at Appendix 'E' for establishing the maintenance infrastructure.

29. If there is any associated optional equipment on offer that should also be indicated separately along with the benefit that are likely to accrue by procuring such optional equipment. Should the vendor be contemplating any upgrades or modifications to the equipment being offered, the details regarding these should also be included in the Technical Proposal.

30. Technical Details.

(a) The technical details should be factual, comprehensive and include specifications of the offered system / equipment against broad requirements listed in **Appendix A** of RFP.

(b) Insufficient or incomplete details may lead to rejection of the offer. Mere indication of compliance may be construed as incomplete information unless system's specific technical details are available in the offer. A format of the compliance table for the technical parameters and certain important commercial conditions of RFP is attached as **Appendix 'B'**.

31. The technical offer should have a separate detachable compliance table as per format given at **Appendix 'B'** stating specific answers to all the parameters as listed at **Appendix 'A'**. It is mandatory to append answers to all the parameters listed in **Appendix 'A'**. Four copies of the Technical Proposal should be submitted (along with one soft copy), however only one copy of the commercial proposal is required.

### **PART III : COMMERCIAL ASPECTS**

#### Commercial Offer

32. Commercial offers will be opened only of the vendors whose equipment is short-listed, after technical trials and evaluation. The Commercial Offer must be firm and fixed and should be valid for at least 18 months from the date of submission of offer (*period may be amended, if required*).

33. The Commercial Offers will be opened by a committee and if supplier desires he may depute his representative, duly authorized in writing, to be present at the time of opening of the offers. The committee will determine the lowest bidder (L1). No negotiations would be carried out with the L1 vendor once the reasonability of the price quoted by him is established (*This provision would be applicable only in a multi vendor cases. For such cases the aspects of advance /stage payments if any and all requisite details for the vendor to formulate a comprehensive commercial proposal be indicated upfront in the RFP so that selection of L1 is facilitated*) The date, time and venue fixed for this purpose will be intimated separately after the evaluations are completed.

34. The vendor is requested to take into consideration the Payment terms given at **Appendix 'F'** while formulating the Commercial Offers.

35. To assist the supplier in formulating the Commercial Proposal and to ensure that all aspects are covered, a suggested format is given at **Appendix 'G'**.

#### Additional Aspects

36. The vendor is requested to confirm his willingness to provide the equipment for trial evaluation in India on "No Cost No Commitment" basis when so requested. (*The details / scope of the trials, if other than NCNC in India, to be included in RFP as per the decisions during AON by the DAC/DPB*).

37. Before the contract is finalized, the vendor would be required to provide Quality Assurance Plans (QAP) i.e. tests undertaken to assure quality & reliability and provide the Standard Acceptance Test Procedure (ATP). Director General of Quality Assurance (DGQA) (*or the concerned Quality Assurance agency, as applicable*) reserves the right to modify the ATP if necessary. The equipment supplied by the vendor would be accepted subject to evaluation and clearance by the DGQA. The vendor would be required to provide all test facilities at OEM premises for acceptance inspection by the DGQA team as also train their team. The details in this regard will be coordinated during the negotiation of contract.

38. Standard Clauses on Contract. The Government of India desires that all actions regarding procurement of any equipment are totally transparent and carried out as per established procedures. The supplier is required to accept our standard clauses regarding agents/agency commission, penalty for use of undue influence and Integrity Pact, access to books of accounts, arbitration and laws which would be incorporated in the contract. The text of these clauses is at **Appendix H**. The Standard Contract Document at Chapter V of DPP-2011 ([www.mod.nic.in](http://www.mod.nic.in)) indicates the general conditions of contract that would be the guideline for all acquisitions. The draft contract would be prepared as per these guidelines.

39. Option Clause (As applicable). The format of option clause is placed at **Appendix J**.

#### **PART IV: EVALUATION AND ACCEPTANCE CRITERIA**

40. Evaluation and Acceptance Process.

(a) Evaluation of Technical Proposals. The technical proposals forwarded by the firms will be evaluated by a Technical Evaluation Committee (TEC). The TEC will examine the extent of variations/differences, if any, in the technical characteristics of the equipment offered by various vendors with reference to the QRs and prepare a “Compliance Statement” shortlisting the vendors. The shortlisted vendors shall be asked to send the desired units of the equipment/ weapon system to India for Field Evaluation in varying climatic, altitude and terrain conditions. A staff evaluation will be carried out, which will give out the compliance of the demonstrated performance of the equipment vis-à-vis the requirements. The compliance would be determined only on the basis of the parameters specified in the RFP. The staff evaluation will analyse the field evaluation results and shortlist the equipment recommended for introduction into service.

(b) Evaluation of Commercial Proposals. The Commercial proposals of the firms whose equipment is short-listed, after technical trials and evaluation and whose offset offers have been accepted technically (if applicable) will only be opened and a comparative statement will be prepared. Comparison of offers will also be done on the same basis. In ‘Buy (Global)’ cases while carrying out evaluation of bids to determine L1, in order to neutralize the impact of taxes and duties payable by Indian industry the following guidelines would be followed:-

- (i) In case of foreign supplier, the basic cost (CIF) quoted by him should be the basis for the purpose of comparison of various tenders.
- (ii) In case of indigenous suppliers, excise duty on fully formed equipment would be offloaded.
- (iii) Sales tax and other local levies, i.e. octroi, entry tax etc would be ignored in case of indigenous suppliers including Defence PSUs / OFs.
- (iv) The payment conditions should be similar for domestic private suppliers, Defence PSUs / Ordnance Factories and the foreign suppliers.

The vendor quoting lowest price (L1), as determined by Contracts Negotiation Committee (CNC), would be invited for negotiations by CNC. DCF method would be used for evaluation of bids as given in **Appendix F**, where applicable.

(c) Contract Conclusion / Placement of Order (As applicable). The successful conclusion of CNC will be followed by contract conclusion / placement of order (As applicable).

Conditions under which this RFP is Issued

41. This RFP is being issued with no financial commitment; and the Ministry of Defence reserves the right to withdraw the RFP and change or vary any part thereof or foreclose the procurement case at any stage. The Government of India also reserves the right to disqualify any vendor should it be so necessary at any stage on grounds of National Security.

42. Please acknowledge receipt.

Yours faithfully

( )



**Appendix A to Schedule I**  
(Refers to Paras 1, 23, 26,  
27, 30 (a) & 31 of RFP)

**OPERATIONAL CHARACTERISTICS AND FEATURES**

1. This information would be different for various equipments. As such only the guide lines for formulating this Appendix have been stated here. The information provided here flows from the SQR and must contain the following:-

(a) The purpose for which this equipment is needed or in broad outlines the capabilities that are needed. For example in the case of WLR:-

"The WLR should be able to provide accurate location of enemy guns, mortars and rocket launchers (in all types of terrain) to enable own fire delivery means to engage them effectively. In addition it should also provide location of own shell burst to enable correction of fire."

(b) Technical Parameters. All technical parameters listed in the SQR in terms of size, weight, performance, operating environment, power, torque, preservation, utility life, storage, shelf life etc, should be specified.

(c) Additional Features. If any, should also be explained.

2. Based on above guide lines, this Appendix should be formulated very carefully for each type of equipment.

Notes:-

1. For repeat order cases the reference of the earlier contract / supply order should be given.

2. The specifications / parameters of the equipment given here should be as per the approved GSQR / DPR / OR and no changes / amendments be done there to.

**TRIAL METHODOLOGY**

Trial Methodology for checking SQRs as given in the RFP should be formulated and mentioned in this Appendix by SHQ.

**Appendix B to Schedule I**  
(Refers to Para 30 (b) of RFP)

COMPLIANCE TABLE  
FOR \_\_\_\_\_ (Equipment name)

Ser No	Requirement as per the RFP Compliance / Deviation	Compliance / Partial Compliance of Paras / Sub Paras of the Main Technical Document	Indicate references
Technical Parameters as per Appendix A			
Commercial Parameters as per RFP			
	Performance-cum-Warranty Bond as per Para ___ of RFP		
	Advance Bank Guarantee Bond as per Para ___ of RFP		
	Integrity Pact Bank Guarantee as per Para ___ of RFP (indicate amount of IPBG)		

**Appendix C to Schedule I**  
(Refers to Para 5 of RFP)

**DRAFT WARRANTY CLAUSE**

*(To be amended as per requirement and no blanks to be left)*

1. The seller warrants that the goods supplied under this contract conform to technical specifications prescribed and shall perform according to the said Technical Specifications.
2. The seller warrants for a period of --- months/ years /operational hours from the date of acceptance of stores by Joint Receipt Inspection Team or date of installation and commissioning whichever is later (as applicable on case to case basis), that the goods / stores supplied under this contract and each component used in the manufacture there of shall be free from all types of defects / failures.
3. If within the period of warranty, the goods are reported by the Buyer to have failed to perform as per the specifications, the Seller shall either replace or rectify the same free of charge, maximum within \_\_\_days of notification of such defect received by the Seller, provided that the goods are used and maintained by the Buyer as per instructions contained in the Operating Manual. Warranty of the equipment would be extended by such duration. Record of the down time would be maintained by user in log book. Spares required for warranty repairs shall be provided free of cost by Seller. The Seller also undertakes to diagnose, test, adjust, calibrate and repair / replace the goods/ equipment arising due to accidents by neglect or misuse by the operator or damage due to transportation of the goods during the warranty period, at the cost mutually agreed to between the Buyer and the Seller. The seller shall intimate the assignable cause of the failures.
4. Seller hereby warrants that necessary service and repair back up during the warranty period of the equipment shall be provided by the seller and he will ensure that the downtime is within \_\_ days of the warranty period at any one time from the notification of such defects and not exceeding a cumulative period of \_\_ days within warranty period.
5. In case the complete delivery of Engineering Support Package is delayed beyond the period stipulated in this contract, then the Seller undertakes that the warranty period for the goods / stores shall be extended to that extent.

*(Note:- Wherever applicable the clause related to MTBF related warranties may be added as part of this Appendix)*

**Appendix D to Schedule I**  
(Refers to Para 7 of RFP)

**REPAIR AND MAINTENANCE PHILOSOPHY**

*Note: (The Repair and Maintenance Philosophy is only indicative and pertains to a particular service. SHQ concerned may amend this as per their requirement. No blanks to be left).*

1. The various levels of repairs are explained in succeeding paras. *(However, all levels may not be applicable to all types of equipment. As such the type of repair facility required for the equipment for which the RFP is being issued should be stated clearly by modifying the succeeding paras).*

**Unit Repairs**

2. These are repairs carried out within the unit holding this 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.

3. These pertain to cleaning, lubrications, minor repairs and replacement of components and minor assemblies that can be carried out in field without any sophisticated tools or test equipment.

4. For carrying out such repairs, the manufacturer is required to provide the following:-

- (a) Table of Tools and Equipment (TOTE) with each equipment including operators manual.
- (b) Scaling of special tools and spares as explained at para 2 above including Maintenance manual.

**Field Repairs**

5. These are repairs carried out in the field by technicians specially trained for this purpose and where the required special tools and spares have to be provided. These repairs comprise replacement of major assemblies and other components beyond the scope of unit level repairs. Normally a field work shop that carries out such repairs looks after three to four units holding the said equipment.

6. The manufacturer is required to provide the following:-

- (a) Quantity and specification of spares that need to be stocked for a population of \_\_\_\_\_ equipment.
- (b) Special Maintenance Tools and Test Equipment that need to be provided to each such field work shop. *(The total number of such facilities would also have to be stated based on deployment pattern of the concerned equipment to carryout total costing).*
- (c) All necessary technical literature.
- (d) Miscellaneous aspects, if any (viz. All necessary technical literature.).

### Intermediate Repairs

7. These are extensive or special repairs carried out for a few equipment in the field to reduce the down time. *(Include this only if applicable for the equipment being procured and state the action required from the manufacturer).*

### Base Repairs

8. The Indian Army would like to avoid dependence on the manufacturer in terms of factory repair. Thus all repairs including repairs to components, subassemblies and overhaul of the complete equipment are carried out by this facility.

9. Depending on the population of the equipment, one to five such facilities may be established in India for this purpose *(The actual No would have to be stated for costing)*. The manufacturer is required to provide the following:-

- (a) All Special Maintenance Tools, jigs, fixtures and test equipment for carrying out repairs up to component level.
- (b) Quantity and specification of spares, sub assemblies as per population expected to be maintained.
- (c) Oils and lubricants necessary for overhaul.
- (d) All necessary technical literature.
- (e) Calibration facilities for test equipment.

### Manufacturers Recommended List of Spares (MRLS).

10. Based on the explanation given above, you are requested to provide MRLS to sustain the equipment for a period of ---- years for various levels of repair as per format given at Annexure I to this Appendix. You will be required to provide these both with Technical and Commercial proposals. *(In case where the equipment has been in usage the spares would be sought by SHQ, on the recommended list to be furnished by the maintenance agency, based on the exploitation of the equipment, and NOT as per MRLS)*

11. While with the commercial proposal, the actual costs of each component/spare will be provided, in the case of Technical Proposal these will be reflected as Low Cost/ Medium Cost/High Cost. A guideline for this purpose is as under:-

- (a) Low Cost. Less than 2 % of the unit cost of the equipment/sub system.
- (b) Medium Cost. 2 to 10% of the unit cost of the equipment/sub system.
- (c) High Cost. Greater than 10 % of the unit cost of equipment/subsystem.

12. If the complete equipment comprises a number of different sub systems, for eg it is coming mounted on a vehicle or is provided with a stand for mounting or is inclusive of a generator or an air conditioner or has a sight, the MRLS must be provided separately for each such sub system.

### Special Maintenance Tools and Test Equipment

13. This is to be formulated in a similar manner as explained for MRLS. A suggested format is given at Annexure II to this Appendix and is to be included in both Technical and Commercial Proposals. The cost column may be left blank in the Technical Proposal.

### Technical Literature

14. The details of technical literature to be supplied with the system should be listed as per the suggested format at Annexure III to this Appendix. This should be provided with both Technical and Commercial Proposals. The cost column may be left blank in the Technical Proposal.

### Miscellaneous Aspects (*Applicable only when trials are required*)

15. In cases where the equipment is required to undergo trials, the equipment will also be put through Maintenance Evaluation Test. Based on this evaluation and in consultation with the supplier, the MRLS may be refined.

16. During user trials it may be brought out that the equipment is acceptable subject to carrying out certain modifications / improvements.

17. Maintainability Evaluation Trials (MET). This is carried with a view to facilitate provisioning of effective engineering support during life cycle of the equipment. This would involve stripping of the equipment and carrying out recommended tests and adjustments and establishing adequacy of maintenance tools, test equipment and technical literature. To facilitate this process the supplier is required to provide the following :-

- (a) Technical Literature.
  - (i) User Handbook/Operators Manual in English and Hindi.
  - (ii) Design Specifications.
  - (iii) Technical Manuals.
    - (aa) Part I. Tech description, specifications, functioning of various systems.
    - (ab) Part II. Inspection/Maintenance tasks repair procedures, materials used, fault diagnosis and use of Special Maintenance Tools (SMTs)/Special Test Equipment (STEs).
    - (ac) Part III. Procedure for assembly/disassembly, repair up to component level, safety precautions.
    - (ad) Part IV. Part list with drawing reference and List of SMTs/STEs Test Bench.
  - (iv) Manufacturers Recommended List of Spares (MRLS).

- (v) Illustrated Spare Parts List (ISPL) and along with the prices in the Commercial offer.
- (vi) Technical Manual on STE with drawing reference.
- (vii) Complete Equipment Schedule.
- (viii) Table of Tools & Equipment (TOTE) & carried spares.
- (ix) Rotable list, norms of consumption, mandatory/ non mandatory spares list for each system.
- (b) One set of Gauges
- (c) One set of Special Maintenance Tools (SMTs).
- (d) One set of Special Test Equipment (STEs).
- (e) Servicing Schedule.
- (f) Condemnation limits.
- (g) Permissive repair schedule.
- (h) Packing specifications /instructions.
- (j) Design Specifications.
- (k) Any additional information suggested by the OEM.

18. Vendors quoting lesser ESP/ MRLS in terms of range and depth will have to make good the deficiency. The vendors quoting surplus items in ESP/ MRLS should agree to buy back the surplus spares as per para 9 of the RFP.

19. The following may also be noted:-

- (a) The requirement of training and associated equipment must be clearly specified in Part I and details should be placed as per Annexure IV to this appendix.
- (b) The costs for aggregates and training must only be indicated in the commercial proposal.
- (c) Sufficiency clause in terms of installation material and spares should also be included *(as suggested by the SHQ)*.



**Annexure I to Appendix D**  
(Refers to Para 10)

**MANUFACTURER'S RECOMMENDED LIST OF SPARES (MRLS)**

EQUIPMENT : \_\_\_\_\_  
Original Equipment Manufacturer (OEM): \_\_\_\_\_

Ser No	Manufac turer's Part No	Source of Supply	Nomenclature	Nos fitted in one equipment	Illustrated Spare Part List (ISPL) Reference	Unit cost	Recommended scale for 100 equipment for two years				Total Cost				Remarks				
							Unit Repair	Field Repair	Intermediate Repair	Base Repair	Unit Repair	Field Repair	Intermediate Repair	Base Repair					
Total Cost																			

Notes: -

- Maintenance spares/stores like lubricants, sealing compound, gases should be given separately giving source of supply.
- Spares for component repairs should be included under the column of nodal repair & Base Repair as suggested by OEM.
- In 'Remarks' column following information (if applicable) be given:-
  - If an item has a shelf/operational life it be marked as 'G' and life indicated
  - Matching set of components be indicated.
  - Item which can be locally manufactured should be marked 'LM'.
  - Items which can not be manufactured in India due to sophisticated design/technology may be marked as 'SI' special item.
  - If a component/assembly is common to other similar equipment offered by the OEM earlier these should be marked 'CM' and name of the equipment be indicated.
- MRLS should be drawn out of the 'Part List' of the equipment, which should be separately given as part of Technical Manual Part IV.
- If the main equipment consists of other equipment then MRLS should be prepared for them under proper heads.

6. MRLS be prepared as per the maintenance concept of the customer (Appendix D).
7. Items provided along with the equipment as spares should also be included in MRLS.
8. Modules/ Shop Replaceable Unit (SRU)/ assemblies should be listed and their components should be included under them so as to relate each item of spare to their module / SRU / assembly.
9. Complete MRLS should be costed separately for Field, Nodal and Base repairs as it is required to be included as part of 'Total Costed Engineering Support Package' (ESP). OEM may give cost details in confidence to Contract Negotiation Committee (CNC), but other details as above be provided during Maintainability Equipment Trial(MET).
10. MRLS for test equipment should also be provided on the similar format.

**Annexure II to Appendix D**  
(Refers to Para 13)

**LIST OF SMT/STES, JIGS, FIXTURE AND INFRASTRUCTURE**

EQUIPMENT: \_\_\_\_\_

Original Equipment Manufacturer (OEM): \_\_\_\_\_

Ser No.	Manufacturer's Part No.	Designation	Unit Cost	Nos Required			Brief Purpose	Remarks
				Unit Repair	Field Repair	Intermediate Repair		

Notes

1. Prepare separate sheet for each type of equipment.
2. Specify in remarks column whether the Special Test Equipment (STE)/Special Maintenance Tools (SMT) can be used as general purpose equipment on any other kind of equipment.
3. For Nodal Repairs/Base repairs quantity required should be for repair of 10 equipments at a time.
4. If test equipment is commercially available ex India, the source of supply be specified.
5. Test equipment for calibrating the STEs should be included in the list above.
6. Test equipments which are required to be provided by the customer should also be included in the list above.

**Annexure III to Appendix D**  
(Refers to Para 14)

**TECHNICAL LITERATURE**

EQUIPMENT: \_\_\_\_\_

Original Equipment Manufacturer (OEM): \_\_\_\_\_

Ser No.	Technical Literature	Unit Cost	Scale For 100 equipment	Total cost	Remarks
1. User Handbook/operators Manual 2. Design Specifications 3. Technical Manual (a) <u>Part I.</u> Tech description, specifications, functioning of various Systems (b) <u>Part II.</u> Inspection/Maintenance tasks Repair procedures, materials used, fault diagnosis and use of Special Maintenance Tools (SMTs)/Special Test Equipment (STEs). (c) <u>Part III.</u> Procedure assembly/disassembly, repair up to component level, safety precautions. (d) <u>Part IV .</u> (i) Part list with drawing reference (ii) List of SMT/STEs with Test Bench					

4.	Manufacturer's Recommended List of Spares (MRLS)			
5.	Illustrated Spare Part list (ISPL)			
6.	Technical Manual on STE with drawing reference.			
7.	Floppies on the above Tech literature			
8.	Any other (specify)			

Total Cost

- Notes: -
1. In case any additional equipment is used their tech literature will be included.
  2. If certain technical literature is being provided free of cost if should be indicated in the remarks column.

**TRAINING AGGREGATES**

EQUIPMENT: \_\_\_\_\_

OEM: \_\_\_\_\_

Ser No.	Description of Training Aggregate	Scale For 100 Eqpt	Unit Cost	Total cost	Remarks
1.	Complete Equipment	2			
2.	Sectionised Equipment	1			
3.	Shop Replaceable Units (SRU)/PCB/Modules / assemblies as under :- (a) (b) (c)	One each			
4.	Computer based training package based on interactive multimedia to include (a) Full graphics, Animation test and sound (b) Symptoms-fault correlation (expert system).	One set			
5.	Training Aids to include (a) Charts (b) Slides (c) Training Brochures (d) Training Work models (e) Blow up diagram (f) Video films	One set			
6.	Cost of training ___ operators and ___ technicians in country of OEM				
7.	Any other				
Total Cost					

**Appendix E to Schedule I**  
(Refers to Para 18 and 28 of RFP)

**GUIDELINES AND CONDITIONS FOR ESTABLISHING MAINTENANCE  
INFRASTRUCTURE WITH AN INDIAN FIRM**

Note: (These guidelines and conditions are indicative. These may vary as per the type of service / equipment and the intended requirements. SHQ concerned may amend these as per their requirement. No blanks to be left).

1. The Govt of India, Ministry of Defence is desirous that the depot level maintenance (third line) and the life time support for the \_\_\_\_\_ (*generic name of the equipment*) be carried out through an Indian private / public firm. You may choose any one of the following firms for this purpose:- ( These firms would normally be DPSUs/ OFB/ Raksha Udhog Ratnas (RURs) or any other firm as selected by the DDP).

(a)

(b)

2. Scope of Maintenance. It is desired that the Indian entity selected should be able to accomplish the following towards providing maintenance support for the life cycle of the equipment:-

(a) Carry of depot level repairs to include repair of major assemblies, sub assemblies and of the equipment.

(b) Provision of spares for the unit level, field level and intermediate level repairs for the entire life cycle of the equipment. The scope of these repairs is elaborated subsequently. You are required to take into consideration these aspects while preparation of your maintenance plans. Initially the spares would be in the form of MRLS for a period of \_\_\_ years. The provision of spares subsequently would be through the identified Indian entity through a separate contract.

3. Maintenance Infrastructure. To enable the Indian entity to provide life time maintenance support in terms of spares and depot level, it is essential that the facilities, as given in the subsequent paras, are established / available in India at the premises of the selected Indian entity.

Note: The following is just for as the guidelines and would vary on case to case basis. The SHQ will have to work out the exact details prior to issuing out the RFP.

4. General.

(a) ToT shall be provided to the designated Maintenance Agency for “D” level maintenance of aircraft including

- (i) Airframe
- (ii) Engines
- (iii) Accessories (Equipments)

(b) Full TOT for the following systems for overhaul and repair is mandatory:

- (i) Air Frame including metallic and composite structures, empennage,
- (ii) Canopy, Radome, Special process, Casting & Forgings
- (iii) Flight Control Systems including FBW hardware and software
- (iv) Landing Gear system including all castings and forgings
- (v) Electrical and Avionics systems including Cockpit display systems
- (vi) Instruments, Communication and Navigation equipment, Power generation and distribution systems.
- (vii) Power Plant System including FADEC, Engine accessories, Turbine, NGV and compressor blades
- (viii) Hydraulic System including pumps, servo actuators along with its spool & sleeve
- (ix) Wheels and brakes system
- (x) Fuel System including in flight refuelling
- (xi) Environment system including OBOX, Pneumatic system
- (xii) Ejection Seat
- (xiii) Weapon Systems Integration, hardware and software.

(c) The TOT shall be for “D” level maintenance to cover Airframe, Engines, Avionics and other aggregates. . It shall be comprehensive and shall cover all aspects of maintenance up to the lowest level which will enable the Maintenance Agency to, repair, overhaul, support and maintain the license product. TOT shall include the details that are needed to give disposition during the maintenance on deviation/ concession; modify/ upgrade the licence product and substitute parts and systems of the licence product as required by the certifying agency and the maintenance agency.

(d) The OEM is required to provide the latest version of configuration control document which will provide detailed break down of the product structure in terms of lower level subsystems/ assemblies/ sub-assemblies/ modules/ detail parts/ PCBs/ wiring diagrams etc with their latest modification status.

(d) Vendor should submit an undertaking that he would provide & support complete TOT for maintenance to the buyer or his authorized Indian Organisation for the System and its sub-systems, modules, assemblies and detailed parts/ components.

(e) Vendor should submit an agreement that the buyer or his authorized Indian organisation reserves the right to approach directly the OEMs of the Sub- Systems for similar TOT agreements and that as a Main Contractor he will be the nodal agency to provide total support and facilitate such ToT agreements.

## 5. Documentation.

(a) The TOT Documentation to be provided by the OEM shall be in English language in



Electronic and hardcopy formats, and include documentation under the following heads:- (If required vendors may quote translation charges separately to enable the production agencies to decide whether to undertake the translation themselves or to seek the English version of the documentation from the vendor).

- (i) “D” level Maintenance documentation in ATA100/ATA iSpec 2200.
- (ii) Engineering documentation including special process.
- (iii) Software documentation including source code, build environment and utilities.
- (iv) Details of Special tools and Test equipments, Jigs & Fixtures.
- (v) OEM’s Standard Technical Manuals.
- (vi) Illustrated parts catalogue with price list.
- (vii) Source identification for BOIs and subcontracted items; standard parts consumables etc.
- (viii) Mandatory spares replacement lists and price catalogue for O,I, and D level maintenances.

(b) The OEM is required to furnish ‘Compliance Statement’ in respect of each type of Documentation listed above. Non-Compliance by the OEM against any of the documentation requirements depending upon its criticality will have an adverse bearing in the evaluation of ToT proposal.

(c) The documentation to be supplied by the OEM shall be that which is used by the OEM or its sub contractors for the purpose of maintenance of the licensed product in their Plant. The OEM will ensure completeness and exhaustiveness of the documentation for the purpose and work to be performed by the maintenance agency for maintenance/overhaul of the licensed product in his plant. Wherever approval of certification agency is relevant, approved documents will be provided. Certification standards as far as possible will be relevant MIL Specs or as mutually agreed with the User’s Certification Agency. All the certification documents generated for obtaining certification in the country of origin to be supplied. Further, vendor should supply such documentation as may be required by the Indian Certification Authorities.

(d) The OEM shall also provide the data in respect of MTBF, MTBO, MTBR, and Reliability of the product being offered.

(e) Labour hours. OEM should indicate their stabilized labour hours and Turn around time for each 3 levels of maintenance clearly indicating the learning curve adopted.

6. Special Technologies/ Processes. The OEM shall mention in the ToT proposal about special technologies and special coatings and treating processes along with details of plant and machinery vis-à-vis specific components/ assemblies. For identifying the augmentation needs to plant and machinery available with the production agency, if required vendor specialists shall visit production agency before submission of technical and commercial bid.

7. Capital Investment. OEM to provide their assessment of plant and machinery required including floor space required for the 3 levels of maintenance assuming that this project will be handled as an ab-initio green field project.
8. Special Maintenance Tools (SMTs) and Special Test Equipment (STEs).
  - (a) OEM shall provide complete technical data of the SMTs and STEs used in the Maintenance of Product. This information shall also include the data for manufacture and maintenance of the SMTs and STEs. Details on manufacturing hours are to be provided.
  - (b) Details of special category test equipments along with test rig/ test set up shall also be provided. Wherever software is used, details of the software including Source Code shall be provided.
  - (c) OEM shall provide details of calibration and periodicity of calibration in respect of SMTs and STEs. Details of master tester and associated special facilities required for this purpose (with source of supplies) will be provided by the OEM.
  - (d) OEM shall provide complete technical data of Ground handling and Ground support equipment used in the Production assembly, test and Maintenance of Product. This information shall also include the data for manufacture and maintenance of the same. Details on manufacturing hours are to be provided.
9. Standard tooling and General Industrial requirement. OEM to provide list / Technical details of standard tooling and general industrial requirement for carrying out “D” maintenance.
10. Training of Indian engineers / Technicians.
  - (a) As part of TOT, Industrial Training required by the Production Agency to realise the Fully Finished Product from SKD, CKD and IM kits and for providing component level maintenance support to the Customer shall be provided by the OEM. The Industrial Training shall be in English language, comprehensive, covering all aspects of ‘O’, ‘I’ AND ‘D’ level maintenance of the product down to sub-assembly, modules and PCB level. Apart from classroom training covering the critical aspects, due emphasis will be given to on-the-job training.
  - (b) All aspects of software including usage of source code, its build environment and utilities, are to be comprehensively covered during the software training module with a view to enable Maintenance Agency’s software Engineers undergoing training to acquire skills in the use, maintenance and update of the software.
  - (c) Industrial Training shall be in OEM’s plants, and/ or in the plants of its subcontractors, associates, principals and subsidiaries as the case may be. OEM shall ensure that such training is organized at the time when OEM has the product under production in its plant or in the plant of its vendors.
  - (d) OEM shall provide complete details of Industrial Training programme which will include scope, location, number of trainees and the duration for each phase of training in terms of instructor man weeks. Such Industrial Training programme shall be mutually agreed upon between OEM and Maintenance Agency.

(e) Details of the training shall be sub divided into batches with the date of start for each batch, duration of training etc, as will be agreed upon by OEM and Maintenance Agency subject to over all training schedule.

(f) Details of Industrial and user Training programme recommended by the OEM shall be provided as an annex to the technical proposal. OEM shall provide details regarding the training aids and simulators required at the Maintenance agency and at user locations.

11. Technical Assistance. As part of ToT, OEM shall provide requisite technical assistance to the Maintenance agency during the maintenance programme of the product in India. The details of such technical assistance considered necessary by the OEM shall be provided as an annex to the technical proposal. The total Technical Assistance package shall be in number of man weeks spread over number of missions. OEM shall provide question/ answer service and modification advices during the life cycle of the product at no additional cost.

12. Spare parts list. OEM based on their experience may provide the 10 off spares requirement for the 3 levels of maintenance separately. Spares which are to be mandatorily replaced during the 3 levels of maintenance should be identified and high lighted. For standard spares “NATO” codes may be provided against the respective spares.

13. Raw materials and consumables. OEM to provide list of raw material and consumables required during the 3 levels of maintenance programme.

14. Delivery Schedule. OEM shall provide complete schedule for transfer of documentation, providing of Training and Technical Assistance, supply of Spares, SMTs, STEs, Tools, Jigs and Fixtures ordered on OEM to match the overall maintenance programme. The Documentation for a specific phase of training shall be provided one month prior to the commencement of training for that phase to enable the trainees study documentation prior to the training. Specimen format for providing delivery schedule is at Annexure 1.

15. Life cycle cost. OEM shall provide all the details like Operating cost, Maintenance cost, Overhaul cost, training cost etc per squadron of aircraft , required to estimate the Life cycle cost of the aircraft.

16. Long Term Product Support. OEM shall ensure that the product support including supply of spares and management of obsolescence for the life of the product (minimum 30 years from the date of delivery of the last aircraft by the production agency) shall be available to the Maintenance agency/ its customer.

17. Warranty.

(a) Documentation. OEM shall warrant that the documentation supplied shall be identical, complete and of equal quality as the documentation used by him in its own activities and shall be accurate and complete for the 3 levels of maintenance and shall provide updates including Modifications/ improvements during the life cycle of the product/ tenure of the Licence Agreement.

(b) Material/ equipment/ kit supply. Items supplied should be free from any defects arising from faulty material, design or workmanship and should be guaranteed for quality/ satisfactory

performance for a period of minimum 12 calendar months/360 flying hours which ever is later , from the date when the stores are delivered to Production Agency. During this warranty period, defects arising from faulty material, design or workmanship, shall be remedied by OEM at his own cost. If it becomes necessary, the OEM should replace any defective portion of the goods or replace the material/ equipment as a whole without any additional cost to production Agency.

18. Performance Guarantee. OEM shall guarantee the performance of the product to design specifications at the production agency/ end customer locations.

19. Global rights: OEM should clearly indicate the extent of Global rights which they would be willing to offer to the Indian Production agency.

**PAYMENT TERMS**  
**(No blanks to be left)**

**Terms of Delivery and Payment**

1. The delivery of goods will be based on:-
  - (a) For Foreign Vendors. Free on Board (FOB)/FAS/FCA / Carriage and Insurance Paid to (CIP)/ Cost, Insurance and Freight (CIF) CFR/CPT \_\_/\_\_/\_\_\_\_ and consigned to \_\_\_\_\_ (Port/Air Port) with the ultimate consignee as \_\_\_\_\_.
  - (b) For Indian Vendors. F.O.R (Station Dispatch)/F.O.R (Destination) / ex. Works with ultimate consignee as \_\_\_\_\_.
  
2. Payment.
  - (a) Vendors may formulate their commercial offers on the assumption that a maximum of 15 % of the contract value would be receivable as advance, which would have to be supported by a Bank Guarantee (BG) of a first class Bank of international repute.
  - (b) The Buyer reserves the right to evaluate the offers received by adopting Discounted Cash Flow (DCF) method with a discounting rate in consonance with the existing government borrowing rate. DCF method would be used for evaluation of bids in the following cases: -
    - (i) To compare different payment terms, including advance payments and progressive stage payments to the vendors so as to bring them to a common denomination for determining lowest bidder.
    - (ii) To deal with cases where entering into AMC for period in excess of one year is part of the contract for evaluating for the lowest bid.
    - (iii) Lease – purchase options.
    - (iv) Detailed modalities for applying DCF technique are at Annexure I to this Appendix.

**Letter of Credit**

3. The Seller will give a notification to the Buyer about the readiness of goods for dispatch minimum 45 days prior to the delivery of the consignment. Consequent on receipt of the above notification, the buyer shall open the Letter of Credit before expiry of this period of 45 days provided the Performance-cum-Warranty Bond for the value of the contract has been received.

4. The Letter of Credit shall be valid for \_\_\_\_ days and shall allow payment against the presentation of the following documents to the Bank:-

- (a) Original “Clean on Board”, Bill of Lading/Airway Bill (Original Copy)
- (b) Commercial Invoice (Original Copy)
- (c) Inspection Acceptance Certificate demonstrating compliance with the technical specifications of the contractor to be issued by the beneficiary.
- (d) Packing List.
- (e) Certificate of Origin duly stamped by the Seller’s Chamber of Commerce.
- (f) Certificate of current manufacture.
- (g) Insurance and freight documents (in case of CIF contracts).
- (h) Landing certificate issued by Port Authority (in case of CIF contracts).

5. The payment will be made through an Irrevocable Letter of Credit in terms of provisions of Uniform Customs and Practices for Documentary Credit (UCPDC). An LC can be established in any of the Four Public Sector Banks i.e. S.B.I , Bank of Baroda, Canara Bank or Syndicate Bank.

#### Bank Guarantee (BG) against Advance Payments

6. The SELLER is required to furnish BGs for advance remittances/performance-cum-warranty bond, which are to be issued by banks of international repute and the details of the bank have to be furnished in the commercial offer. In this matter, Ministry of Defence will be advised by Parliament Street branch of State Bank of India, New Delhi as to whether to get BG from a foreign bank confirmed. The guidelines on confirmation of BG of foreign banks by Indian Banks are at Annexure II to this Appendix.

#### Performance cum Warranty Bond

7. A Performance cum Warranty Bond of 5 % of value of the Contract would be furnished by the seller in the form of a Bank Guarantee. Foreign bidders will submit the same from a first class Bank of international repute for which details of the bank are to be furnished in the commercial offer. MoD will be advised by SBI, Parliament Street as to whether the foreign bank is a first class bank of international repute before taking a decision whether the Performance cum Warranty Bond should be further confirmed. In case of Indian bidders, the bonds are required to be furnished from a public sector bank or a private sector bank authorized to conduct government business (ICICI Bank Ltd, Axis Bank Ltd or HDFC Bank Ltd). Confirmation of the same from SBI is not required. The Performance-cum-Warranty Bond should be valid for a period of three months beyond the warranty period as specified in the contract and should be furnished within 30 days of signing the contract.

8. Indemnity Bond. With regard to Payment Clauses including Bank Guarantee for Advance and Performance cum Warranty, for Defence PSUs being issued RFPs as a nominated production agency or on an ab-initio single vendor basis, submission of BGs need not be insisted upon. They should give Indemnity Bond. Format for Indemnity Bond is given at Annexure IV to this Appendix.

### Inspection

9. Pre Dispatch Inspection (PDI) would be at the discretion of the customer. In addition JRI may also be carried out. If it is PDI, the vendor should intimate at least 45 days prior to the day when the equipment is to be offered for PDI to enable our QA personnel to be available for inspection. In case of JRI, the representative of the vendor may be present for inspection after the equipment reaches the concerned depot. The vendor would be informed of the date for JRI.

### Liquidated Damages (LD)

10. In the event of the SELLER's failure to submit the Bonds, Guarantees and Documents, supply the stores/goods and conduct trials, installation of equipment, training and MET as per schedule specified in this contract, the BUYER may, at his discretion withhold any payment until the completion of the contract. The BUYER may also deduct from the SELLER as agreed, liquidated damages to the sum of 0.5% of the contract price of the delayed/undelivered stores/services mentioned above for every week of delay or part of a week, subject to the maximum value of the Liquidated Damages being not higher than 5% of the value of delayed stores.

### Exchange Rate Variation (ERV)

11. Exchange Rate variation shall be applicable for Rupee contracts with Indian Vendors, based on RFPs issued under the category 'Buy (Global)'. ERV, however shall not be applicable in cases categorised as 'Buy (Indian)' except for DPSUs in abinitio Single Vendor cases or when nominated as Production Agency. The guidelines on protection of Exchange Rate variation are given at Annexure III to this Appendix.

### Payment Terms for Indian Vendors

12. Vendors may formulate their commercial offer on the assumption that a maximum of 15% of the contract value would be receivable as advance which would have to be supported by a Bank Guarantee (BG) of a first class Indian Scheduled Bank. Balance payment will be made on \_\_\_% on proof of dispatch and inspection note issued by the inspectors and \_\_\_% will be paid on receipt of stores in good condition by the ultimate consignee. A certificate to that effect will be endorsed on the copy of inspection note which shall accompany the bills submitted by the supplier. The payment will be made by HQ PCDA, New Delhi on production of following documents:-

- (a) Commercial Invoice (original copy).
- (b) Contractors Bills.
- (c) Inspection Acceptance Certificate demonstrating compliance with the technical specifications of the contractor to be issued by the beneficiary.
- (d) Packing List.
- (e) Certificate of Origin.

(f) Warranty Certificate from the vendors.

Note:- For DPSUs payment terms would be as per the latest MOU in vogue.



**DETAILED MODALITIES FOR APPLYING DCF TECHNIQUE**

1. Net Present Value (NPV) is a variant of DCF method which is to be used for evaluation of tenders. The Net Present Value of a contract is equal to the sum of the present values of all the cash flows associated with it. The following formula is to be used for calculating NPV of a tender bid

Where,  $NPV = \sum \frac{An}{(1+i)^t}$

NPV = Net Present Value

A = Expected cash flow for the period mentioned by the subscript

i = Rate of interest or discounting factor

t = The period after which payment is done

n = Payment schedule as per the payment terms and conditions

When choosing among the various bids for the contract, the bid with the lowest NPV should be selected.

2. The application of the Net Present Value Analysis in defence procurement would involve the following 5 steps:

Step 1. Selection of the discount rate.

Step 2. Identifying the cash outflows to be considered in the analysis.

Step 3. Establishing the timing of the cash outflows.

Step 4. Calculating the net present value of each alternative.

Step 5. Selecting the offer with the least net present value.

3. Discounting rate to be used under the method is to be the Government of India's lending rate on loans given to State Governments. These rates are notified by Budget Division of Ministry of Finance annually. The latest one is Ministry of Finance OM No F. 5 (3)-PD/2004 dated 30 October 2008 (as per which the borrowing rate is 9%).

4. The following clause is to be incorporated in the RFP:-

“The Buyer reserves the right to evaluate the offers received by adopting Discounted Cash Flow (NPV) method with a discounting rate of ---%.”

5. The above clause will serve as a model and will need to be moderated according to the requirements of specific contracts and the areas where the evaluation by DCF is likely to be undertaken

(e.g. AMC, or different payments terms or lease purchase options etc.). The criteria for evaluation under this method is to be clearly stated to ensure transparency.

6. Suitable Model for Structuring Cash Flows

(a) Structuring Cash Flows for Tenders/ Bids Received in the Same Currency.

(i) The first step would be to exclude the unknown variables like escalation factors etc while determining the cash flows.

(ii) Thereafter, the cash outflows expected as per the contract schedule from different tenders should be taken into consideration and where the cash outflows are not available from the tender documents the same should be obtained from the vendors by the CNCs.

(iii) Once the outflows of different tenders become available, NPV of different tenders is to be calculated using the formula given above and select the one having lowest NPV.

(b) Structuring Cash Flows for Tenders/ Bids Received in Different Currency.

(i) Where bids are received in different currencies/combination of currencies, the cash outflow may be brought to a common denomination in rupees by adopting a base exchange rate as on the day of opening of price bids. Thereafter, the procedure as described above in the case of tender bids received in the same currency should be applied to arrive at NPV. Conversion of foreign currency bids into rupee is to be done by taking into account the BC selling rate of Parliament Street Branch of State Bank of India, New Delhi on the date of the opening of price bids.

(ii) Any standard software for example 'Excel', 'Lotus 1-2-3' or any other spreadsheet, which comes preloaded as part of a personal computer could be used for NPV analysis.

**GUIDELINES ON CONFIRMATION OF BANK GUARANTEES (BG)**  
**OF FOREIGN BANKS BY INDIAN BANKS**

1. In terms of Reserve Bank of India's guidelines issued vide letter No AP (DIR Series) Circular No 15 dated 17 September, 2003, all remittances of foreign exchange beyond US\$ 100,000 are to be against BGs/stand by letter of Credit from banks of international repute. Accordingly, Ministry of Defence will obtain Bank Guarantees (BGs) from foreign suppliers from banks of international repute for:-

- (a) Advances paid to them.
- (b) Performance of contracts as Performance BGs.
- (c) Warranty bonds to ensure warranty support of equipments supplied by the vendors.

2. To ascertain whether BGs given by foreign vendors are from banks of international repute, Ministry of Defence will be assisted by Parliament Street Branch of SBI.

3. With a view to institutionalize the procedure to be adopted for obtaining advice of State Bank of India; an 'Arrangement Letter' has been signed with SBI which covers the services that SBI will offer.

4. While CNC commences its commercial deliberations, parallelly SBI's advice on the BG will be sought. The advisory role of SBI will be put to action in the following manner:

- (a) On receiving details of BG proposed to be submitted by the vendor, the matter is to be referred to SBI.
- (b) SBI will render its advice within 7 days from the date of receipt of reference/details of the BG from MoD.
- (c) SBI's advice will be as follows:-
  - (i) In case BG is from a bank of international repute and country rating is satisfactory, SBI will advise MoD to accept BG without need for confirmation of the BG by an Indian bank.
  - (ii) In case the advice of SBI is that the BG is not from a bank of international repute and / or a confirmation of a local bank is required to be obtained by MoD, the vendor will be asked by MoD to instruct its banker to mutually settle the issue of BG with SBI who will in turn advise MoD regarding further action to be taken.
  - (iii) Only in case the vendor's bank is unable to settle the issue of BG with SBI, the matter will be referred back to MoD by SBI.
  - (iv) In such cases, as required, MoD will associate SBI officials in Contract Negotiation Committee (CNC) for settling the issue of BG with the vendors.

(v) In case at any stage SBI advises MoD to go in for confirmation/counter guarantee, MoD may follow the extant guidelines on the subject.

5. Information will be provided by SBI based on the particulars/ data available with SBI as on date of furnishing of such information. The details of information on the basis of which SBI will render its advice as indicated in the Arrangement Letter is at para 4 above.
6. The opinion/advisory services of SBI will not form the sole basis for taking a decision on confirmation of BG in cases where MoD has certain facts and information which are not available to SBI. Such facts and information will also have to be taken into account by MoD while taking a final view on the matter of confirmation of BG.
7. The information given by SBI to MoD in terms of the Arrangement Letter is for the purpose of internal use by MoD and is to be kept confidential. MoD will not disclose this information without prior consent of SBI in any manner whatsoever. Therefore, while addressing any communication to the vendor in terms of para 4 (c) (ii) above, care will have to be taken to convey only the final assessment of SBI regarding the foreign bank, without disclosing any supplementary details given by SBI.
8. All other matters regarding obtaining of advice from SBI on BG are to be governed by the Arrangement Letter.

**GUIDELINES OF PROTECTION OF EXCHANGE RATE**  
**VARIATION IN CONTRACTS**

1. Parameters to be kept in view while formulating ERV Clause.
- (a) In contracts with Indian Vendors in 'Buy (Global)' cases where there is an import content, ERV clause will be provided. It shall, however, not be applicable in 'Buy(Indian)' cases except for Defence PSUs in ab-initio Single Vendor cases or when nominated as Production Agency.
- (b) ERV clause will be framed according to the specific unique requirements of the contract. While calling for information at the RFP stage / formulation of ERV clause in the contracts, the following factors are to be taken into consideration depending upon the requirements of the individual contracts:-
- (i) Year wise and major currency wise import content break up is to be indicated.
- (ii) Detailed time schedule for procurement of imported material and their value at the FE rates adopted for the contract is to be furnished by the vendor as per the format given below :-

YEAR	TOTAL COST OF IMPORTED MATERIAL (in rupees)	FE CONTENT - OUT FLOW (equivalent in rupees in crores)			
		DOLLAR DENOMINATED	EURO DENOMINATED	POUNDS DENOMINATED	OTHER CURRENCIES DENOMINATED (as applicable)

- (iii) ERV clause will not be applicable in case delivery periods for imported content are subsequently to be refixed /extended unless the reasons for delivery period extension are attributable to the buyer.
- (iv) For purposes of ensuring uniformity, the Base Exchange rate of the Parliament Street Branch of State Bank of India, New Delhi at the time of opening of commercial quotes will be adopted for each of the major foreign currencies.

- (v) ERV clause in the contract is to clearly indicate that ERV is payable/ refundable depending upon exchange rate as prevalent on the date of transaction with reference to exchange rate adopted for the valuation of the contract.
- (vi) Other issues which are peculiar to the contract.

2. **Methodology to be followed for claiming ERV**

“The prices finalized in the contract are based on the base exchange rates indicated in the contract. The year-wise amount of foreign exchange component of the imported items as indicated in the contract shall be adjusted for the impact of exchange Rate Variation of the Rupee based on the exchange rate prevailing on the date of each transaction, as notified by the SBI, Parliament Street Branch, New Delhi. The impact of notified Exchange Rate Variation shall be computed on an yearly basis for the outflow as tabulated in Annexure ... (The table at para 1(b) (iii) is to be an Annexure to the contract) and shall be paid / refunded before the end of the financial year based on the certification of Finance Head of the concerned Division....”

- 3. Paying authority, is to undertake a pre-audit of the documents before payment.
- 4. Documentation for Claiming ERV:- The following documents would need to be submitted in support of the claim on account of ERV :-
  - (a) A bill of ERV claim enclosing worksheet.
  - (b) Banker's Certificate / debit advice detailing Foreign Exchange paid and Exchange rate as on date of transaction.
  - (c) Copies of import orders placed on the suppliers.
  - (d) Invoice of supplier for the relevant import orders.

**Annexure IV to Appendix F**  
(Refers to Para 8 of Appendix F)

**INDEMNITY BOND FOR PERFORMANCE-CUM-WARRANTY**

1. This deed made on this.....day of ...by M/s \_\_\_\_\_, a company registered under The Companies Act 1956 having its registered office at \_\_\_\_\_ and acting through its corporate office at \_\_\_\_\_ (hereinafter referred to as the "SELLER").
2. Whereas MoD, New Delhi acting on behalf of the President of India (hereinafter referred to as "BUYER") has placed a Contract No \_\_\_\_\_ dated \_\_\_\_\_
3. And whereas, the SELLER has agreed to execute this Indemnity Bond for performance-cum-warranty on the terms and conditions appearing hereinafter.
4. It is hereby agreed and declared by the SELLER that :-
  - a. The SELLER shall duly and faithfully perform its obligation under the said contract and comply with the conditions in the said contract.
  - b. The SELLER shall, in as much as with its control, refrain from such actions or actions as may cause loss, injury, damage to the BUYER.
  - c. In the event of breach/default by the SELLER in complying and in case the breach/default is not remedied by the SELLER up to period of the notification of the breach/default by the BUYER, the SELLER shall indemnify to the BUYER, to the extent of ₹ \_\_\_\_\_ (Rupees \_\_\_\_\_ only) being \_\_\_\_% of the contract value of ₹ \_\_\_\_\_ (Rupees \_\_\_\_\_ only) of any direct losses or damages suffered by the BUYER due to failure of the SELLER.
  - d. The SELLER shall be fully discharged of its obligations under this bond on meeting its liability as per Para c above which shall be restricted to the limit as provided at Para c above.
  - e. The SELLER shall not be liable for any breach/default arising out of force majeure situation or due to any default, action, inaction or failure on the part of the BUYER. The liability of the SELLER under this bond shall remain and in full force until the fulfillment of the obligations of the SELLER under the said Contract.
  - f. The SELLER hereby expressly, irrevocably, and unreservedly undertake and guarantee that in the event that the beneficiary submits a written demand to SELLER stating that they have not performed according to the warranty obligations for the PRODUCTS as per Article, SELLER will pay BUYER on demand and without demur any sum up to maximum amount of \_\_\_\_% of the contract value. BUYER'S written demand shall be conclusive evidence to SELLER that such repayment is due under the terms of the said contract. SELLER undertakes to effect payment within \_\_\_\_ days from receipt of such written demand.
  - g. The amount of warranty / guarantee shall not be increased beyond \_\_\_\_%. Unless a

demand under this warranty/guarantee is received by SELLER in writing on or before the expiry date (unless this warranty/guarantee is extended by the SELLER) all rights under this guarantee shall be forfeited and SELLER shall be discharged from the liabilities hereunder. This warranty/guarantee is personal to the BUYER and not assigned to a third party without prior written permission.

5. This Indemnity Bond for Performance-cum-Warranty guarantee shall be governed by Indian Law.

For \_\_\_\_\_

Signature:

Name:

Witness:

1.

2.

Signature:

Name:



**Appendix G to Schedule I**  
(Refers to Paras 35 & 37 of RFP)

**COMMERCIAL OFFER**

1. The Commercial Offer should be in the following format:-

<u>Sr. No</u>	<u>Items</u>	<u>Nos Required</u>	<u>Unit Cost</u>	<u>Total Cost</u>	<u>Remarks</u>
(a)	Basic Unit cost of fully formed (CIF in case of foreign firm) and/or semi knocked down and completely knocked down kits for the quantity being negotiated for.				
(b)	Cost of Transfer of Technology (where applicable).				
(c)	Cost of Manufacturers Recommended List of Spares as per the format given at Annexure 1 to Appendix D. <b><i>(In case equipment is already in usage the spare parts requirement must be specific rather than being based on MRLS)</i></b>				
(d)	Cost of Special Maintenance Tools and Special Test Equipment as per format given at Annexure II to Appendix D.				
(e)	Cost of recommended period of training excluding the cost of travel, boarding and lodging separately for operators and maintenance technicians and QA Representative. This should be given under the following two heads ( as applicable):- (a) In India (b) Abroad				
(f)	Cost of operators manual, technical literature including Illustrated Spare Parts List as per Annexure III to Appendix D, in English Language.				
(g)	Details and cost of training aids such as simulators, cut out models, films, charts etc as recommended by the supplier as per Annexure IV to Appendix D.				
(h)	The package cost of equipment/ammunition				

	of various quantities. (Range of quantum of equipment/ammunition be specified).				
(j)	Cost of Optional Equipment.				
(k)	AMC Cost specifying No of years (where applicable)				
(l)	Amount for:- (i) Excise Duty. (ii) Sales Tax / VAT (iii) Service Tax (if applicable) (iv) Freight and Transit Insurance Cost. (v) Octroi etc. (vi) Custom Duty payable on import component for which CDEC required. (vii) Import component for ERV purposes.				
(m)	Foreign Exchange component of the proposal.				

Note: The same may be amended by SHQ in consultation with MoD (Fin) on a case to case basis based on the requirement. It is recommended that warranty requirements, in service life and product support requirements are specified in the RFP to put all vendors on an even platform. The various heads maybe carefully examined. Any addition/ deletion/amendment which materially change the L1 may not be permissible at a later stage.

2. Following details should also be given in commercial offers:-

- (a) Payment schedule.
- (b) Delivery schedule that can be adhered to by the supplier with reference to the date of signing of contract.
- (c) Validity of quotation. The prices should be firm and fixed and be valid for 18 months from date of submission.
- (d) Nomenclature of items which will be provided with each equipment as Table of Tools and Equipment (TOTE).
- (e) For F.O.B cases, the foreign vendors should quote the transportation and insurance charges separately in Ser 1(a) above to make the basic cost of the equipment as per CIF terms.

**STANDARD CLAUSES IN CONTRACT****LAW**

1. The present Contract shall be considered and made in accordance to the laws of Republic of India.

**ARBITRATION**

2. All disputes or differences arising out of or in connection with the present Contract, including the ones connected with the validity of the present Contract or any part thereof, shall be settled by bilateral discussions.
3. Any dispute, disagreement of question arising out of or relating to this Contract or relating to construction or performance (except as to any matter the decision or determination whereof is provided for by these conditions), which cannot be settled amicably, shall within sixty (60) days or such longer period as may be mutually agreed upon, from the date on which either party informs the other in writing by a notice that such dispute, disagreement or question exists, will be referred to the Arbitration Tribunal consisting of three arbitrators.
4. Within sixty (60) days of the receipt of the said Notice, one arbitrator shall be nominated in writing by SELLER and one arbitrator shall be nominated by BUYER.
5. The third arbitrator, who shall not be a citizen or domicile or of the country either of the parties or of any other country unacceptable to any of the parties shall be nominated of the parties within (90) days of the receipt of the notice mentioned above, failing which the third arbitrator may be nominated under the provisions of the Indian Arbitration and Conciliation Act, 1996, or by arbitration or dispute resolution institutions, such as Indian Council of Arbitration, ICADR or by the President of International Chamber of Commerce, Paris, at request of either party but the said nomination would be after consultation with both the parties and shall preclude any citizen or domicile of any country as mentioned. The arbitrator nominated under this Clause shall not be regarded nor act as an umpire.
6. The Arbitration Tribunal shall have its seat in New Delhi or such other place in India as may be mutually agreed to between the parties.
7. The Arbitration Proceedings shall be conducted in India under the Indian Arbitration and Conciliation Act, 1996 and the award of such Arbitration Tribunal shall be enforceable in Indian Courts only.
8. The decision of the majority of the arbitrator shall be final and binding on the parties to this contract.
9. Each party shall bear its own cost of preparing and presenting its case. The cost of arbitration

including the fees and expenses of the third arbitrator shall be shared equally by the Seller and the Buyer.

10. In the event of a vacancy caused in the office of the arbitrators, the party which nominated such arbitrator, shall be entitled to nominate another in his place and the arbitration proceedings shall continue from the stage they were left by the retiring arbitrator.

11. In the event of one of the parties failing to nominate its arbitrator within 60 days as above or if any of the parties does not nominate another arbitrator within 60 days of the place of arbitrator falling vacant, then the other party shall be entitled after due notice of at least 30 days to request the President of the International Chamber of Commerce or dispute resolution institutions in India such as Indian Council of Arbitration, ICADR to nominate another arbitrator as above.

12. If the place of the third arbitrator falls vacant, his substitute shall be nominated according to the provisions herein above stipulated.

13. The parties shall continue to perform their respective obligations under this contract during the pendency of the arbitration proceedings except in so far as such obligations are the subject matter of the said arbitration proceedings.

#### FORCE MAJEURE

14. Should any force majeure circumstances arise, each of the contracting party shall be excused for the non-fulfillment or for the delayed fulfillment of any of its contractual obligations, if the affected party within (\_\_\_\_ days) of its occurrence informs in a written form the other party.

15. Force majeure shall mean fires, floods, natural disasters or other acts such as war, turmoil, strikes, sabotage, explosions, quarantine restriction beyond the control of either party.

#### PENALTY FOR USE OF UNDUE INFLUENCE

16. The Seller undertakes that he has not given, offered or promised to give, directly or indirectly any gift, consideration, reward, commission, fees brokerage or inducement to any person in service of the Buyer or otherwise in procuring the Contracts or forbearing to do or for having done or forborne to do any act in relation to the obtaining or execution of the Contract or any other Contract with the Government for showing or forbearing to show favour or disfavour to any person in relation to the Contract or any other Contract with the Government. Any breach of the aforesaid undertaking by the seller or any one employed by him or acting on his behalf (whether with or without the knowledge of the seller) or the commission of any offers by the seller or anyone employed by him or acting on his behalf, as defined in Chapter IX of the Indian Penal Code, 1860 or the Prevention of Corruption Act, 1988 or any other Act enacted for the prevention of corruption shall entitle the Buyer to cancel the contract and all or any other contracts with the seller and recover from the seller the amount of any loss arising from such cancellation. A decision of the buyer or his nominee to the effect that a breach of the undertaking had been committed shall be final and binding on the Seller.

17. Giving or offering of any gift, bribe or inducement or any attempt at any such act on behalf of the seller towards any officer/employee of the buyer or to any other person in a position to influence any officer/employee of the Buyer for showing any favour in relation to this or any other contract, shall

render the Seller to such liability/ penalty as the Buyer may deem proper, including but not limited to termination of the contract, imposition of penal damages, forfeiture of the Bank Guarantee and refund of the amounts paid by the Buyer.

18. **Integrity Pact.** Further signing of an 'Integrity Pact' would be considered between government department and the bidder for schemes exceeding Rs 100 Crs. The Integrity Pact is a binding agreement between the agency and bidders for specific contracts in which the agency promises that it will not accept bribes during the procurement process and bidders promise that they will not offer bribes. Under the IP, the bidders for specific services or contracts agree with the procurement agency or office to carry out the procurement in a specified manner. The essential elements of the IP are as follows: -

- (a) A pact (contract) between the Government of India (Ministry of Defence) (the authority or the "principal") and those companies submitting a tender for this specific activity (the "bidders");
- (b) An undertaking by the principal that its officials will not demand or accept any bribes, gifts, etc., with appropriate disciplinary or criminal sanctions in case of violation;
- (c) A statement by each bidder that it has not paid, and will not pay, any bribes;
- (d) An undertaking by each bidder to disclose all payments made in connection with the contract in question to anybody (including agents and other middlemen as well as family members, etc., of officials); the disclosure would be made either at time of tender submission or upon demand of the principal, especially when a suspicion of a violation by that bidder emerges;
- (e) The explicit acceptance by each bidder that the no-bribery commitment and the disclosure obligation as well as the attendant sanctions remain in force for the winning bidder until the contract has been fully executed;
- (f) Undertakings on behalf of a bidding company will be made "in the name and on behalf of the company's chief executive officer";
- (g) The following set of sanctions shall be enforced for any violation by a bidder of its commitments or undertakings: -
  - (i) Denial or loss of contract;
  - (ii) Forfeiture of the bid security and performance bond;
  - (iii) Liability for damages to the principal and the competing bidders, and
  - (iv) Debarment of the violator by the principal for an appropriate period of time.
- (h) Bidders are also advised to have a company code of conduct (clearly rejecting the use of bribes and other unethical behavior) and a compliance program for the implementation of the code of conduct throughout the company.
- (j) The draft Pre-Contract Integrity Pact is attached as Annexure I to this Appendix. The vendors are required to sign them and submit separately along with the technical and commercial offers.

(k) Every Bidder while submitting techno commercial bid shall also deposit \_\_\_\_ Crores as earnest Money / Security Deposit through any of the instruments mentioned at Para 8 of Annexure I. This would be submitted in a separate envelope clearly marked as Earnest Money Deposit along with technical and commercial proposals.

18.1 In respect of bids from DPSUs, while a DPSU is not required to sign an Integrity Pact with the Ministry of Defence, the concerned DPSU shall, however, enter in to a Pre-Contract Integrity Pact, on the same lines with their sub-vendors individually, in case the estimated value of each sub-contract(s) exceed Rs 20 crore, and such subcontract(s) are required to be entered in to by the DPSU with a view to enable DPSU to discharge the obligations arising out of their bid in question in response to this RFP.

#### AGENTS/ AGENCY COMMISSION

19. The seller confirms and declares to the buyer that the seller is the original manufacturer of the stores referred to in this contract and has not engaged any individual or firm, whether Indian or foreign whatsoever, to intercede, facilitate or in any way to recommend to the Government of India or any of its functionaries, whether officially or unofficially, to the award of the contract to the Seller; nor has any amount been paid, promised or intended to be paid to any such individual or firm in respect of any such intercession, facilitation or recommendation. The Seller agrees that if it is established at any time to the satisfaction of the Buyer that the present declaration is in any way incorrect or if at a later stage it is discovered by the Buyer that the Seller has engaged any such individual/firm, and paid or intended to pay any amount, gift, reward, fees, commission or consideration to such person, party, firm or institution, whether before or after the signing of this contract, the Seller will be liable to refund that amount to the Buyer. The Seller will also be debarred from entering into any supply Contract with the Government of India for a minimum period of five years. The Buyer will also have a right to consider cancellation of the Contract either wholly or in part, without any entitlement or compensation to the Seller who shall in such event be liable to refund all payments made by the Buyer in terms of the Contract along with interest at the rate of 2% per annum above LIBOR rate (for foreign vendors) and Base Rate of SBI (for Indian Vendors). The Buyer will also have the right to recover any such amount from any contracts concluded earlier with the Government of India.

#### ACCESS TO THE BOOKS OF ACCOUNTS

20. In case it is found to the satisfaction of the Buyer that the Seller has engaged an Agent or paid commission or influenced any person to obtain the contract as described in clauses relating to Agents/ Agency Commission and penalty for use of undue influence, the Seller, on a specific request of the Buyer shall provide necessary information/inspection of the relevant financial documents/ information.

## **PRE-CONTRACT INTEGRITY PACT**

### **General**

1. Whereas the PRESIDENT OF INDIA, represented by Joint Secretary & Acquisition Manager (Land/Air/Maritime Systems), Ministry of Defence, Government of India, hereinafter referred to as the Buyer and the first party, proposes to procure (Name of the Equipment), hereinafter referred to as Defence Stores, and M/s \_\_\_\_\_, represented by, \_\_\_\_\_ Chief Executive Officer (which term, unless expressly indicated by the contract, shall be deemed to include its successors and its assignees), hereinafter referred to as the Bidder/Seller and the second party, is willing to offer/has offered the stores.
2. Whereas the Bidder is a private company/public company/partnership/ registered export agency, constituted in accordance with the relevant law in the matter and the Buyer is a Ministry of the Government of India performing its functions on behalf of the President of India.

### **Objectives**

3. Now, therefore, the Buyer and the Bidder agree to enter into this pre-contract agreement, hereinafter referred to as Integrity Pact, to avoid all forms of corruption by following a system that is fair, transparent and free from any influence / unprejudiced dealings prior to, during and subsequent to the currency of the contract to be entered into with a view to:-
  - 3.1 Enabling the Buyer to obtain the desired defence stores at a competitive price in conformity with the defined specifications of the Services by avoiding the high cost and the distortionary impact of corruption on public procurement, and
  - 3.2 Enabling bidders to abstain from bribing or any corrupt practice in order to secure the contract by providing assurance to them that their competitors will also refrain from bribing and other corrupt practices and the Buyer will commit to prevent corruption, in any form, by their officials by following transparent procedures.

### **Commitments of the Buyer**

4. The Buyer Commits itself to the following:-
  - 4.1 The Buyer undertakes that no official of the Buyer, connected directly or indirectly with the contract, will demand, take a promise for or accept, directly or through intermediaries, any bribe, consideration, gift, reward, favour or any material or immaterial benefit or any other advantage from the Bidder, either for themselves or for any person, organization or third party related to the contract in exchange for an advantage in the bidding process, bid evaluation, contracting or implementation process related to the Contract.

- 4.2 The Buyer will, during the pre-contract stage, treat all Bidders alike, and will provide to all Bidders the same information and will not provide any such information to any particular Bidder which could afford an advantage to that particular Bidder in comparison to other Bidders.
- 4.3 All the officials of the Buyer will report to the appropriate Government office any attempted or completed breaches of the above commitments as well as any substantial suspicion of such a breach.
5. In case of any such preceding misconduct on the part of such official(s) is reported by the Bidder to the Buyer with full and verifiable facts and the same is prima facie found to be correct by the Buyer, necessary disciplinary proceedings, or any other action as deemed fit, including criminal proceedings may be initiated by the Buyer and such a person shall be debarred from further dealings related to the contract process. In such a case while an enquiry is being conducted by the Buyer the proceedings under the contract would not be stalled.

### **Commitments of Bidders**

6. The Bidder commits himself to take all measures necessary to prevent corrupt practices, unfair means and illegal activities during any stage of his bid or during any precontract or post-contract stage in order to secure the contract or in furtherance to secure it and in particular commits himself to the following:-
- 6.1 The Bidder will not offer, directly or through intermediaries, any bribe, gift, consideration, reward, favour, any material or immaterial benefit or other advantage, commission, fees, brokerage or inducement to any official of the Buyer, connected directly or indirectly with the bidding process, or to any person, organization or third party related to the contract in exchange for any advantage in the bidding, evaluation, contracting and implementation of the Contract.
- 6.2 The Bidder further undertakes that he has not given, offered or promised to give, directly or indirectly any bribe, gift, consideration, reward, favour, any material or immaterial benefit or other advantage, commission, fees, brokerage or inducement to any official of the Buyer or otherwise in procuring the Contract or forbearing to do or having done any act in relation to the obtaining or execution of the Contract or any other Contract with the Government for showing or forbearing to show favour or disfavour to any person in relation to the Contract or any other Contract with the Government.
- 6.3 The Bidder will not collude with other parties interested in the contract to impair the transparency, fairness and progress of the bidding process, bid evaluation, contracting and implementation of the contract.
- 6.4 The Bidder will not accept any advantage in exchange for any corrupt practice, unfair means and illegal activities.
- 6.5 The Bidder further confirms and declares to the Buyer that the Bidder is the original manufacturer/integrator/authorised government sponsored export entity of the defence stores and has not engaged any individual or firm or company whether Indian or foreign to intercede, facilitate or in any way to recommend to the Buyer or any of its functionaries, whether officially



or unofficially to the award of the contract to the Bidder, nor has any amount been paid, promised or intended to be paid to any such individual, firm or company in respect of any such intercession, facilitation or recommendation.

6.6 The Bidder, either while presenting the bid or during pre-contract negotiations or before signing the contract, shall disclose any payments he has made, is committed to or intends to make to officials of the Buyer or their family members, agents, brokers or any other intermediaries in connection with the contract and the details of services agreed upon for such payments.

6.7 The Bidder shall not use improperly, for purposes of competition or personal gain, or pass on to others, any information provided by the Buyer as part of the business relationship, regarding plans, technical proposals and business details, including information contained in any electronic data carrier. The Bidder also undertakes to exercise due and adequate care lest any such information is divulged.

6.8 The Bidder commits to refrain from giving any complaint directly or through any other manner without supporting it with full and verifiable facts.

6.9 The Bidder shall not instigate or cause to instigate any third person to commit any of the actions mentioned above.

7. **Previous Transgression**

7.1 The Bidder declares that no previous transgression occurred in the last three years immediately before signing of this Integrity Pact, with any other company in any country in respect of any corrupt practices envisaged hereunder or with any Public Sector Enterprise in India or any Government Department in India, that could justify bidder's exclusion from the tender process.

7.2 If the Bidder makes incorrect statement on this subject, Bidder can be disqualified from the tender process or the contract, if already awarded, can be terminated for such reason.

8. **Integrity Pact Bank Guarantee (IPBG)**

8.1. Every bidder, while submitting commercial bid, shall submit an Integrity Pact Bank Guarantee for an amount of \* \_\_\_\_\_ in favour of the Buyer in Indian Rupees only.

(i) Guarantee will be from an Indian Nationalized Bank / ICICI Bank Ltd / Axis Bank Ltd / HDFC Bank Ltd, promising payment of the guaranteed sum to the Ministry of Defence, Government of India, represented on behalf of the President of India, on demand within three working days without any demur whatsoever and without seeking any reasons whatsoever. The demand for payment by the Buyer shall be treated as conclusive proof for payment. A model Bank Guarantee format is enclosed.

\*At present, the amount of Integrity Pact Bank Guarantee is ₹. 1 crore in cases where the cost as estimated by the Buyer is above ₹. 100 crore and up to ₹. 300 crore and ₹. 3 crore if above ₹ 300 crore.

8.2. The Integrity Pact Bank Guarantee (IPBG) shall be valid upto and including 45 days after the validity of commercial offer. However, bidders will be required to extend the Integrity Pact Bank Guarantee, as and when required by the buyer. In the case of the successful bidder, validity of the Integrity Pact Bank Guarantee will be extended upto the satisfactory completion of the contract. Integrity Pact Bank Guarantee shall be returned promptly in case of unsuccessful bidders

8.3 In the case of successful bidder a clause would also be incorporated in the Article pertaining to Performance Bond in the Purchase Contract that the provisions of Sanctions for Violation shall be applicable for forfeiture of Performance Bond in case of a decision by the Buyer to forfeit the same without assigning any reason for imposing sanction for violation of this pact.

8.4 The provisions regarding Sanctions for Violation in Integrity Pact include forfeiture of Performance Bond in case of a decision by the Buyer to forfeit the same without assigning any reason for imposing sanction for violation of Integrity Pact.

8.5 No interest shall be payable by the Buyer to the Bidder(s) on Earnest Money/Security Deposit for the period of its currency.

9. **Company Code of Conduct**

9.1 Bidders are also advised to have a company code of conduct (clearly rejecting the use of bribes and other unethical behavior) and a compliance program for the implementation of the code of conduct throughout the company.

10. **Sanctions for Violation**

10.1 Any breach of the aforesaid provisions by the Bidder or any one employed by him or acting on his behalf (whether with or without the knowledge of the Bidder) or the commission of any offence by the Bidder or any one employed by him or acting on his behalf, as defined in Chapter IX of the Indian Penal Code, 1860 or the Prevention of Corruption Act 1988 or any other act enacted for the prevention of corruption shall entitle the Buyer to take all or any one of the following actions, wherever required:-

- (i) To immediately call off the pre-contract negotiations without assigning any reason or giving any compensation to the Bidder. However, the proceedings with the other Bidder(s) would continue.
- (ii) The Earnest Money/Security Deposit/Performance Bond shall stand forfeited either fully or partially, as decided by the Buyer and the Buyer shall not be required to assign any reason therefore.
- (iii) To immediately cancel the contract, if already signed, without giving any compensation to the Bidder.
- (iv) To recover all sums already paid by the Buyer, in case of an Indian Bidder with interest thereon at 2% higher than the prevailing Base Rate of SBI, and in case of a Bidder from a country other than India with interest thereon at 2% higher than the LIBOR. If any outstanding payment is due to the Bidder from the Buyer in connection

with any other contract for any other defence stores, such outstanding payment could also be utilized to recover the aforesaid sum and interest.

- (v) To encash the advance bank guarantee and performance bond/warranty bond, if furnished by the Bidder, in order to recover the payments, already made by the Buyer, along with interest.
- (vi) To cancel all or any other Contracts with the Bidder.
- (vii) To debar the Bidder from entering into any bid from the Government of India for a minimum period of five years, which may be further extended at the discretion of the Buyer.
- (viii) To recover all sums paid in violation of this Pact by Bidder(s) to any middleman or agent or broker with a view to securing the contract.
- (ix) If the Bidder or any employee of the Bidder or any person acting on behalf of the Bidder, either directly or indirectly, is closely related to any of the officers of the Buyer, or alternatively, if any close relative of an officer of the Buyer has financial interest/stake in the Bidder's firm, the same shall be disclosed by the Bidder at the time of filing of tender. Any failure to disclose the interest involved shall entitle the Buyer to rescind the contract without payment of any compensation to the Bidder.

The term 'close relative' for this purpose would mean spouse whether residing with the Government servant or not, but not include a spouse separated from the Government servant by a decree or order of a competent court; son or daughter or step son or step daughter and wholly dependent upon Government servant, but does not include a child or step child who is no longer in any way dependent upon the Government servant or of whose custody the Government servant has been deprived of by or under any law; any other person related, whether by blood or marriage, to the Government servant or to the Government servant's wife or husband and wholly dependant upon Government servant.

- (x) The Bidder shall not lend to or borrow any money from or enter into any monetary dealings or transactions, directly or indirectly, with any employee of the Buyer, and if he does so, the Buyer shall be entitled forthwith to rescind the contract and all other contracts with the Bidder. The Bidder shall be liable to pay compensation for any loss or damage to the Buyer resulting from such rescission and the Buyer shall be entitled to deduct the amount so payable from the money(s) due to the Bidder.

- (xi) In cases where irrevocable Letters of Credit have been received in respect of any contract signed by the Buyer with the Bidder, the same shall not be opened.

10.2 The decision of the Buyer to the effect that a breach of the provisions of this Integrity Pact has been committed by the Bidder shall be final and binding on the Bidder, however, the Bidder can approach the monitor(s) appointed for the purposes of this Pact.

## 11. **Fall Clause**

11.1 The Bidder undertakes that he has not supplied/is not supplying the similar systems or

subsystems at a price lower than that offered in the present bid in respect of any other Ministry/ Department of the Government of India and if it is found at any stage that the similar system or sub-system was supplied by the Bidder to any other Ministry/Department of the Government of India at a lower price, then that very price, with due allowance for elapsed time, will be applicable to the present case and the difference in the cost would be refunded by the Bidder to the Buyer, if the contract has already been concluded.

11.2 The Bidder shall strive to accord the most favoured customer treatment to the Buyer in respect of all matters pertaining to the present case.

## 12. **Independent Monitors**

12.1 The Buyer has appointed Independent Monitors for this Pact in consultation with the Central Vigilance Commission (*Names and Addresses of the Monitors to be given in RFP*).

12.2 As soon as the integrity pact is signed, the buyer shall provide a copy thereof, along with a brief background of the case to the Independent Monitors.

12.3 The bidder(s), if they deem it necessary, may furnish any information as relevant to their bid to the Independent Monitors.

12.4 If any complaint with regard to violation of the IP is received by the buyer in a procurement case, the buyer shall refer the complaint to the Independent Monitors for their comments/enquiry.

12.5 If the Independent Monitors need to peruse the relevant records of the buyer in connection with the complaint sent to them by the buyer, the buyer shall make arrangement for such perusal of records by the Independent Monitors.

12.6 The report of enquiry, if any, made by the Independent Monitors shall be submitted to the head of the Acquisition Wing of the Ministry of Defence, Government of India for a final and appropriate decision in the matter keeping in view the provision of this pact.

## 13. **Examination of Books of Accounts**

In case of any allegation of violation of any provisions of this Integrity Pact or payment of commission, the Buyer or its agencies shall be entitled to examine the Books of Accounts of the Bidder and the Bidder shall provide necessary information of the relevant financial documents in English and shall extend all possible help for the purpose of such examination.

## 14. **Law and Place of Jurisdiction**

This Pact is subject to Indian Law. The place of performance and jurisdiction is the seat of the Buyer i.e. New Delhi.

## 15. **Other Legal Actions**

The actions stipulated in this Integrity Pact are without prejudice to any other legal action that

may follow in accordance with the provisions of the extant law in force relating to any civil or criminal proceedings.

16. **Validity**

16.1 The validity of this Integrity Pact shall be from date of its signing and extend up to 5 years or the complete execution of the contract to the satisfaction of both the Buyer and the Bidder/Seller, whichever is later.

16.2 Should one or several provisions of this Pact turn out to be invalid; the remainder of this Pact remains valid. In this case, the parties will strive to come to an agreement to their original intentions.

17. The Parties hereby sign this Integrity Pact at \_\_\_\_\_ on \_\_\_\_\_ .

BUYER

BIDDER

JS&AM (LS/Air/MS),

CHIEF EXECUTIVE OFFICER

MINISTRY OF DEFENCE,

GOVERNMENT OF INDIA

Witness Witness

1. \_\_\_\_\_

1. \_\_\_\_\_

2. \_\_\_\_\_

2. \_\_\_\_\_

**Refers to para 8.1(ii) of  
Pre-Contract Integrity Pact**

**FORMAT OF INTEGRITY PACT BANK GUARANTEE (IPBG)**

In consideration of President of India (hereinafter called the Government) represented by Joint Secretary and Acquisition Manager, Ministry of Defence, on the first part and M/s \_\_\_\_\_ of \_\_\_\_\_ (hereinafter referred to as Bidder) on the Second part, having agreed to accept a sum of ₹ \_\_\_\_\_ (Rupees \_\_\_\_\_) in the form of Bank Guarantee towards Integrity Pact for the Request for Proposal for procurement of \_\_\_\_\_ we \_\_\_\_\_ (Name of the Bank), (hereinafter referred to as the Bank), do hereby undertake to pay to the Government on demand within 3 (three) working days without any demur and without seeking any reasons whatsoever, an amount not exceeding \_\_\_\_\_ (Rupees \_\_\_\_\_) and the guarantee will remain valid upto and including 45 days after the validity of the commercial offer i.e. \_\_\_\_\_ (date). The Integrity Pact Bank Guarantee shall be extended from time to time as required by the buyer.

We undertake not to revoke this guarantee during this period except with the previous consent of the Government in writing and we further agree that our liability under the Guarantee shall not be discharged by any variation in the term of the commercial offer.

No interest shall be payable by the Government to the Bidder (s) on the guarantee for the period of its currency.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2011

For the Bank of \_\_\_\_\_  
(Agent/Manager)

**Appendix 'J' to Schedule I**  
(Refers to Para 39 of RFP)

**OPTION CLAUSE**  
**(No blanks to be left)**

The Buyer shall have the right to place separate order on the SELLER on or before -----  
----- (----- year from the date of this contract) limited to 50% of the main equipment, spares,  
facilities or services as per the cost, terms and conditions set out in this contract. The price of the  
system, spares etc shall remain same till ----- year from the effective date of the contract. CNC to  
verify that there is no downward trend in prices of the product offered.

**Appendix K to Schedule I**  
(Refers to Para 6 of RFP)

**TERMS AND CONDITIONS OF OFFSETS**

1. The Procedure for implementing Offset provision given at Appendix D and relevant Annexures to Chapter I of DPP - 2011 (available at www.mod.nic.in) will be followed. Terms and conditions for submission of technical and commercial offset offer are given in succeeding paragraphs.
2. Submission of Written Undertaking to meet the Offset Obligation. You are required to give a written undertaking to the effect that you will meet the offset obligation as laid down in the RFP. This undertaking in the format at **Annexure I** will be included in the envelope containing your technical offer which is to be submitted by \_\_\_\_\_ (specify the date). This undertaking is binding on you and that failure at any stage, on your part to meet the offset obligation specified in the RFP will disqualify you from any further participation in the contract and render your offer as null and void.
3. Submission of Technical and Commercial Offset Offers.
  - (a) The technical and commercial offset offers would have to be submitted by \_\_\_\_\_ (not earlier than 3 months from the date of submission of the technical and commercial offers of the main proposal). These offset offers would have to be submitted together in two separate sealed covers to the Technical Manager at the following address:-  
\_\_\_\_\_  
\_\_\_\_\_
  - (b) The technical offset offer would contain details of the products, services and investment proposals indicating relative percentages, proposed Indian partners for offset investment and other relevant information in the format given at **Annexure II**. Details of Banked offset credits as discharged offset obligations will also be indicated. The commercial values of the offset proposals are not to be indicated in this technical offset offer.
  - (c) The Commercial Offset Offer, format in **Annexure III**, will contain the detailed offer specifying the absolute amount of the offset with a break up of the details, phasing, Indian partner and banked credits as discharged obligations.
  - (d) The model formats at Annexure II and Annexure III may be amended by the vendor without however deviating from the mandatory offset requirements prescribed.



**Annexure-I to Appendix K**  
(Refers to Para 2)

**UNDERTAKING TO COMPLY WITH OFFSET REQUIREMENTS**

1. The Bidder -----( name of the company) hereby
  - (i) undertakes to fulfil the offset obligation as laid down in the Request For Proposals.
  - (ii) undertakes to ensure timely adherence to fulfilment of offset obligations
  - (iii) accepts that any failure on the part of the Company to meet offset obligations will render disqualification from any further participation in the contract and render ibid offer as null and void.
  - (iv) undertakes to furnish technical details of offset obligations indicating products and services and corresponding Indian Industry partner(s) for the same when so required to by Ministry of Defence, Government of India, after being found to satisfy the SQRs.
  - (v) undertakes to translate the detailed technical offset offer given at para (iv) above into a business implementation plan now furnishing complete commercial details of investments, products and services, Indian Industry partners, amount, phases and time plan for the same in the form of a commercial offset offer as and when so required to by MOD, GOI.

**Annexure-II to Appendix K**  
(Refers to Para 3b)

**TECHNICAL OFFSET OFFER**

1. The Bidder -----(name of the company) hereby offers the following Direct Foreign Investment(DFI), products and services with Indian Industry partners in compliance to the technical offset obligations in the RFP.
2. The Bidder hereby also furnishes MoU with Indian Industry partners for the proposed investments, products and services.

**OFFER LIST OF PRODUCTS AND SERVICES**

S.No.	DFI, Products & Services	Indian Offset Partner	Percentage Cost of Offset Obligation	MoU (If Applicable)	Remarks
1.	DFI/Products / services1	Indian offset Partner 1	Percentage	Memorandum1	
2.	DFI/Products / services2	Indian offset Partner 2	Percentage	Memorandum2	
3.	Similarly for all				

3. Banked Offset Credits. The bidder will also mention the details of the banked offset credits indicating the Project Identification Number. The bidder will also inform Offset Monitoring Cell in the MoD about this commitment.

**Annexure-III to Appendix K**  
(Refer to Para 3C)

**COMMERCIAL OFFSET OFFER**

1. In compliance with the offset obligations, the Bidder \_\_\_\_\_ hereby offers following products and services with Indian Industry partners.
2. The Bidder hereby also furnishes MoU(s) with Indian offset partners for applicable investments, products and services.

**OFFER LIST OF PRODUCTS AND SERVICES**

S.No	DFI, Products & Services	Indian Offset Partner	Value (with time frame break up)	Time Frame (break up)	Remarks
1.	DFI, Products & Services 1	Indian Offset Partner 1			
2.	DFI, Products & Services 2	Indian Offset Partner 2			
3.	Similarly for all				

3. Details of Foreign Direct Investment/Joint Venture/Co Development/ToT – Give Details
4. Any other contracts with anyone in India – Give Details
5. Banked Offset Credits. The bidder will also mention the details of the banked offset credits indicating the Project Identification Number. The bidder will also inform Offset Monitoring Cell in the MoD about this commitment.
6. This Annexure will also be used by the vendor to submit proposals for banking of offsets.

*(THIS PAPER LAYS OUT GENERAL GUIDELINES. MAY BE AMENDED  
IN CONSULTATION WITH PRODUCTION AGENCY AND OTHER AGENCIES  
INVOLVED TO MAKE IT EQUIPMENT SPECIFIC)*

**TRANSFER OF TECHNOLOGY (TOT) (FOR SKD/CKD/IM KIT BASED)**

**1. Preamble.**

(a) ToT shall be provided to the designated production Agency(s) (to be decided prior to issue of RFP). The key technologies for ToT should be identified prior to issue of RFP jointly by the designated production agency, Defence Research Development Organisation and Ministry of Defence.

(b) Technology used shall be current, State-of-the-art as used in the contemporary systems. Critical technology aspects having bearing on ToT evaluation need to be specified on a case to case basis.

(c) The TOT shall be comprehensive, covering all aspects of design, manufacturing know-how and detailed technical information which will enable the Production Agency to manufacture, assemble, integrate, test, install and commission, use, repair, overhaul, support and maintain the license product from SKD/CKD/IM Kit. Design data shall include the details that are needed to give design disposition during production on deviation/ concession; modify/ upgrade the licence product and substitute parts and systems of the licence product as required by the certifying agency and the production agency.

(d) The OEM is required to provide the latest version of Configuration Control Document which will provide detailed break down of the product structure in terms of lower level subsystems/ assemblies/ sub-assemblies/ modules/ detail parts/ PCBs/ wiring diagrams etc with their latest modification status. All updates during the term of the Agreement should be provided as and when issued free of cost. Consolidated list of updates during the year should be provided during the first quarter of the subsequent year.

(e) Vendor should submit an undertaking that he would provide and support complete TOT for phased manufacture to the buyer or his authorized Indian Organization for the System and its sub-systems, modules, assemblies and detailed parts/ components. Support will be provided for a minimum period of 20 years on long term basis after the last unit is produced under the present proposal.

(f) The vendor should provide total support and facilitate ToT of the sub- systems from his sub-vendors/OEMs if desired by the buyer.

(g) (To be included on as required basis) Vendor should submit an undertaking not to exceed\* budgetary price for the Transfer of Technology covering the following parameters:-

(i) License fee.

- (ii) Documentation.
- (iii) Technical Assistance.
- (iv) Training.
- (v) Materials.
- (vi) Spares.
- (vii) Tooling.
- (viii) Special Tools.
- (ix) Standard Tools.
- (x) Ground Support & Test Equipment.
- (xi) Programme Management.
- (xii) Special Infrastructure facilities deemed necessary to support the operations.

\*Note : Above 'not to exceed' budgetary quotes are to be provided for both Licenced production and Repair/Overhaul separately. Vendor may note that this not to exceed budgetary price will be used for commercial evaluation. Vendor selected after technical & commercial evaluation will enter into detailed contractual negotiations on various aspects of the Transfer of Technology to the buyer or his authorized Indian organisation based on the "Not to exceed" budgetary quotes.

(h) It is likely that some of the assemblies/ sub-assemblies/ modules/ PCBs used in the realization of higher level assemblies/ sub-systems and systems are manufactured by the OEM's vendors/ sub-contractors either based on Engineering documentation provided by the OEM or developed by the OEM's vendors/ sub-contractors based on procurement specifications provided by the OEM. Further, as a result of multiplicity of technologies involved and for reasons for price competitiveness arising due to economies of scale, some of the items used in the manufacture of licensed product may be bought out by the OEM from vendors as 'fully finished' against the procurement specifications provided by him.

(j) Although, not desirable, some of the components/ process specifically developed by the OEMs for use in the manufacture of licensed product may be classified by them as 'Proprietary' and not included within the scope of TOT offered to the Production Agency.

(k) To bring in a fair comparison between the TOT offered by various OEMs as also to have a fair assessment of the depth of technology being transferred, OEMs are required to identify each item (system / sub-system / assembly / sub-assembly / module / detail parts / PCB etc) in the product structure under the following categories, as may be applicable and provide information on the relative price for each of the items in the product structure as percentage of product cost.

- (i) Category-1. Items, for which complete TOT, i.e., Engineering and Manufacturing documentation to enable the Production Agency carryout fabrication, assembly and test of the item from CKD/IM Kit level as the case may be, is being

provided by the OEM, may be classified under the head “CTOT”.

(ii) Category –2. Items which are manufactured by the OEM’s Subcontractors based on engineering documentation provided by the OEM and these Engineering Documentation are being provided by the OEM to the Production Agency, may also be classified under the head “CTOT”.

(iii) Category –3.

(aa) Items in respect of which development and manufacture by the OEM has been subcontracted to its vendors/ sub-contractors based on only the procurement specifications provided by him and the OEM is not in a position to provide any additional technical information to the Production Agency except the procurement drawings/ specifications provided by him to his vendors/ sub-contractors, may be classified under the head Single Vendor “Sub-contract”. For the purpose of evaluating the depth of TOT, it will be presumed that the TOT in respect of these items for indigenous manufacture is not provided. OEM shall ensure authorization to its vendors/ sub-contractors to supply items, manufactured against OEM’s specifications to the Production Agency against its purchase orders.

(ab) However in such case, the OEM in collaboration with his vendor/ subcontractor, is required to provide the Production Agency, maintenance Documentation, the recommended list of spares for repair and overhaul as may be applicable and maintenance training at the vendor’s/subcontractor’s premises, then such such vendor items are may be classified under the head ‘Limited TOT for maintenance support’ , i.e, “M-ToT”.

(iv) Category – 4.

(aa) Items including catalogue/ standard items sourced by the OEM against his procurement specifications as ‘Fully Finished’, may beare classified as “Bought Out”. Evidently TOT for such items for indigenous manufacture will not be available and the OEM will be able to provide only the procurement drawings/ specifications, sources of supply. OEM has to ensure the availability of such items or its equivalents during the life cycle of the product. However, in respect of some of the selected items in this category, if the OEM, in collaboration with his vendor, is able to provide the Production Agency documentation for maintenance, recommended list of spares for repair and overhaul as may be applicable and maintenance training in the vendor’s premises, then such items may also be classified under the head ‘limited TOT for maintenance support’ i.e. “M-ToT”.

(ab) OEM shall ensure periodical review of obsolescence, study of the Bill of Items (BOIs) and provide a retrieval scheme for a minimum period of 15/ 20 years from the production of last unit under the present proposal.

(v) Category –5. Some of the items for which the ownership of Design and

Manufacturing Documentation is available with the OEM, but the OEM is not willing to transfer the technology to the Production Agency may be classified under the head 'Proprietary' items. The list of such items shall be far and few and generally restricted to components/ processes specifically developed by the OEM for the licensed product. No item in the product structure which is critical either from the technology point of view from the point of view of significant value addition or which constitutes a significant relative percentage of the product cost (say > 10%), will be acceptable under the head "Proprietary items". Further, at any stage during the life cycle of the Product, if the OEM intends to discontinue the production of Proprietary items, the complete technical documentation in respect of these items available with the OEM or his subcontractors will be passed on to the Production Agency to enable indigenous manufacture or establish alternative routes of meeting the requirement. Also, a base price for such items with an escalation formula for future supplies shall be given for slab quantities by OEM.

(l) The OEMs have to ensure that the depth of Technology being transferred shall enable the Production Agency achieve value addition commensurate with a minimum 30% of the relative cost of the licensed Product through indigenous manufacture in case of CKD kit based ToT and a minimum of 60% of the relative cost of the licensed product through indigenous manufacture in case of IM Kit based ToT (Percentage of indigenous value addition may vary based on the product).

(m) No single sub-system/ assembly/ sub-assembly, which constitutes more than 10% of the cost of Licensed product, shall be without TOT option to the Production Agency. In case, such a sub-system/assembly belongs to the 'bought out' category, then the OEM as a prime bidder of the licensed product shall bid in consortium with the concerned vendors with separate ToT proposal for which items included in the bid directly from the relevant vendor. The bid for supplied/ TOT in such a case shall be evaluated as an integrated composite proposal.

(n) OEM shall assist the production agency and take the lead to obtain maintenance related ToT to the maximum extent possible in respect of items covered under category 3 and 4, from his vendor/ sub-contractors.

## 2. Evaluation of ToT

### For CKD Kit based ToT

(a) The vendor not offering the key specified technologies for TOT for categories 1 and 2 and maintenance technologies for category 3 (Single source vendor assemblies) will not be eligible for further evaluation.

(b) In the technical bid, the depth of ToT being provided will be evaluated for comparison purpose as given below:-

- |   |   |   |
|---|---|---|
| (i) Relative Percentage of cost of Category 1 items<br>(individual & composite)   | } | Not less than 60%<br>after excluding the<br>corresponding<br>CKD kit cost<br>resulting in value<br>addition of not less<br>than 30% |
| (ii) Relative Percentage of cost of Category 2 items<br>(individual & composite)  |   |   |
| (iii) Relative Percentage of cost of Category 3 items<br>(individual & composite) | } | Not more<br>than 25%  |
| (iv) Relative Percentage of cost of Category 4 items<br>(individual & composite)  |   |   |
| (v) Relative Percentage of cost of Category 5 items<br>(individual & composite)   | } | Not more<br>than 15%  |
- (c) Total % age of (i) to (v) should be 100%.
- (d) Bids of Vendors with relative percentage of cost of items manufactured indigenously based on ToT minus CKD Kit cost being higher than the minimum specified 30% during the IM Phase will only be considered further for commercial evaluation. (minimum specified percentage may vary based on the product).

For IM Kit based ToT

- (a) The vendor not offering the key specified technologies for TOT for categories 1 and 2 and maintenance technologies for category 3 (Single source vendor assemblies) will not be eligible for further evaluation.
- (b) In the technical bid, the depth of ToT being provided will be evaluated for comparison purpose as given below:-
- |   |   |                      |
|---|---|----------------------|
| (i) Relative Percentage of cost of Category 1 items<br>(individual & composite)   | } | Not less<br>than 60% |
| (ii) Relative Percentage of cost of Category 2 items<br>(individual & composite)  |   |                      |
| (iii) Relative Percentage of cost of Category 3 items<br>(individual & composite) | } | Not more<br>than 25% |
| (iv) Relative Percentage of cost of Category 4 items<br>(individual & composite)  |   |                      |
| (v) Relative Percentage of cost of Category 5 items<br>(individual & composite)   | } | Not more<br>than 15% |
- (c) Total % age of (i) to (v) should be 100%.
- (d) Bids of Vendors with relative percentage of cost of items manufactured indigenously



based on ToT being higher than the minimum specified 60% during the IM Phase will only be considered further for commercial evaluation. (minimum specified percentage may vary based on the product).

3. Phased Manufacturing Programme.

(a) Based on the phased TOT absorption planned by production agency, quantity \_\_\_\_ will be supplied as Fully Finished during Phase-0, quantity \_\_\_\_ as SKD Kit during Phase-1, quantity \_\_\_\_ as CKD Kit during Phase-2 and quantity \_\_\_\_ as IM Kit during Phase-3, as the case may be. Illustrative phase definitions are given below:-

(i) Phase-0. Shall be based on supply of Fully Assembled and tested product by the OEM.

(ii) Phase-1. Shall be based on supply of Semi Knocked Down (SKD) Kits provided by the OEM. The Semi Knocked Down Kit will consist of subsystems, assemblies, sub-assemblies, modules etc assembled and tested by the OEM and/ or his vendors/ sub-contractors. The Production Agency will perform the final level assembly and testing of the product.

(iii) Phase-2. Shall be based on supply of Completely Knocked Down (CKD) Kits provided by the OEM in the form of unassembled Bill of Materials. CKD Kit may include certain components/ sub-assemblies Commercially available "Off The Shelf" (COTS) from multiple vendors as fully finished items. Production Agency will carry out assembly and test of individual PCBs/ Modules/ Subassemblies/ Assemblies/ Sub-systems etc from component level and then carry out final assembly and testing of the product.

(iv) Phase-3. Shall be based on supply of proprietary items (IM Kit) by the OEM. Production Agency will perform procurement of all the components/raw materials and carry out complete fabrication, assembly and testing of the product from raw-materials/component stage through various stages of manufacture. (Phase 3 applicable only for IM Kit based ToT).

(b) The time frame for completion of supplies by the OEM for various phases of manufacturing is provided at Annexure 1. Conformance of the vendor to the time schedule provided in Annexure 1 will be one of the important Evaluation Criteria and the bids of OEM's not meeting the time schedules are liable to be rejected.

(c) OEM shall provide complete configuration of SKD, CKD and IM Kits, as the case may be, to the Production Agency to realize the Fully Finished Product. CKD Kits required to meet the spares requirement may be furnished separately. The OEM shall also provide estimated man-hours required for various stages of fabrication, assembly and test to realize the Licensed Product from SKD Kit during Phase-1, CKD kit during Phase-2 and IM kit during Phase-3. Based on experience in his plant supplier shall also provide "Production Mortality" of SKD/ CKD/IM kit parts required for realization of final finished product.

(d) OEM shall permit the production agency to sub contract components / assemblies to sub contractors of Production Agency. TOT shall be such that the production agency is able to

procure components / sub-assemblies / test equipment directly from OEM's Sub-contractors / Vendors.

4. Itemized Price List (IPL). The OEM shall provide Itemized parts list in the Technical Bid and itemized price list (IPL) totaling to end product unit cost in Commercial Bid. Man- hours required during various phases of manufacture to realize the fully finished product shall also be provided. The prices of components, fabricated parts, standard items, bought out items, proprietary items as may be relevant shall be provided for various phases of manufacturing programme. The list shall include the source of supply of components, standard items, BOIs and the TOT shall include authorization to production agency to procure these items directly from the sources without going through OEM. (While this information may be possible for less complex products, it may not be possible if the itemized price list is very voluminous, e.g., aircraft to be manufactured under TOT. Therefore this para of the draft procedure may have to be suitably modified on a case to case basis).

5. Supply of Documentation.

(a) The TOT Documentation to be provided by the OEM shall be in English language and include documentation under the following heads:- (In case of procurement from Russian or other foreign vendors, they may be asked to quote translation charges separately to enable the production agencies to decide whether to undertake the translation themselves or to seek the English version of the documentation from the vendor).

- (i) Engineering documentation
- (ii) Software documentation and Firm ware support manual for embedded software including source code.
- (iii) Manufacturing documentation.
- (iv) Test documentation.
- (v) Technical Manuals.
- (vi) General documentation including Company standards, National and International standards and specifications
- (vii) Additional documentation for repairs centre.
- (viii) Illustrated parts catalogue.
- (ix) Design data- stress, fatigue, performance, qualification, environmental test, life (calendar/ total/ overhaul), where applicable.
- (x) Source identification for BOIs and subcontracted items; standard parts, consumables etc.
- (xi) Spares parts lists and price catalogue for Operator (O), Intermediate (I), and Depot (D) level maintenances.
- (xii) Recertification/ requalification test plan, series test, special category test due to change in venue of manufacture, where applicable.
- (xiii) "Red band" units, calibration stands where applicable.

(xiv) Quality procedures, plans, ESS, Special tests during production other than ATP.

(xv) Data on reliability-FMECA, MTBF, MTBO, MTBUR, MTBR.

(b) The details/definition of Documentation to be provided by the OEM under the above heads is enclosed at Annexure II.

(c) The OEM is required to furnish 'Compliance Statement' in respect of each type of detailed documentation requirement listed at Annexure II. Non-compliance by the OEM against any of the documentation requirements depending upon its criticality will have an adverse bearing in the evaluation of ToT proposal.

(d) The documentation to be supplied by the OEM shall be that which is used by the OEM or its sub contractors for the purpose of manufacturing, assembly and testing of the licensed product in their plant. The OEM will ensure completeness and exhaustiveness of the documentation for the purpose and work to be performed by the Production Agency for manufacturing, assembling, testing, installation and commissioning, maintenance and overhaul of the licensed product in his plant. Wherever approval of certification agency is relevant, approved documents will be provided. Certification standards as far as possible will be relevant Military (MIL) Specifications or as mutually agreed with the User's Certification Agency.

(e) Documentation as detailed in Annexure II to enable the Production Agency procure, manufacture, operate and maintain the SMTs, STEs, Tools, Jigs and Fixtures required for the FF/SKD/CKD/IM kits manufacturing phase, shall be provided. Wherever software is used, details of the software as per documentation listed at Annexure II including Source Code and Firmware Support Manual shall be provided.

(f) The OEM shall also provide the data in respect of MTBF, MTBO, MTBR, and Reliability of the product being offered.

6. Product Upgrades. Technical data including relevant Documentation update in respect of any modifications/ improvements/ upgrades undertaken by the OEM in the licensed product during the entire life cycle of the product/licence Agreement shall be provided to the Production Agency at no additional cost during the entire life- cycle of the product.

7. Training

(a) As part of TOT, Industrial Training required by the Production Agency to realize the Fully Finished Product from SKD, CKD and IM kits, as the case may be, during various manufacturing phases and for providing component level maintenance support to the Customer shall be provided by the OEM. The Industrial Training shall be in English language, comprehensive, covering all aspects of design, manufacture, software, installation and commissioning, system integration and checkout, and component level maintenance of the product down to sub-assembly, modules and PCB level. Apart from classroom training covering the critical aspects, due emphasis will be given to on-the-job training.

(b) All aspects of software are to be comprehensively covered during the software training module with a view to enable Production Agency's software engineers undergoing training to acquire skills in the use, maintenance and update of the software.

(c) Industrial Training shall be in OEM's plants, and/or in the plants of its subcontractors, associates, principals and subsidiaries as the case may be. OEM shall ensure that such training is organized at the time when OEM has the product under production in its plant or in the plant of its vendors.

(d) OEM shall provide complete details of Industrial Training programme, which will include scope, location, number of trainees and the duration for each phase of training in terms of instructor man weeks. Such Industrial Training programme shall be mutually agreed upon between OEM and Production Agency.

(e) Details of the training shall be sub divided into batches with the date of start for each batch, duration of training etc, as will be agreed upon by OEM and Production Agency subject to over all training schedule. Operation and Maintenance training for end user shall also be provided.

(f) Details of Industrial and User Training Programme recommended by the OEM shall be provided as an annexure to the technical proposal. OEM shall provide details regarding the training aids and simulators required at the production agency and at user locations. Long term training of production agencies at the design departments of OEMs shall also be included to give a complete exposure to them on design practices of OEM. This will help in design liaison support including upgrade Modifications/Troubleshooting/Concessions during the entire life cycle of the product.

8. Technical Assistance. As part of ToT, OEM shall provide requisite technical assistance to the production agency during the phased manufacturing programme of the product in India. The details of such technical assistance considered necessary by the OEM shall be provided as an annexure to the technical proposal. The total technical assistance package shall be in number of man weeks spread over number of missions. OEM shall provide question/ answer service and modification advices during the life cycle of the product at no additional cost.

9. Special Maintenance Tools (SMTs) and Special Test Equipment (STEs).

(a) OEM shall provide complete technical data of the SMTs and STEs used in the production, assembly, test and maintenance of product. This information shall also include the data for manufacture and maintenance of the SMTs and STEs. Details on manufacturing hours and cost details are to be provided.

(b) Details of special category test (recertification, production series testing) along with test rig/ test set up shall also be provided. Wherever software is used, details of the software including Source Code and Firmware Support Manual for embedded software shall be provided.

(c) OEM shall provide details of calibration and periodicity of calibration in respect of SMTs and STEs. Details of master tester and associated special facilities required for this purpose (with source of supplies) will be provided by the OEM.

10. Consumables. List of consumables required for the manufacture/maintenance of product along with cost, source details and life data shall be provided.

11. Special Technologies/ Processes. The OEM shall mention in the ToT proposal about

special technologies and special coatings and treating processes along with details of plant and machinery/running cost etc vis-à-vis specific components/ assemblies.

12. Product Support. OEM shall ensure that the product support including supply of spares and management of obsolescence for a minimum of 20 years from the time the last unit is produced under the present proposal, shall be available to the production agency/its customer. OEM shall also provide a proposal for transferring the complete product support to the production agency in a phased manner.
13. Commercial Proposal. The commercial proposal should be submitted in a separate sealed cover.
14. Transfer of Technology (ToT). OEM shall provide commercial offer for providing complete Know-How and documentation for the manufacturing of product from SKD, CKD Kits and IM phase, as the case may be, Industrial Training and Technical Assistance and the required rights, licenses and authorization to manufacture, use and sell the product. For the Industrial Training and Technical Assistance phase, man week rate for providing training/ technical assistance in OEM's own plant(s) or in India may be separately provided.
15. Supplies.
  - (a) FF, SKD, CKD and IM Kits. OEM shall provide itemized price list for supply of FF, SKD, CKD and IM Kits, as the case may be, inclusive of the production mortality used by the OEM during manufacture of product in its plants. Itemized price break-up up to component level is to be provided at the time of signing of the Technical Collaboration Agreement (TCA).
  - (b) SMTs, STEs, Tools, Jigs and Fixtures. OEM shall also provide complete list with itemised prices for SMTs, STEs, Tools, Jigs and Fixtures required for the SKD, CKD and IM manufacturing phase, as the case may be. In case of Tools, Jigs & Fixtures where large quantities are involved, category-wise prices may be provided. OEM shall also provide prices for 'O' level, 'I' level and 'D' level maintenance facilities of PRODUCT by the User/ Customer.
  - (c) Bought Out/Outsourced/ Subcontracted Items. OEM shall provide the complete list of items, which are bought out/ outsourced/ subcontracted for use in the manufacture of PRODUCT along with itemized prices and details of the sources for procurement. Authorization for direct procurement by the production agency from these sources shall be given so that no development cost or NRE charges are incurred. In case where suggested sources decline to supply the components/materials, OEM shall take responsibility for supply of same or suggest alternate sources for the procurement of suitable equivalent components/materials during the term of the agreement.
  - (d) Life-Cycle Cost. OEM shall provide the estimated LIFE-CYCLE COST of the product and the basis thereof. Factors such as operational hours/year, MTBF, requirement of maintenance spares, mandatory replacements during preventive maintenance schedules etc may be considered for arriving at life cycle cost.
  - (e) Spares. The OEM shall provide itemized price list of spares required as per three levels of maintenance of PRODUCT as follows:-

- (i) 'O' level: \_\_\_\_\_ set per \_\_\_\_\_ {product} (total \_\_\_\_\_ {product} sets) at field units:
- (ii) 'I' level: \_\_\_\_\_ set each for a group of \_\_\_\_\_ {product} (\_\_\_\_\_ sets for \_\_\_\_\_ {product}) at Intermediate level of maintenance; and
- (iii) 'D' level: \_\_\_\_\_ set for \_\_\_\_\_ {product} at Depot level maintenance.

16. Payment Terms. OEM shall provide the terms of payment for all supplies including ToT forming part of its commercial proposal. Specimen Format for Providing Prices is at Annexure III. (needs to be formulated by the OEM for specific products based on identified milestones).

17. Delivery Schedule. OEM shall provide complete schedule for transfer of documentation, providing of Industrial Training and Technical Assistance, supply FF, SKD, CKD, and IM Kits, as the case may be, Spares, SMTs, STEs, Tools, Jigs and Fixtures to match the overall delivery requirement for manufacture and supply of FF product by the Production Agency. The Documentation for a specific phase shall be provided one month prior to the commencement of training for that phase to enable the trainees study documentation prior to the training. Specimen format for providing delivery schedule is at Annexure I.

18. Liquidated Damages. OEM shall undertake to complete its obligations in accordance with the contractual delivery schedule. For delay in delivery of FF, SKD, CKD and IM Kits, as the case may be, Spares, SMTs and STEs and delays in the implementation of PMP caused by or attributable to the OEM, the Production agency shall be entitled to claim liquidated damages.

19. Warranty.

(a) Documentation. OEM shall warrant that the documentation supplied shall be identical, complete and of equal quality as the documentation used by him in its own activities and shall be accurate and complete for manufacturing, assembling, integrating and testing of the product and shall provide updates including modifications/improvements during the life cycle of the product/tenure of the Licence Agreement.

(b) Material/Equipment/Kit Supply. Items supplied should be free from any defects arising from faulty material, design or workmanship and should be guaranteed for quality/ satisfactory performance for a period of minimum 24 calendar months from the date when the stores are delivered to Production Agency. During this warranty period, defects arising from faulty material, design or workmanship, shall be remedied by OEM at his own cost. If it becomes necessary, the OEM should replace any defective portion of the goods or replace the material/equipment as a whole without any additional cost to production Agency.

(c) All supplied software should be verified & validated by OEM for use of the designated Production Agency.

20. Infringement. OEM shall indemnify and protect at its own cost, the production agency in respect of cost/claims/legal claims/liabilities arising from third party claim with regard to the existence of any patent or intellectual & industrial property right of any such parties in India or from other countries.

21. Performance Guarantee. OEM shall guarantee the performance of the product to design

specifications at the production agency/ end customer locations.

22. Validity. The proposal will be kept valid for acceptance for a minimum period of 12 18 months from the date of submission.

23. Technical Collaboration Agreement (TCA). After the CNC is concluded, the OEM shall enter into a detailed Technical Collaboration Agreement (TCA) with Production Agency incorporating mutually agreed terms and conditions.

24. Offsets. The vendor should agree to provide an offset as per the details given in the RFP.

25. Global rights. OEM shall clearly indicate the extent of global rights of sales, which they would be willing to offer to the Indian production agency.

**SPECIMEN FORMAT FOR PROVIDING DELIVERY SCHEDULE**

Sl. No.	Description	Qty.	Month After effective date	Remarks
1	Documentation Transfer in lots for each phase*			
2	Training including Final assembly of SKD/CKD/IMs to FF for each phase			
3	Operation and maintenance course training			
4	Test equipment delivery			
5	First system FAT and Delivery			
6	Spare Parts delivery ("O" level spares)			
7	Spare Parts delivery ("T" level spares)			
8	Spare Parts delivery ("D" level spares)			
9	Test equipment delivery for SKD and CKDs			
10	SKD Kits delivery (____kits per month)			
11	CKD Kits delivery (____kits per month)			
12	IM Kits delivery (**(____kits per month)			

\* Documentation for each phase shall be supplied one month prior to start of training of that phase.

\*\* Applicable for IM Kit based ToT.



**DOCUMENTATION DETAILS TO BE PROVIDED BY OEM**

1.	<b><u>Engineering Documentation.</u></b>
(a)	Structure Breakdown list
(b)	Parts List.
(c)	Part Electrical Lists.
(d)	Part Drawings.
(e)	Assembly drawings.
(f)	Cable looking diagram including its part list, connectors and end preparation details.
(g)	Configuration Control Document.
(h)	Stress Reports (static /fatigue), performance reports, type test Schedule/ records, type test certificate.
(j)	For Coils and Transformer: winding details, mechanical drawing, purchased parts specification, details of special processes, moulding tools etc.
(k)	Drawings of castings/ forgings with material details, vendor information, heat treatment details.
(l)	Details of vendor items specifically developed by the OEM for the Licensed Product.
(m)	For PCB Cards: Schematics, general assembly drawings, assembly instructions, SMD location processing files including CAE/CAM files.
(n)	Engineering change proposals covering details of modifications.
(o)	Wiring List and details including schematics of sub-assembly/ modules/ drawers/ racks.
(p)	List of components where trace-ability records are important.
(q)	Details of environment tests carried out on equipment and its sub-systems.
(r)	With respect to FPGAs the following details are required : ACTEL or SRAM (depending on the manufacture) design files and the complete schematic with i/o details– in the form of a timing diagram of .sim files.
(s)	* Bill of materials and Ordering Specifications with Vendors addresses including OEMs specifying MIL grade details.
(t)	* Details of non-MIL grade components and their screening procedures.

(u)	* Full technical details of ASICS and Hybrid Micro-circuits including manufacturing documents.
(v)	* Full technical details of proprietary items, if any (including manufacturing documents).
(w)	*Material data sheets-chemical composition/mechanical-properties –for all metallic/non-metallic materials/consumables.
<b>2.</b>	<b><u>Software Documentation.</u></b> (As per IEE 12207/MIL-STD-498)
(a)	Software Requirement Specification.
(b)	Interface design document.
(c)	Software change proposals.
(d)	Firmware support manual for embedded software.
(e)	Software environment/tools including third party procurements.
(f)	Software test procedure.
(g)	Software User Manual.
(h)	Software installation procedure including user settings of pass words, site specific data and any customization code/ key or encryption.
(j)	IV & V details (independent verification & validation).
<b>3.</b>	<b><u>Manufacturing Documentation.</u></b>
(a)	Details of B/FPGA programming and testing with co-ordinate detail for placement. Programming file (fuse file in the standard format), programming platform configuration – tools and associated version control document, verification document with check sum details.
(b)	Process Sheets including details of special processes and finishes as may be applicable.
(c)	Complete set of drawings for tooling, jigs and fixtures as may be applicable.
(d)	Photographs of wiring harness/bundling level.
(e)	List of shop consumables with details of specifications; source of procurements, data on shelf life.
(f)	Assembly tree/sequence, assembly process sheets including assembly settings and checks, assessments to be made, matching sub assemblies, markings.
(g)	Any special manufacturing facilities to be set up indicating plant and machinery, test equipment and their vendor details and cost.
(h)	Estimated man-hour requirements for assembly and testing at sub-system level.
(j)	Inspection stages, quality plan, details of inspection equipment, gauges with sources of supply, etc.

(k)	Calibration procedures for inspection equipment, gauges, heat treatment & process equipment (furnace/ baths).
(l)	*Operation Sequence Sheets.
(m)	* Programme for Production (e.g. NC Tapes/S/W as applicable).
4.	<b><u>Test Documentation.</u></b>
(a)	Factory Test specification, procedure and acceptance test specification, procedure for PCBs, modules and equipment with detailed instructions on test set up, user of test and/ or simulation equipment and software, execution of test with recording of results.
(b)	Complete set of drawings for manufacture of test jigs including ATE fixtures, programmes as applicable.
(c)	Complete set of drawings for special to test equipment. This will include manufacturing details as well as software documents.
(d)	Special category test details (recertification, production series testing, quality assurance testing).
(e)	'Red band' units, calibration procedures for test rigs /equipment.
5.	<b><u>Technical Manuals.</u></b>
(a)	User handbook detailing operational use of equipment.
(b)	Installation and commissioning manual
(c)	Technical description of PCB, Modules, drawers, racks, etc., with details of block diagram, schematic general assembly drawing, timing details, PROM etc. schematic general assembly drawing, timing details, PROM etc.
(d)	Maintenance Manual covering.
(e)	Permissible worn-out dimension limits, acceptance test procedure and acceptance limits of overhauled product.
(f)	Repair / salvage schemes, mandatory replacement parts.
(g)	Periodic maintenance.
(h)	Trouble shooting and fault diagnosis manual. Testing and repair procedure for faulty PCBs up to component level and peripheral equipment received from the customer.
(j)	Structural breakdown list for complete equipment.
(k)	Recommended Spares List, site supply and depot stocking.
(l)	The Maintenance Manual shall cover the product for which the file of drawings/ documents is given as well as all vendor items which are part of Licensed Product.
(m)	Overhauling manuals including details, tests, adjustment, calibration tuning etc., for all levels of equipment.

6.	<b><u>General Documentation (including Standards and Specifications).</u></b>
(a)	Standard inspection method (inward goods in-process and final acceptance).
(b)	Process standards/procedures.
(c)	Workmanship standards/procedures.
(d)	Quality standards/procedures including incoming inspection procedures, quality manuals.
(e)	General procedures as may be applicable.
(f)	Qualified Vendor Lists as may be applicable.
(g)	Standard tools, jigs and fixtures as may be applicable.
(h)	Company standards.
(j)	ISO 9001 certification of OEM, vendors & subcontractors/ ISO 14000 certification.
(k)	Material/component and product standards including general fasteners and consumables.
7.	<b><u>Additional Documentation.</u></b> Repair center documents including details of Test Instruments, jigs, fixtures etc., for the End User.
8.	Documentation shall be provided in the form of hard copy, in microfilm/microfisch and magnetic media, including that required for making copies of technical manuals as specified by the customer. Documentation shall be provided in English Language.  * Applicable for IM Kit based ToT.

**Annexure III to Appendix 'L'****SPECIMEN FORMATS FOR PROVIDING PRICES INFORMATION**

TOT.			
	Item	Price	Remarks
1	Know-how and documentation	USD _____	Payment shall be subject to deduction of taxes in India as per Double Taxation Avoidance Agreement in accordance with the following schedule (depending on the product, various stages of payments should be included without indicating the quantum of payment) :- 1. Stage 1. - - - 2. Stage 2. - - - 3. Stage 3. - - - 4. - - - - -
2	Training		
	(a) Industrial Training covering all aspects for TOT at OEM's facility.	USD ___ * Instructor man day / week rate	
	(i) FF Phase ___ working days/ week		Upto ___ trainees Max.
	(ii) SKD Phase ___ working days/ week		Upto ___ trainees Max.
	(iii) CKD Phase ___ working days / week		Upto ___ trainees Max.
	(iv) IM Phase ___ working days/week#		Upto ___ trainees Max.
	(v) Training on design liaison, design practices, design disposition on concessions/ de viation.		Upto ___ trainees Max.

	(b) Operational/ Field Maintenance Training					
	(i) ___ working days/ week in ___ and		Upto ___ trainees and ___ Customer trainees Max.			
	(ii) ___ working days/ week in India		Upto ___ trainees and ___ Customer trainees Max.			
3	Technical Assistance in OEM's Plant to be availed as required	USD _____ * (Man day/ week rate)	Maximum No. of man weeks ____ spread over No. of mission			
			TOTAL			

\*-Minimum mandatory Training and Technical Assistance, which can be provided at no additional cost to be indicated.

# Applicable for IM Kit based ToT.

<b>COST OF FF, SKD, CKD AND IM KITS, AS THE CASE MAY BE, SPARES AND SMT/ STEs.</b>					
	Item	Unit Price in USD	Qty	Total Price in USD	Remarks
1.	_____ - System				
	(a) Fully Finished System				
	(b) SKD Kits				
	(c) CKD Kits				
	(d) IM Kits#				
2.	Spares				
	(a) 'O' Level				
	(b) 'I' Level				
	(c) 'D' Level				
3	SMT's/ STE's*				
	(a) Test Jigs/ Software				

	for 'O' level maintenance				
	(b) Test Jigs/ Software for 'I' level maintenance				
	(c) Test Jigs/ Software for 'D' level maintenance				
	(d) Test Jigs and software for manufacture under TOT				
	*-Excluding Standard Test Equipment				
	TOTAL				

Itemised SKD Kit Price

Part No	Description	Qty	Price in USD

Itemised CKD Kit Price

Part No	Description	Qty	Price in USD

**LIST OF SPECIAL MAINTENANCE TOOLS (SMTs) AND SPECIAL TEST EQUIPMENT (STEs).**

PART NO.	DESCRIPTION	MODEL	MFR.	QTY.	PRICE in USD	REMARKS
(a) SMTs and STEs required for Maintenance						
(b) TOT Test Equipment						

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**LIST OF SINGLE SOURCE VENDOR ASSEMBLIES/ COMPONENTS AND PROPRIETARY ITEMS**

Componentets	P/N	Price in USD	Vendor
(a) SMTs and STEs required for Maintenance			
(b) TOT Test Equipment			

**SPARES.**

**(a) 'O' Level spares parts lists ( set per )**

No.	Item Description	Qty. per set	Item Price in USD	Total Price in USD
	Total			

**(b) 'I' Level spares parts lists ( set per )**

No.	Item Description	Qty. per set	Item Price in USD	Total Price in USD
	Total			

**(c) 'D' Level spares parts lists ( set per )**

No.	Item Description	Qty. per set	Item Price in USD	Total Price in USD
	Total			



**(BLANK)**

**Defence Procurement Procedure**  
**(‘Make’ Category)**



## **CHAPTER II - DEFENCE PROCURMENT PROCEDURE (MAKE)**

1 The Defence Procurement Procedure 2002 came into effect from 30 Dec 2002 which was applicable for procurement under 'Buy' Category. The scope was further enlarged to include 'Buy and Make' procurements through imported Transfer of Technology decisions. Procedure for Indigenous Research, Design, Development and Production of systems is now being addressed under "Make" category.

2. The resurgence in Indian industry today offers scope for their greater involvement in the Defence sector, due to availability of requisite skill and infrastructure for undertaking defence production and even research and development in some fields. Over the last four decades, considerable resources have been invested in setting up our Defence Research and Development infrastructure through which we have achieved enhanced capacities in the Defence sector. We are also witnessing today a significant growth of our private sector with many industries becoming global players. We have also seen a shift in the role of the private sector in the field of indigenisation. From the role of suppliers of raw-material, components, sub systems they have now become partners and manufacturers of complete advance systems. Private Sector can today harness available expertise of management, scientific and technological skills and also raise resources for investment in research and development, towards achieving our goal of self reliance in the defence preparedness of the country.

3. The report of the Kelkar Committee on review of Defence Procurement Procedure had recommended an integrated approach involving Users, Ministry of Defence and the Industry in the "Make" procedure. DRDO should concentrate on projects requiring sophisticated technology of strategic, complex and security sensitive nature. Outsourcing of Research and Development work of high technology to private sector should be on the lines of parallel development for which the cost should be shared. A minimum order quantity to sustain the financial viability of development within the time schedule should be spelt out to encourage private sector participation. These recommendations of the Committee have been accepted by the Government for implementation. The procurement through indigenous development would be divided into following categories:-

(a) Strategic, Complex and Security Sensitive Systems. These projects would be undertaken by DRDO. The development of these systems would be as per the DRDO procedure and would utilise DRDO funds for execution. These projects would be managed through Defence R&D Board.

(b) Low Technology Mature Systems. These projects would be categorised as "Buy Indian" and must have minimum 30 per cent indigenous content.

(c) High Technology Complex Systems. Projects under this category would be identified as 'Make'. These projects would be undertaken by RURs/ Indian Industry / DPSUs /OFB/ Consortia on a level playing field. This procedure would also be adopted for all upgrades categorised as 'Make'.

4. The procedure set out in succeeding paras would cover 'High Technology Complex Systems' identified under the "Make" category. In formulating this procedure the relevant

recommendations of the Kelkar Committee Report have been duly incorporated. This procedure would, however, not be applicable for innovations / developments undertaken by the Services from their respective Technology Development Funds.

### **Aim**

5. The aim of this procedure is to ensure Indigenous Research, Design, Development and Production of capabilities sought by the Armed Forces in prescribed timeframe while optimally utilising the potential of Indian Industry. In addition, it would also achieve self reliance in Defence Equipment.

### **Scope**

6. The Defence Procurement Procedure 'Make' will cover all capital acquisitions of High Technology Complex Systems and upgrades undertaken by indigenous Research, Design and Development. These would be undertaken by Ordnance Factory Board (OFB), Defence Public Sector Undertakings (DPSUs) and Indian Industry and industries identified as Raksha Udyog Ratna (RUR) / Consortia on a level playing field on shared development cost.

### **Acquisition Process – Make Procedure**

7. The acquisition process for this procedure would commence with the issue of Defence Planning Guidelines. HQ IDS besides formulating the Defence Capability Plan Document and the LTIPP would order feasibility study for each project of LTIPP. HQ IDS would be responsible for having the projects categorised as 'Make' and getting the 'Acceptance of Necessity' from DAC. After approval by DAC, the project would be processed by the Acquisition Wing. This would include, constitution of Integrated Project Management Teams (IPMT) which would prepare Project Definition Document (PDD), issue Expression of Interest (EoI) for short listing of agencies and carry out detailed analysis of Detailed Project Report (DPR), and obtaining CFA approval. The monitoring of the projects during the design and development of prototype phase would be carried by the IPMT which would periodically apprise the progress of the project to Defence Production Board through Acquisition Wing. The conduct of trials and its evaluation would be under the aegis of the respective Service. After acceptance of the staff evaluation report, commercial negotiations would be carried out with the L1 agency for award of contract for Limited Series Production (LSP). The process is outlined in the form of a flow chart placed at **Appendix A**.

8. The acquisition process under Make Procedure would involve the following functions:-

- (a) Defence Capability Plan.
- (b) LTIPP.
- (c) Preliminary Services Qualitative Requirements (PSQRs).
- (d) Feasibility Study.

- (e) Categorisation and AON by DAC.
- (f) Constitution of IPMT.
- (g) Stages Leading to Detailed Project Report (DPR).
- (h) CFA approval.
- (j) Design and Development of Prototype.
- (k) User Trials by Service HQ.
- (l) Staff Evaluation.
- (m) Solicitation of Commercial Offers.
- (n) Commercial negotiations by Contract Negotiation Committee (CNC).
- (o) Award of Contract.

### **Defence Capability Plan**

9. HQ IDS will spell out the capabilities required by the Services to achieve the objectives set out in Defence Planning Guidelines. This should cover Defence Capability Plan covering 15 years time horizon for attaining the desired capability. For this purpose, the capabilities could be grouped into different fields like Intelligence, Reconnaissance, Surveillance, Electronic Warfare (EW), Network Centric Operations, Precision Guided Systems etc. Development of critical and security sensitive technologies leading to next generation weapon systems and platforms for Defence will remain the area of prime focus of establishments under DRDO or any other agencies of Government of India involved in such research and developments. These are the areas where indigenous technologies may not be available or may be cost exorbitant to develop by the Indian industry because of their higher research content, elaborate infrastructure requirements, long gestation periods or uncertain extent of employment by the armed forces. DRDO would work jointly with Academia, Universities and other National Science and Technology establishments and through technology collaborations. These technology projects necessitate higher content of science and technology oriented R&D. These projects will require separate funding and would be managed primarily by DRDO. The projects covered in this 'Make' Procedure would be based on proven or matured technologies where fundamental research is not required. These would be undertaken by DPSUs / OFB / Indian Industry or Consortia.

### **LTIPP**

10. The Long Term Integrated Perspective Plan (LTIPP) would flow out of the Defence Capability Plan. HQ IDS would breakdown the broad capabilities so as to list out the programmes and projects required to be taken up to achieve the capabilities required in the Defence Capability Plan. The 15 years LTIPP would cover systems required by each service based on the operational requirements to meet each of the stated defence capability. The requirement of upgrade of in service equipments/systems with a given time horizon would also be spelt out in the LTIPP to facilitate conduct of separate feasibility studies for categorisation. The inputs of user and training

institutions who exploit the equipment should be taken into account while projecting the requirements and specifications of upgrades.

### **Preliminary Services Qualitative Requirements (PSQRs)**

11. For the equipment identified in the LTIPP, the Service HQ or the Lead Service for the Joint Services requirements would formulate the Preliminary Services Qualitative Requirements (PSQRs). The PSQRs so formulated would be broad based and realistic. The PSQRs must express the Key Performance Parameters i.e. Essential Parameters and the Desirable Parameters which could be demonstrated at a later timeframe. This is with the aim that the first prototype should be able to meet the Key Performance Parameters i.e. Essential Parameters and subsequent upgrades / development should include Desirable Parameters. All Research and Development activities must adopt continuous Technology Development Cycle where the development of Prototype and future technologies to be incorporated in the upgrades must commence concurrently.

12. The draft PSQRs so formulated by the Service HQs would be circulated to DRDO, DDP, DGQA/DGAQA, Directorate of Standardisation and where feasible to Indian Industry to seek their comments on the capability of DRDO and Indian Industry / Consortia to achieve these objectives. In case of commonality of equipment between the services, the responsibility of formulating such PSQRs would be of Lead Service nominated by HQ IDS.

13. The essential parameters of PSQRs of equipment would be of proven State of the Art technology available in India / world market. The Desirable Parameters of the PSQRs would be based on futuristic/ emerging technologies. Research to achieve the desirable parameters must commence along with the development activities being undertaken for prototype. In case the Research and Development Organisations are of the opinion that the Essential PSQRs so formulated are too stringent and may not be achievable, the SHQ would review the PSQRs.

14. The PSQRs would be subject to review as the development progresses. IPMT would interact with Service HQ to give the limitation of technologies and then amend the PSQRs, if approved by SHQ. The essential parameters that are to be demonstrated for the prototype clearance would be frozen in the Preliminary Design phase and would be duly ratified by respective SEPC/ISEPC. In case the essential parameters are to be amended subsequently to the Preliminary Design Phase, approval of DAC would be taken by the IPMT through Defence Production Board.

### **Feasibility Study**

15. HQ IDS would be responsible for undertaking feasibility studies of all projects under the LTIPP. The aim of this study would be to identify the projects which DRDO, DPSUs, Indian Industry/ Consortia has the capability to design and develop within the timeframe required by the respective Services. This study could either be undertaken by respective service or any other agency as nominated by HQ IDS and would have the representatives from DRDO, DGQA, Industry, Department of Defence Production (DDP), HQ IDS and MoD (Fin). HQ IDS may engage consultants to assist the Study Group as required. Functioning of the Study Group would be monitored periodically as decided in the convening instructions by the Joint Planning Committee.

16. The study group report must bring out cost benefit analysis, spin offs and would give recommendations on the capability to undertake projects under 'Make' category within the country.

### **Categorisation and AON by DAC**

17. HQ IDS would submit the study group reports of projects under 'Make' category to DAC through SCAPCHC for consideration and obtaining approval, ratification of categorisation and accord of Acceptance of Necessity. Following would be highlighted by the SCAPCHC in the presentation to the DAC:-

- (a) Estimated capital expenditure.
- (b) Sharing of development cost.
- (c) Likely development agency (ies).
- (d) Minimum order quantity.

### **Integrated Project Management Team (IPMT)**

18. After the Acceptance of Necessity has been accorded by the DAC, Acquisition Wing would constitute an IPMT for each project. It would be a multi-disciplinary team headed by a Service officer, capable of using methods and tools to analyse and assist in preparing a Detailed Project Report (DPR) by short listed agencies. It will consist of members from Service HQs, HQ IDS, DRDO, DOD, DDP, Integrated Finance, OFB, DPSUs and accredited industries on need basis depending upon the project requirements. The team leader can co-opt other members from eminent scientific, academic institutions and other specialists that may be required by the team to carry out its task for which separate funds would be provided by the Acquisition Wing. The constitution of the IPMT is given at **Appendix B**.

19. IPMT would be responsible for the following:-

- (a) Carrying out the detailed analysis of the Detailed Project Report (DPR) submitted by the agencies.
- (b) Progress the DPR for approval.
- (c) Monitoring and reporting the progress of the project as per the milestones laid down.
- (d) Be an interface between the Service HQ, R&D Organisation and Development Agency.
- (e) Assist in conduct of research to achieve the desirable parameters for future upgrades.

### **Stages Leading to Detailed Project Report (DPR)**

20. The Detailed Project Report (DPR) would be prepared by the short listed agencies. The stages leading to DPR are as given below:-

- (a) Formulation of Project Definition Document (PDD).
- (b) Issue of Expression of Interest.
- (c) Assessment of capability of Developing Agency (ies).
- (d) Preparation of Detailed Project Report (DPR).



21. **Project Definition Document (PDD).** The PDD would be prepared by the IPMT. It should summarise systematically the following aspects:-

- (a) Define the system which would meet the Service requirements.
- (b) Develop the System Requirements keeping in mind the time and cost vis-a-vis performance parameters.
- (c) Identify the requirements of Technology Demonstrators, if required, so as to manage the risk to a level consistent with time and cost parameters. The agreed acceptable levels of risk should be revisited at all major decision points. The project team and design/development agencies should, when appropriate, operate a common risk management process.
- (d) Stage at which the proposed production agency (ies) need to be dovetailed with the project.
- (e) Service which will evaluate the prototypes in case of joint services systems.
- (f) Safety aspect for the safe performance of equipment during testing and evaluation stages.
- (g) The requirement of Limited Series Production, after successful completion of prototype development.
- (h) Define the exit criteria in case the programme does not proceed according to the predetermined milestones.
- (j) Requirement of minimum order quantity to be placed on successful developer.

22. **Expression of Interest.** The IPMTs would invite Expression of Interest (EoI) from DPSUs /OFB / all the RURs / Indian Industry / Consortia that would participate in the programme. The Indian Industries should meet the criterion as per the guidelines for selection of RURs. The empanelment of these industries would be done by Department of Defence Production. DRDO can assist the Industry by having back to back arrangements for conducting Research, Design or Development for which the appropriate charges would be levied by DRDO. The database of industry i.e. Defence Public Sector Undertakings (DPSUs), Ordnance Factory Board (OFB), Indian Industry and Raksha Udyog Ratna (RUR) would be maintained by the Department of Defence Production for identification of the prospective agencies for undertaking the development and / or manufacture. The Guidelines for Selection of RURs are placed at **Appendix C**. The EoI should also lay down the broad parameters of the evaluation process and acceptance criterion for the system under development. The time frame for induction of equipment must be explicitly mentioned so that the industry can respond in a meaningful manner. The industry/ Consortia would furnish following information in response to EOI:-

- (a) Features of the proposal.
- (b) Recommended stages/ phases with priorities and time schedules.
- (c) Define milestones that can be clearly demonstrated to facilitate project monitoring.

- (d) Detailed risk analysis including the measures to manage these risks.
- (e) Estimated capital expenditure.
- (f) Mention the specific expertise and know-how, which the development/production agency (ies) possesses to handle the product(s).
- (g) Role of foreign technology provider, if any.
- (h) Requirement of proof firing and other specialised testing assistance where facilities are available only with DRDO/DGQA.
- (j) Indicate the minimum order quantity which they would like to execute after the successful completion of the project.
- (k) Undertaking to furnish the cost of the final product during the evaluation stage itself, once the final configuration of the end product under development is frozen. This will prevent the development agency to hike the prices in case only one agency is able to develop the product.

23. Assessment of Capability of Developing Agency (ies).

- (a) IPMTs would make a detailed assessment of the responses received to the EOI. This would include an assessment of the manufacturing and design capability of all the industries/Consortia who are interested in participating in the programme. The IPMT would clearly identify the critical technology areas of the development programme where design and manufacturing capabilities are being developed or are being obtained through the collaboration route from a foreign partner by the industry. The contribution of the Indian industry in the critical technology areas should be the key criterion in assessment of various proposals. Indian industry should not become conduit for entry of foreign companies without any significant value addition by the Indian partner.
- (b) The industry/consortia must submit a comprehensive proposal in their response to EoI. The proposal should contain system configuration and technical details of sub systems. The names and details of the foreign technology provider must also be mentioned. The nature of the collaboration, if any, and the benefits accruing to the Indian industry has to be carefully examined by the IPMT. Any MoUs between OFB/DPSUs with a foreign firm for Co-production/TOT /Procurement of equipment should have the approval of DAC. OFB/DPSUs would be free to choose foreign technological partners for signing MoUs for co production/ToT/procurement of equipment for all such schemes where they have to compete for obtaining an order. The 'Make' categorization may lead to denial of Offset opportunities to defence industry, therefore, the benefits arising due to 'Make' categorization needs to be carefully evaluated. The offer from the Indian industry must clearly mention that the IPR rights of the products are owned by the Indian industry. In case of projects which are funded by MoD, the Intellectual Property Rights would belong to the MoD.

24. Short Listing of Development Agency (ies). Minimum two production agencies would always be short listed, for the development of a system. However, there may be compulsions that

some developments can only be undertaken by one production agency. In such a case, approval of DAC would be taken before the project is sanctioned. Even in case of Single Vendor approval, it would be ensured that development of components, subsystems and system is on multi-vendor basis. An essential requirement for short listing of development agency (ies) is identification of firms with proven excellence with capability to contribute due to their technical, managerial and financial strengths. Following aspects would be examined by the IPMT for short listing of development agency (ies):-

- (a) Product structure with specifications.
- (b) Competence to address the critical technology areas of the project through indigenous means.
- (c) Past supplies / contracts for the defence products.
- (d) Financial status of the company.
- (e) Annual Report.

25. The IPMT would forward the report of short listed agencies to Acquisition Wing for approval. The Acquisition Wing after scrutiny would forward the list of short listed agencies to Defence Production Board. The Defence Production Board would select two best agencies out of the list of short listed agencies as per laid down criteria to under take the design and development phase.

26. **Detailed Project Report (DPR).** The IPMT would order preparation of Detailed Project Report (DPR) by two nominated agencies. The DPR would stipulate the scope of the work in terms of the following:-

- (a) Provisional Service Qualitative Requirements (PSQRs).
- (b) Development stages/phases with priorities and time schedules.
- (c) Define milestones that can be clearly demonstrated to facilitate Project monitoring including Project Evaluation and Review Technique (PERT) Chart. Critical activities would also be identified.
- (d) Detailed risk analysis and formulate a risk management plan.
- (e) Estimated Capital Expenditure. Major milestones would be linked with estimated financial outgo at the completion of activity or achieving the milestone.
- (f) Funding for development of prototype and to carry out the research activities for achieving the desirable parameters.
- (g) Role of foreign technology provider, if any. There should be minimum 30 per cent indigenous content in the developed prototype.
- (h) Requirement of proof firing and other specialised testing assistance where facilities are available only with DRDO/DGQA.
- (j) Evaluation process and acceptance criteria.
- (k) Sharing of development cost.

- (l) Requirement of minimum order quantity to be placed on the successful developer.
- (m) Define the exit criteria in case the programme does not proceed according to the predetermined milestones.

27. The IPMT would analyse the Detailed Project Report (DPR) and submit the same along with its recommendation especially with reference to Exit Criterion defined in the DPR, to the Acquisition Wing for approval.

### **CFA Approval**

28. The financial sanctions for development of the projects would be obtained by the Acquisition Wing based on the cost of the project proposal as under:-

- |                                     |   |               |
|-------------------------------------|---|---------------|
| (a) Projects upto ₹ 50 Crores       | - | Secretary DP. |
| (b) Projects upto ₹ 100 Crores      | - | RM.           |
| (c) Projects upto ₹ 200 Crores      | - | RM & FM.      |
| (d) Projects more than ₹ 200 Crores | - | CCS.          |

29. **Provision of Funds.** Funds are proposed to be provided for development projects approved under this procedure in a manner and subject to the conditions approved by the competent authority under the Account Head 'Make Procedure- Prototype Development Account', which would be operated by Acquisition Wing.

30. **Funding of Projects.** Acquisition Wing would issue appropriate sanction after approval of Competent Financial Authority (CFA). The sanction would be based on "Detailed Project Report (DPR)" and shall inter-alia contain cost estimates and other necessary details such as schedule of release of payments linked clearly to achievement of well defined milestones. The Project Sanction Order (Government letter) would clearly indicate title, number, PDC, costs with break ups in main budget head, special financial powers if any, monitoring and management mechanism. Unless or otherwise mentioned in the Government letter the date of issue of the Government letter is considered as date of commencement of the project. The Project Sanction Order for the development would be in the form of a contract by Acquisition Wing. In case where the system configuration is complex, development lead time is relatively long, technological risks are substantial, the Defence Acquisition Council (DAC) would approve the sharing for the development cost with the developing agency (ies). The sharing of cost would normally be in the ratio of MoD (80%) and the industry (20%). The IPMT would identify important milestones during the development of prototypes. Funds would be released by Acquisition Wing to the industry based on the recommendations of the IPMT as per schedule of release of payments linked to achievement of milestones. Nominated agencies shall provide necessary information/inspection of relevant financial documents/information related to the project as and when required by the Ministry of Defence.

### **Design and Development of Prototype**

31. The PSQR is the starting point for commencement of Research, Design and Development

Project. The stages for design and development of weapon systems would vary from system to system depending on the complexity. Therefore, it may not be possible to prescribe a unique model for all development projects. The respective design and development agency would therefore adopt the development strategy which would be clearly indicated in the DPR. However, it is expected that the design and development stage would undergo the following minimum phases:-

- (a) **Project Definition Phase.** In this phase, any modifications / refinements / amendments to DPR, if considered necessary may be carried out. The Project Definition Phase is a prelude to the Preliminary Design Phase.
- (b) **Preliminary Design Phase.** During the Preliminary Design Phase, the design parameters are established for configuration, performance in compliance to users requirements and trade off in the design. This also takes into considerations various tests and mock up studies to be conducted. Mathematical Modelling, Simulation, 3D Modelling, Finite Element Methods (FEM) Analysis, Computational Fluid Dynamics (CFD) analysis etc. would be carried out. The test methodology and the requirement of test facilities would also be finalized. Specifications of various equipment, systems and sub-systems that are to be used in the equipment or in the weapon systems would be finalised and all SQRs frozen. Any further changes to SQRs before the development of the prototype would be put up to the DAC for approval.
- (c) **Detailed Design Phase.** This phase includes the detailed design of systems / sub-systems down to all components. Finalization of the tolerances and sensitivity analysis for parameter variations would be carried out. Engineering design document, drawings, process planning would be firmed up. Successful prototype development is a complex multi disciplinary task and is an iterative process, therefore, the detailed design phase – followed by critical design review would have to be revisited several times during the prototype development process before the complex system is fully realized meeting all the requirements.
- (d) **Fabrication/ Development Phase.** Manufacture of sub assemblies would be carried out based on the final specifications arrived at in the detailed design phase. During this phase the manufacturing process, tooling requirement, stage inspection process, requirement of jigs and fixtures etc. would also be finalized.
- (e) **Test & Analysis.** Concurrent with the design phase, testing of several components, system / sub-system are undertaken. This is done either to refine the design further or for freezing the design if the components, system / sub-system have been proven. Test and analysis should also include software verification. Design testing through simulation can also be under taken. 100 per cent screening test for all bought out items would be carried out. Test records of Commercially Off the Shelf (COTS) assemblies would be maintained. Test reports of fabricated assemblies and the inspection procedure would be finalized. The testing may require specialized facilities like conduct of proof firing and extensive firing trials for weapon systems. Such facilities, specifically required for military applications, are national resources, and are mostly available at selected centers of DRDO and DGQA which would be made available to the development agency at their own risk.

(f) **Integration.** During this phase, various systems and sub-systems are integrated and the system integration testing is carried out in accordance with the test procedures approved. The integration procedure, the interface details, the performance and assembly of modules/ sub systems would be finalized. The sub systems would have to qualify when subjected to environmental tests like temperature, vibration, shock, dust, sealing etc.

(g) **Performance Evaluation.** After the integration of the various sub systems, the prototype would be subjected to technical and limited field trials to assess the overall performance of the systems against stated SQR by the development agencies and IPMT. Based on the test and analysis conducted by them, there may be a need for change of design. This is a continuous process until the design is finally proven and meets the SQRs. If for some reasons, certain SQRs are not met due to the constraints of technology, the Services HQ would be informed and discussion held with them to change the SQRs. If the changes are accepted by the Service HQ, the prototype would be offered for user trials.

(h) The Developing Agency would also mention the Life Cycle Cost (LCC) of the equipment. All documentations, test and procedures followed to assess the Life Cycle Cost would be authenticated by IPMT and thereafter evaluated independently during user trials.

(j) Research for future upgrades must commence with the developed prototype. This research would be based on desirable parameters of SQRs. This is with a view to shorten the development cycle for future upgrades.

32. The IPMT would closely monitor the project during all phases of design and development of prototype. The IPMT would submit the progress report of the project linked to achievement of milestones to Defence Production Board through the Acquisition Wing with respect to the following:-

- (a) Achievement of milestones.
- (b) Recommend release of payments.
- (c) Recommend foreclosure of the projects as per Exit Criterion defined in case the programme does not proceed according to pre determined milestones.

33. After the prototype has been developed, the IPMT would carry out user trial readiness review of the prototype before offering it for user trials.

### **User Trials by Service Headquarters**

34. User Trials would be carried out in a time bound manner by the SHQ in close consultation with IPMT to validate the performance of the system against the parameters/ specifications approved after the development of prototype. SHQ will formulate the Trial Directive and constitute the Trial Team. The trial directive must specify the fundamental points that need to be addressed for validating the 'Essential' parameters. The SQRs of the equipment would be a part of the trial directive. The validation of the support system and maintainability trials, integral to and complimenting the trial programme of the weapon system should be held simultaneously, wherever feasible. Representatives of DRDO, QA

agency may also be part of the field evaluation, on as required basis. The user can recommend modification to the system for ease of handling and its maintainability. At this stage, no changes should be suggested which require redesigning of the system/sub system or technology upgrade. Such suggestions would be considered and implemented in subsequent phases of development.

### **Staff Evaluation**

35. Based on the User Trials, the SHQ would carry out a staff evaluation, which gives out the compliance of the demonstrated performance of the equipment vis-à-vis the SQR. The staff evaluation report will be approved by the Service HQ and forwarded to the Acquisition Wing for acceptance. The Technical Manager would receive the Staff Evaluation Report, and after due examination, submit the report to the DG (Acquisition) with his recommendations for acceptance or otherwise. Waivers/ amendments to SQRs during the development stage can be sought at Staff Evaluation Stage. In such cases approval of Raksha Mantri would be taken.

36. Once the Staff Evaluation Report is accepted no more funds would be released from 'Make Procedure- Prototype Development Account'. The procedure followed for procurement would thereafter be same as for 'Buy' category. Allocation of funds for this product would have been anticipated and made by the concerned services in the AAP of the concerned year.

### **Solicitation of Commercial Offers**

37. Request for Proposal would be issued to the agencies accepted in the staff evaluation report for soliciting the commercial offers.

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

38. The process of commercial negotiations for Minimum Order Quantity as given in the DPR, would commence after Staff Evaluation Report has been accepted by the DG (Acquisition). The CNC will carry out all processes from opening of commercial bids till conclusion of contract. The sealed commercial offers of the development agencies shall be opened by the CNC at a pre determined date and time under intimation to agencies, permitting such agencies or their authorised representatives to be present.

39. The process will start with preparation of a 'Compliance Statement' incorporating the commercial terms offered in the RFP and that sought by the agency (ies), 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 warranty, guarantee provisions, acceptance criteria, Engineering Support Package (ESP) etc. Comprehensive analysis of the commercial offer will form the basis for subsequent decisions.

40. The CNC will prepare a Comparative Statement of Tenders (CST) with a view to evaluate the technically acceptable offers and determine the lowest acceptable offer (L1 Agency). This would also include its Life Cycle Cost.

41. In multi vendor cases, on opening of commercial offers, once L1 vendor is identified the

contract should be concluded with him and there would be no need for any further price negotiations. However, negotiations can be held in exceptional circumstances where valid logical reasons exist and such negotiations should be held only with L1. In case of procurement of new equipment on single vendor /resultant single vendor basis, CNC should establish a benchmark and reasonableness of price in consultation with IPMT before opening the commercial offer. Once the commercial offers are opened and the price of the agency is found to be within the benchmark fixed, in the internal meeting, there should be no need to carry out any further price negotiations. Aspects of advance and stage payments (where applicable) would also be given upfront in the RFP so that it facilitates selection of L1 agency.

### **Award of Contract**

42. Consequent to the approval of the CFA the contract would be signed by the concerned Acquisition Manager/ Director (Procurement) in the Acquisition Wing. The Standard Contract Document at Chapter V of DPP 2011 would be the guideline. The draft contract would be prepared as per these guidelines. The date of signing of the contract would be the effective date of contract.

43. Limited Series Production. Limited Series Production would be undertaken by L1 Developing Agency and the equipment would be offered to the user for further exploitation and placing of order for the balance of the equipment. The Manufacturing Agency would be the Authority for Holding Sealed Particulars during the Limited Series Production Stage. The sealed particulars would be transferred to DGQA/DGAQA after the first Limited Series Production is accepted by the user service. The unsuccessful agency would also handover the drawings and documents of the prototype to QA agency for projects funded by MoD after L1 has been determined.

44. The next phase of up gradation of the prototype for development of its Mark II/ Mark III variants would be guided by desirable parameters.

45. Project Monitoring and Review. The progress of the project would be monitored by the IPMT as per the defined milestones listed in the DPR. IPMT would periodically apprise the progress of the project to Defence Production Board through Acquisition Wing and who in turn would apprise the DAC. The review of the projects would encompass:-

- (a) Reviewing technical progress of projects with respect to planned objective, milestones achievement, time, cost, scope when ever changes are necessary, re appropriation of funds within sanctioned cost.
- (b) Recommending enhancement of funds & PDC extension.
- (c) Recommending alternate approach, whenever necessary.

46. The actual approval for cost, PDC revision would be obtained from DAC by the Defence Production Board. In case the project does not proceed according to the predetermined milestones and there are time and cost overruns the project may be foreclosed as per the exit criteria given in the DPR.



**Deviation**

47. Any deviation from the prescribed procedure will be put up through the Defence Production Board to the Raksha Mantri for approval.

**Review**

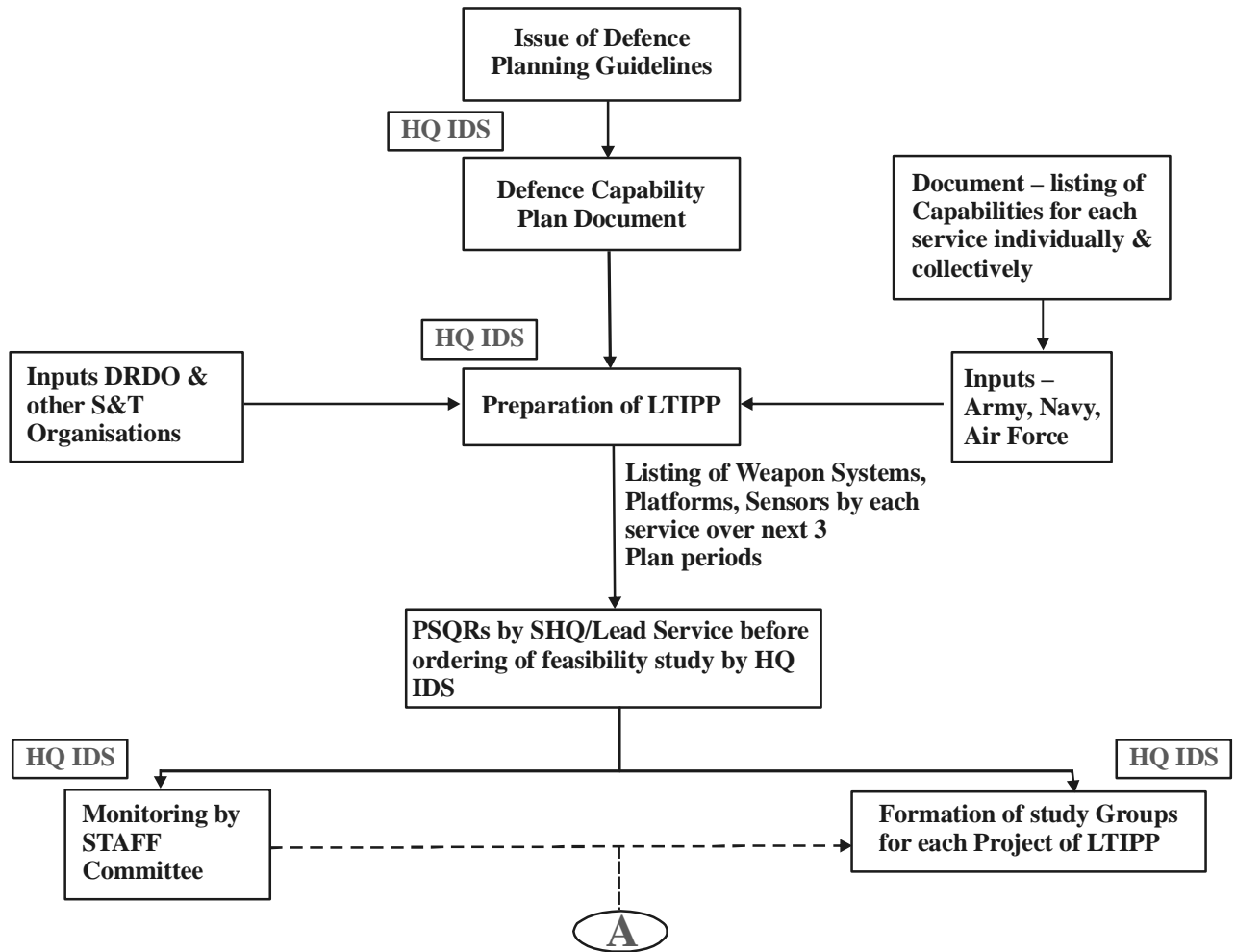
48. Review of the procedure would be undertaken after every two years.

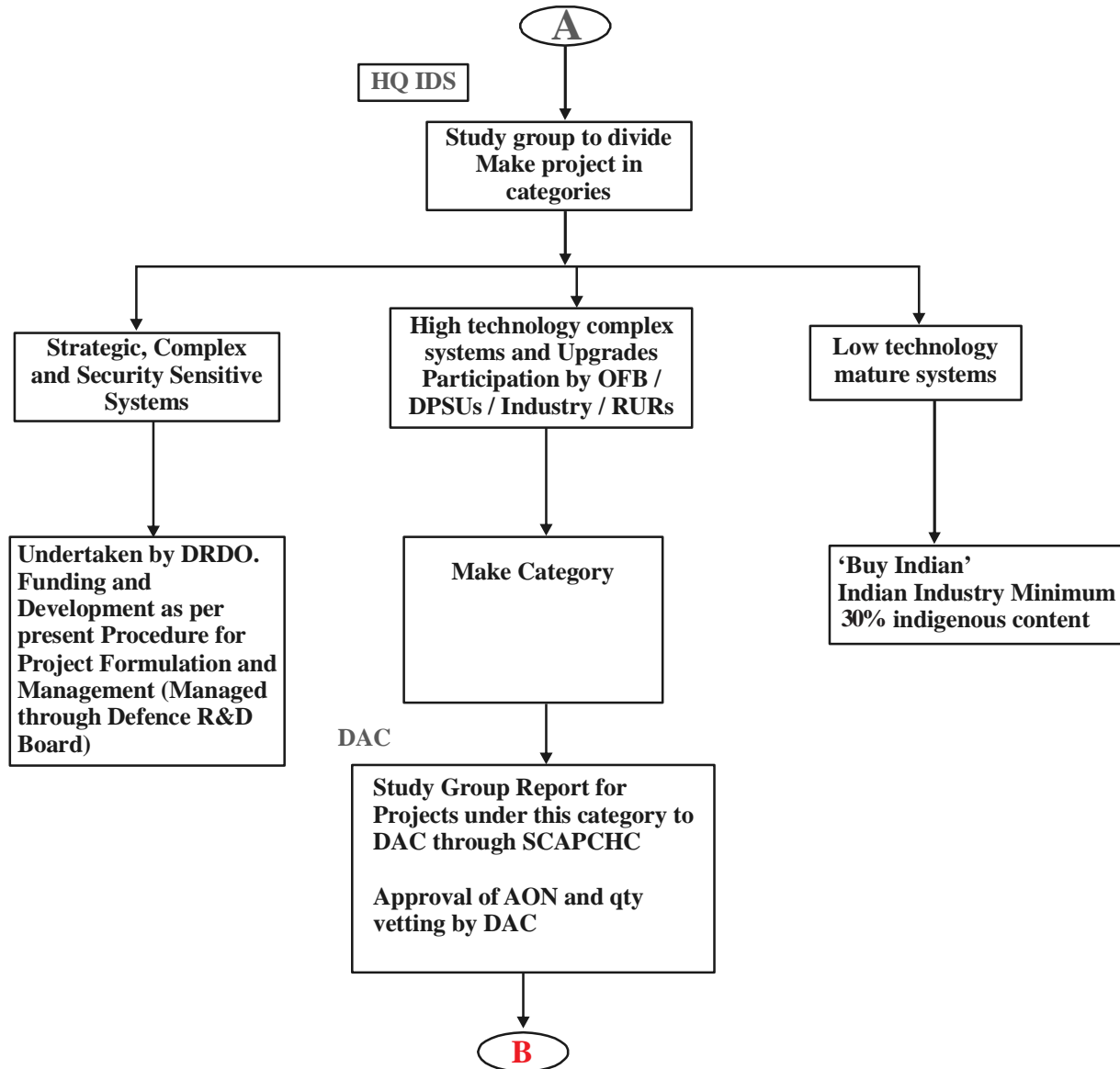
**Conclusion**

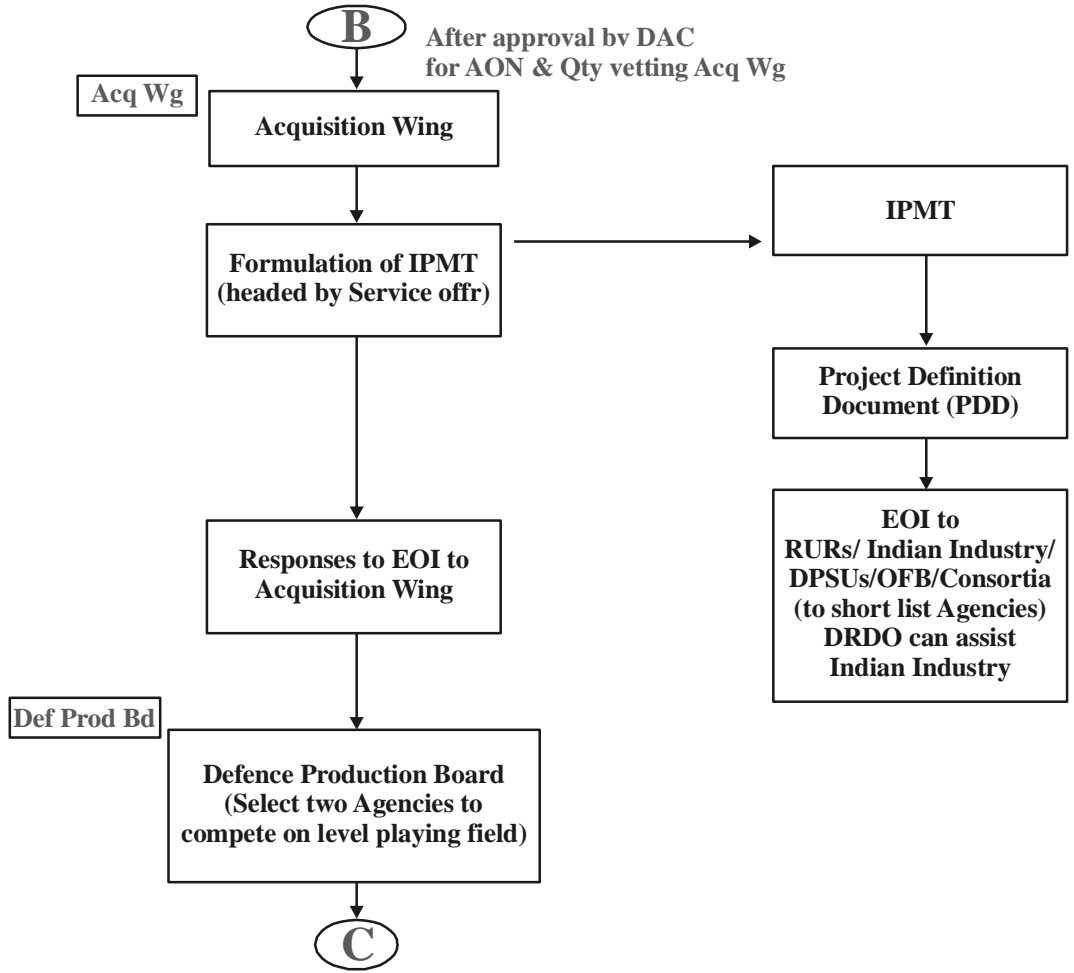
49. The underlying principle for formulating a separate procedure for the “Make” category of procurements is to enhance the indigenisation component in our acquisitions. Developmental snags may result in cost overruns, occasional failures and need for midcourse correction. While all these are likely ingredients of such development ventures, all out efforts would be made through the detailed provisions incorporated in this procedure for monitoring of the project, to achieve all established milestones and the end product. The close involvement of the Services at all stages of this development process and induction, which is an essential feature of the prototype development process, under this “Make” procedure, should reduce substantially, the lead time on acceptability and induction.

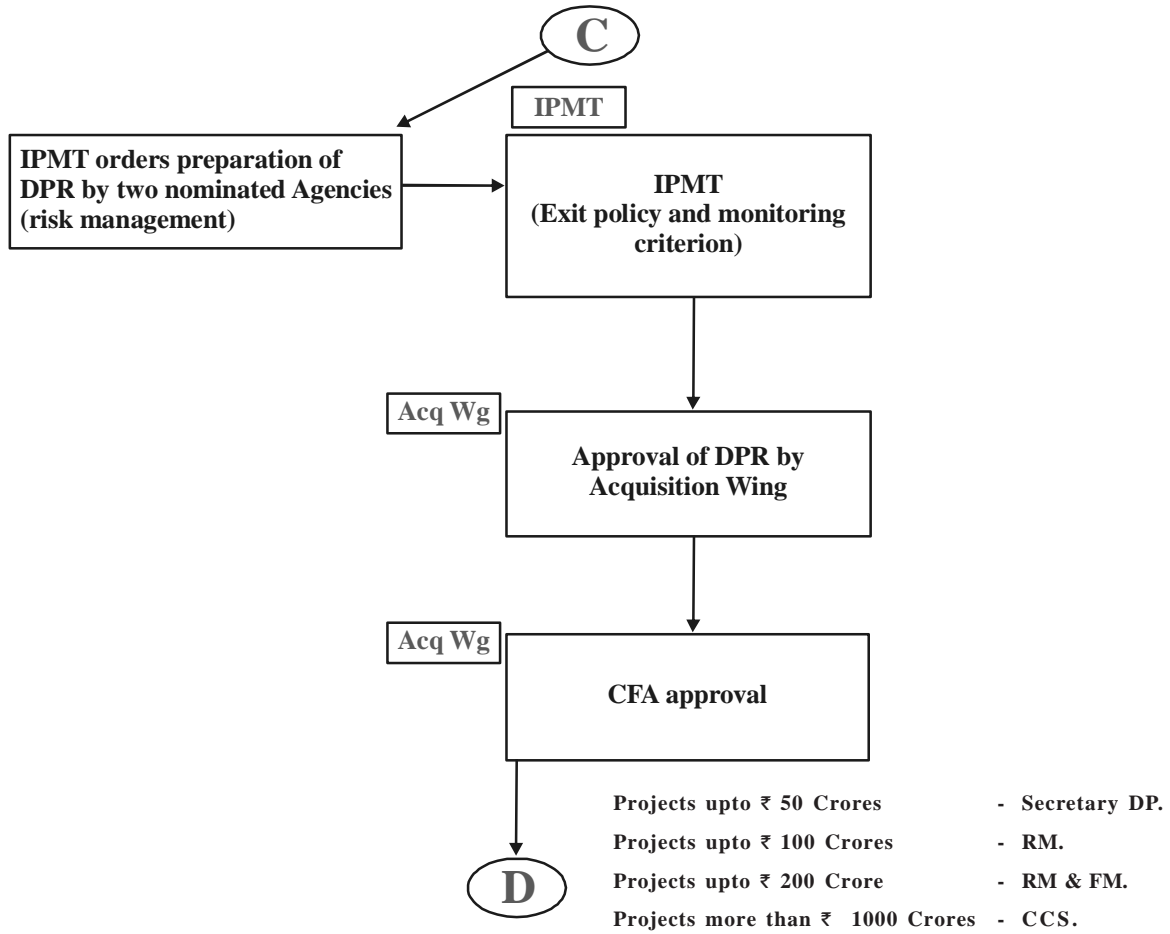
50. This procedure has come into effect from 01 September, 2006. There are, however, cases, which would be under various stages of development at the time of commencement of this procedure; the processing of these cases will continue as hitherto fore and will be deemed to be valid.

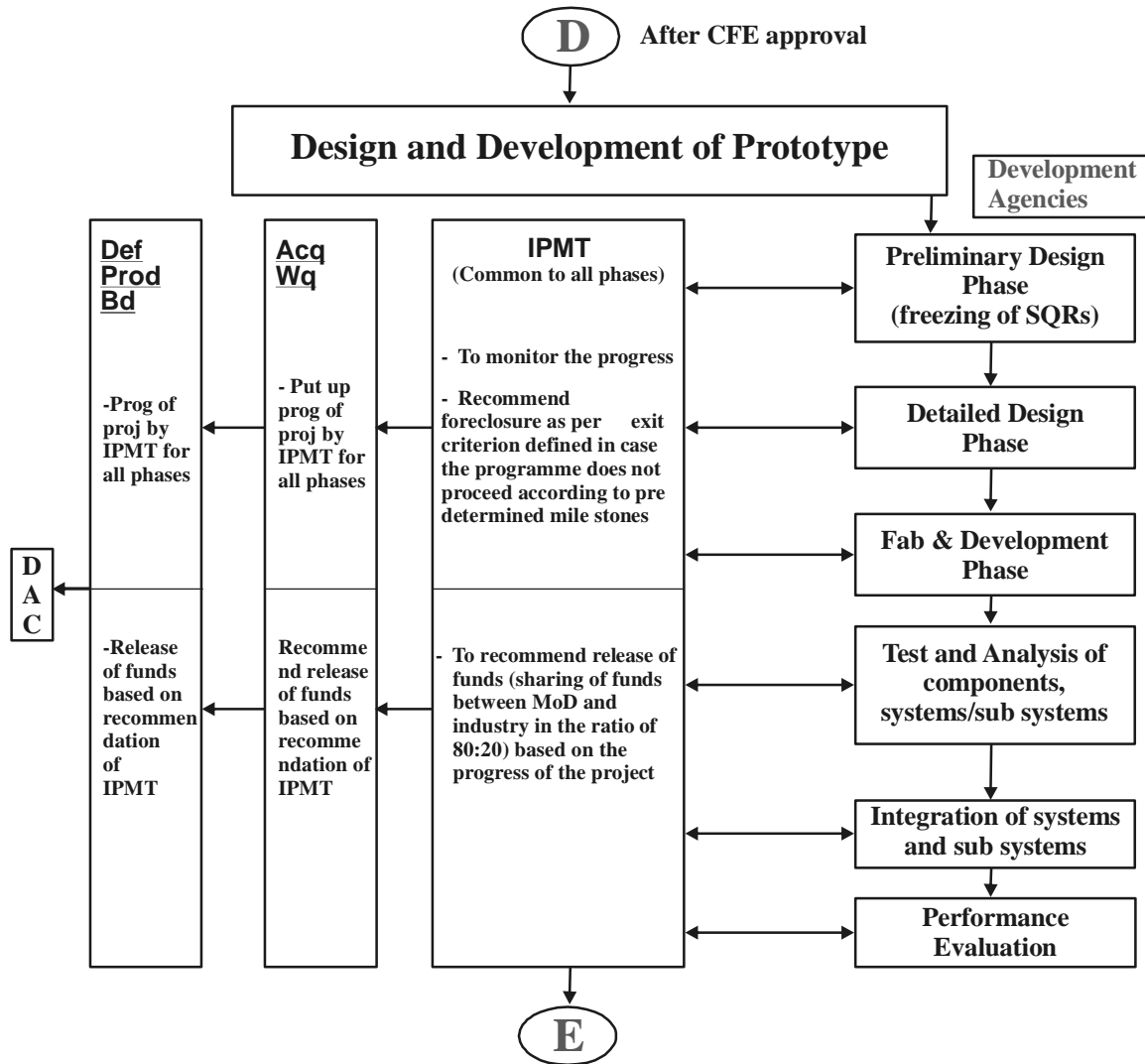
**Flow Chart for Defence Procurement Procedure (MAKE)**

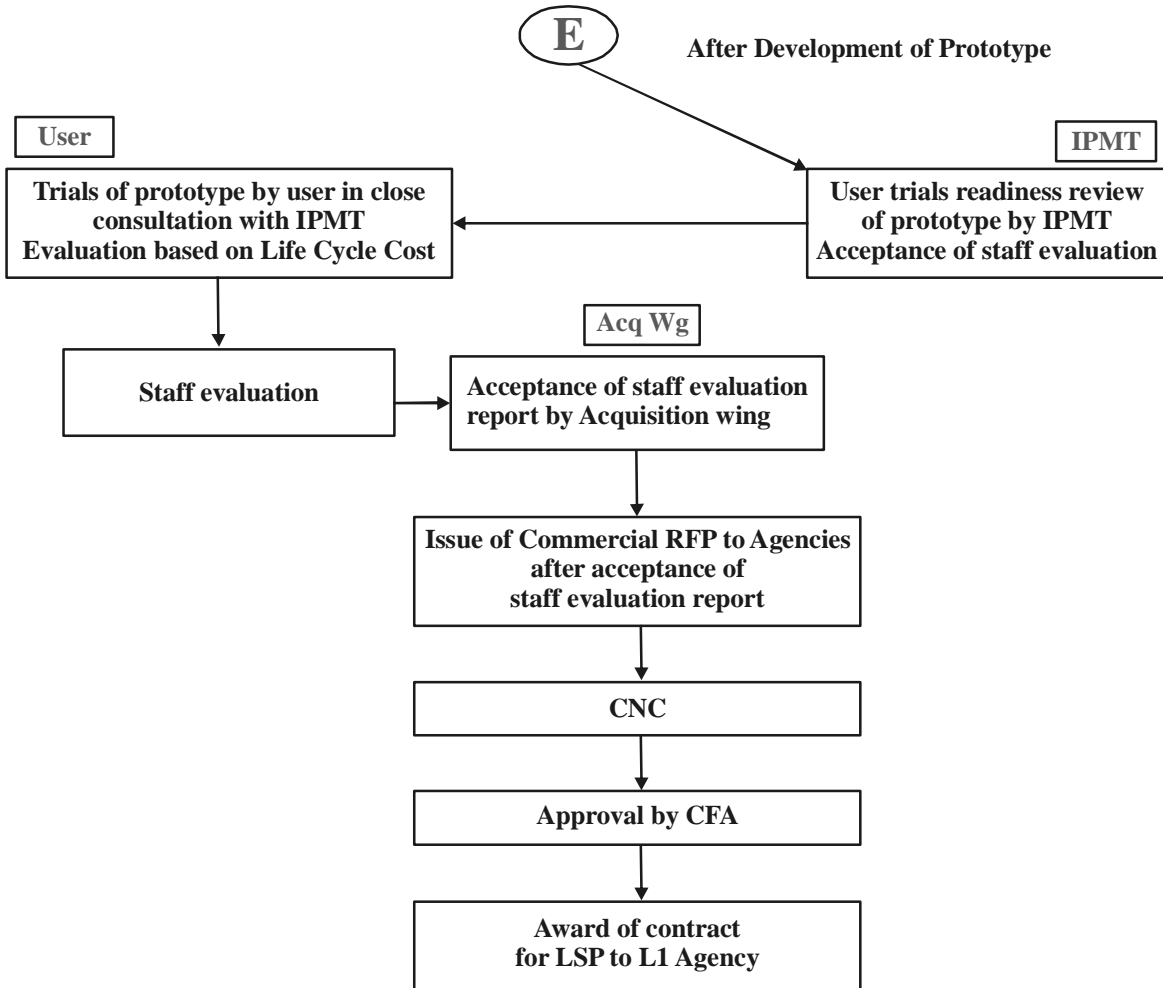












**COMPOSITION OF IPMT**

- |             |   |   |
|-------------|---|---|
| Team Leader | - | Service HQ  |
| Members     | - | Rep HQ IDS  |
|             | - | Reps Technical / Maintenance / Logistics Branch/User (as required)    |
|             | - | Rep DRDO (Technical Advisor)  |
|             | - | Rep Integrated Finance  |
|             | - | Rep other Science & Technology Institution / Academia (as applicable) |
|             | - | Rep Department of Defence Production                                  |
|             | - | Rep Industry (as applicable)  |
|             | - | Rep Costing Group   |
|             | - | Rep DGQA/DQAQA  |
| Convener    | - | Acquisition Wing  |



No.9(8)/2005/D(S-III)  
Government of India  
Ministry Of Defence  
(Department Of Defence Production)

South Block, New Delhi  
May 09, 2006

GUIDELINES FOR THE SELECTION OF INDUSTRY “RAKSHA UDYOG RATNAS”/  
“CHAMPIONS” IN DEFENCE PRODUCTION

**A. Preamble**

The Ministry of Defence, Government of India, in promoting the participation of Private Industry in Defence Production, and to enable the Government to utilize available resources, both in the Public and Private Sector to the maximum extent for production of Defence equipment needed by the Armed Forces for the defence of the nation, have decided to identify the Industry leaders, hereafter referred to as “Raksha Udyog Ratna/Champion”, who shall be associated in Defence acquisitions undertaken by the Government. The RURs should be treated at par with Defence PSUs, which are selected by the Government for receiving technology and undertaking licence production with Transfer of Technology (TOT) from overseas sources. In order to select such “Raksha Udyog Ratna (RUR)” in a fair and transparent manner, the Government hereby enunciates the following guidelines:-

**B. Guidelines**

- (1) These shall be called the Guidelines for the selection of Industry “RUR” as described in the Preamble above.
- (2) Company registered under the Companies Act, which is a manufacturing concern, can apply in the prescribed form enclosed for being selected as an Industry “RUR” for Defence Production. Such application shall be received in the Department of Defence Production.
- (3) (i) All such applications for selection of “RUR” shall be examined and scrutinized by a Committee constituted by the Department of Defence Production, Ministry of Defence with the approval of Raksha Mantri. This Committee shall have the following Members :-
  - (a) Eminent personality - A person with an exceptionally good experience in Government, Defence experience would be an added advantage - Chairperson
  - (b) A high level independent Technical expert;
  - (c) A high level independent Financial expert; and
  - (d) A high level independent Management expert :(Dean/Prof. Of IIM).
  - (e) A representative of Integrated Defence Staff (IDS).

Technical support : Organisation like EIL  
 Secretarial support : DDP, MoD.

- (f) A rep of Army/Navy/Air HQ - to be associated on a need basis when required.
- (ii) This Committee shall be provided with technical support, scrutiny and examination of the application by an organization like EIL, which will be selected by DDP in MoD.
- (iii) Secretarial support to the Committee shall be provided by the Supply Wing of the Department of Defence Production, MoD.
- (iv) Members of the Committee, barring the Member Convener shall have a tenure of two years. This tenure can be extended with the approval of Raksha Mantri.
- (4) (i) The Committee shall make recommendation in respect of each application indicating clearly whether the applicant should be recognized as an “RUR” or not based on the criteria set forth in these guidelines.
- (ii) All applications received by 30th September of the calendar year shall be examined and the Committee shall give its recommendations latest by 31st March next year.
- (iii) The recommendation of this Selection Committee shall be placed before the DAC (Defence Acquisition Council) for acceptance. Once the DAC accepts the recommendation, the company shall be recognized as “RUR” for purposes of Defence production.
- (iv) A manufacturing company once approved by DAC as a “RUR” shall enjoy the status of “RUR” for a period of five years. The status can be renewed for a period of three years subject to the condition that the Selection Committee constituted under para (3) recommends the same.
- (v) After selection as RUR, the Company shall sign an Agreement with the Ministry of Defence on the Code of Best Practices to be followed by them.
- (5) These Guidelines shall be made available to Industry Associations, i.e., Confederation of Indian Industry, Federation of Indian Chamber of Commerce & Industry, ASSOCHAM, for wide circulation. These guidelines will also be posted on the MoD website.

**C. Criteria for Selection:**

- (6) The criteria for the selection of “RUR” for Defence Production shall be as follows:-
- (i) Public Limited Indian Company registered for minimum ten years with foreign holding not exceeding 26% excluding FII.
- (ii) Companies with Capital assets in India not less than Rs.100 crores and turnover not less than Rs.1000 crores for each of the past three years. (For this purpose, the group of companies engaged in manufacture will be treated as one company).
- (iii) A minimum credit rating equivalent to CRISIL/ICRA – “A”.
- (iv) Company with consistent profitable financial record showing profits in at least three years of the last five years and with no accumulated losses.

- (v) Companies with established track record in engineering (including software) and Manufacturing for real value addition – Not a trading company/agency.
  - (vi) Companies with established R&D Base or willing to invest in R&D as decided by the Regulatory Authority.
  - (vii) Companies with units/divisions with established Quality Control System meeting various quality certifications and standards as laid down from time to time. Current standards should include ISO 9001 & ISO 14001 and preferably ISO 18001 also. The system should enable self-certification by select Industry “Champions”.
  - (viii) Companies with security infrastructure meeting relevant requirements authorized by Government agencies.
  - (ix) The company shall either possess a licence/LOI for production of Defence items in accordance with the amendment to the Industries (Development and Regulation) Act 1951 (Notification No.S.O.477 (E) dated 25th July 1991) notified by the Government vide Notification dated 3rd January 2002, or obtain the same within six months of application for seeking “RUR” status, wherever required.
- (7) The criteria described in para 6 of these guidelines, in very special cases to be treated as exceptional, can be relaxed by the Committee constituted under para 3(i). In each such case of relaxation of the criteria, the Committee shall record the reasons in the form of a speaking order for recommending the company to be recognized as “RUR”. The recommendations of the Committee when placed before DAC for consideration shall be accompanied with the reasons records as a speaking order.
- (8) These Guidelines shall be reviewed by the Department of Defence Production every three years.
- (9) These Guidelines shall come into effect from the date of notification.
- (10) This issues with the approval of Raksha Mantri.

(Alok Perti)  
Joint Secretary(S)  
Department of Defence Production,  
Ministry of Defence.

**Application form for selection of  
“Raksha Udyog Ratna”/ “Champion”**

1. Name of the Company
2. Name of CEO with Designation
3. Address of the Registered Office
4. Address of the Factory/Factories
5. Company Website(s)
6. Date of Incorporation
7. Brief History of the Company
8. Category of Industry (Large Scale/Medium Scale/Small Scale)
9. Nature of Company (Public Limited/ Private Limited)
10. Nature of Business (Please give broad product range against each)
  - 10.1 Manufacturer
  - 10.2 Trader
  - 10.3 Sole Selling or Authorized Agent
  - 10.4 Dealer
  - 10.5 Assembler
  - 10.6 Processor
  - 10.7 Repacker
  - 10.8 Service Provider
11. Please tick the head at the Appendix under which your products/services fall.  
You may tick more than one head, if applicable.
12. Details of Current Products
  - 12.1 Type/Description
  - 12.2 Licensed/Installed Capacity
  - 12.3. Annual Production for Preceding 3 Years
13. Details of Bought Out Items
  - 13.1 Main Equipment
  - 13.2 Component/Assembly/Sub Assembly/Processes
  - 13.3 Name and Address of the Sub-Contractor
14. Sources of Raw Materials
  - 14.1 Imported/Indigenous
  - 14.2 Brief Description
  - 14.3 Estimated CIF Value
  - 14.4 Percentage FE Content in Final Product

15. Details of Foreign Collaborations
  - 15.1 Product
  - 15.2 Name and Address of Collaborator
  - 15.3 Year of Collaboration
  - 15.4 Current Status of the Collaboration (whether expired or current)
16. Technology Received from Abroad and Assimilated
17. Technology Transfer MOUs Signed/Under Negotiation
18. Products Already Supplied
  - 18.1. To Ministry of Defence
    - 18.1.1. Acquisition Wing/Department of Defence Production
    - 18.1.2. Indian Army: MGO Branch/DGOS Branch/E-in-C's Branch/ Directorates/ Command Headquarters
    - 18.1.3. Indian Navy: Chief of Materials Branch/Professional Directorates/ Command Headquarters/Shipyards/Dockyards
    - 18.1.4. Indian Air Force: Air Headquarters/Maintenance Commands/Base Repair Depots
    - 18.1.5. PSUs
    - 18.1.6. DRDO and its Laboratories
    - 18.1.7. Ordnance Factories
    - 18.1.8. Any Other Defence Organisation
  - 18.2. To Other Principal Customers
19. Details of Registration Certification Held (along with product details)
  - 19.1. DGQA
  - 19.2. DGAQA
  - 19.3. CEMILAC
  - 19.4. DGS&D
  - 19.5. Other Defence Departments
  - 19.6. Other Government Department
20. Details of ISO Certification
21. Details of Pollution Control Certificate
22. Details of Permanent Man Power (with their post graduate qualifications)
  - 22.1 Technical
  - 22.2 Administrative
23. Total Area of Factory
  - 23.1. Covered (sq. mtrs)
  - 23.2. Uncovered (sq. mtrs)
  - 23.3. Bonded Space Available (sq. mtrs)

24. Electric Power
  - 24.1 Sanctioned
  - 24.2 Installed
  - 24.3 Standby
25. Details of Important Facilities
  - 25.1 Production (including Heat Treatment, Dies, jigs and Fixtures)
  - 25.2 CAD, CAM, ROBOTS and Other Advanced Technology Tools
  - 25.3. Tool Room, Metrology and Test Equipments and Facilities
    - 25.3.1. Type of Instrument
    - 25.3.2. Make and Model
    - 25.3.3. Date of Purchase
    - 25.3.4. Frequency of Calibration
26. Details of Developmental Facilities
  - 26.1. R&D Facilities Available
  - 26.2. Number of Technical Manpower
  - 26.3. Inspection and Quality Control of Raw Material, Components and Finished Products.
  - 26.4. Assistance from Central Agency/Agencies for Testing/Calibration
  - 26.5. Laboratory and Drawing Office Facility
  - 26.6. Percentage of Total Turn-Over Spent on R&D During the Last Three Years
27. Area of Interest for Future Expansion/Diversification (please provide adequate details)
28. Future Plan (if any) in respect of Expansion Programme, Installation of Additional Machines/Test Facilities
29. Turn-Over during the last three Financial Years
30. Present Net Worth of the Company
31. Any other Relevant Information
32. Contact Details of the Executive Nominated to co-ordinate with the Assessment Team (please provide telephone, mobile and e-mail address).

**Heads under which your Products / Services fall**  
**(Illustrative list)**

**Products**

Airborne Radar and Equipment	Airborne Radio Transmitters and Receivers
Airfield and Aircraft Servicing Equipment	Satellite and Satellite Systems
Computer Based Trainers and Simulators	Other Training Equipments
Field Accommodation, Shelters and Catering Equipments	Nuclear, Biological and Chemical Protection Equipment
Fire Fighting Equipments	Materials Handling Equipments
Hovercraft	Vehicles
Naval Auxiliary Machinery	Internal Combustion Engines
Naval Propulsion Machinery	Vehicle Equipments and Trailers
Naval Surface Sensors, Weapons and Control Systems	Ground Radar and Equipment
Navigation Systems and Equipments	Perimeter and Access Control Equipment
Other Communication Equipments	Computers and Peripheral Equipments
Other Electronic and Electrical Equipments	Test Equipment
Other Naval Equipment	Aircraft, Helicopters and Engines
Protective Clothing and Equipment	Uniforms and Personal Equipment
Raw Materials and Semi-manufactured Products	Additional Products and Components
Rescue and Survival Equipments	Ammunition and Pyrotechnic Products
Sensors and Weapon Control Systems For Ground Forces	Aircraft Instruments and Equipment
Ship-borne Radar and Equipments	Power Generating Equipments
Ship-borne Radio Transmitters and Receivers	Workshop Machinery, Tools and Equipment

Storage Equipments and Packaging Products	Medical Supplies and Hospital Equipment
Surface Combat Ships and Support Vessels	Guided Missiles and Equipment
Tanks, Armoured Vehicles and Equipment	Weapons and Weapon Control Systems for Aircraft
Underwater Equipment	Engineer and Construction Equipment
Underwater Vessels, Sensors, Weapons and Control Systems	Ground Based Radio Transmitters and Receivers
Weapons for Ground Forces	Aerial Reconnaissance Equipment
Any other category not listed above (with details)	

### **Services**

Consultancy and Advisory Services Research, Development and Test Services	Prime Contracting Services Civil Engineering, Building and Construction Services
Naval Services	Information Technology, Software and Computer Services
Manufacturing Services	Maintenance and Repair Services
Packing, Storage and Transport Services Supporting Services	Documentation Services Security Services
Any other category not listed above (with details)	



**DRAFT AGREEMENT ON THE CODE OF BEST PRACTICES**

THIS AGREEMENT, entered into by and between:

.....  
.....

....., who has been recognized and approved as a “Champion” of Industry for purposes of Defence Acquisition by the Ministry of Defence, Government of India

Hereinafter referred to as the Supplier

And

The Ministry of Defence (MoD), Government of India, South Block, New Delhi, India.

**Recitals**

1. WHEREAS the Code of Practice covered under this Agreement is meant and entitled to demonstrate a commitment of the Ministry of Defence and its supplier to the establishment of mutually satisfactory relationships, based upon openness and trust, to enable mutual benefits in the acquisition of goods and services by the Ministry of Defence. This code does not seek to deal directly with the performance of those goods and services, or to specific contractual terms of their supply, it rather establishes principles for the conduct of defence acquisition business throughout the supply chain. The objectives are to enable improvements in the quality, efficiency, timeliness and supply chain relationships in the defence acquisition business.
2. WHEREAS this Code is to encourage a positive and cooperative approach by all stakeholders involved in setting the terms for the supply of goods and services to the Ministry of Defence. This Code advocates the use of best practices to achieve shared goals whilst recognizing and respecting each other’s interest by the avoidance of confrontation and adoption of reciprocal behaviour.
3. WHEREAS the MoD and its supplier will maintain the highest level of honesty, integrity, impartiality and objectivity, they will try to perform their obligations efficiently and to the highest professional standards treating each other fairly and with courtesy.
4. WHEREAS the MoD and its supplier recognize that the mutual satisfactory relationships based upon openness and trust between each other are fundamental to successful outcomes throughout the supply-chain and that the MoD and its supplier is committed to working together to improve the climate of defence contracting through the adoption of behaviours described in this Code.

5. NOW therefore it is hereby agreed that the MoD and its Supplier will constantly develop the most effective customer-supplier relationship in the following way:-

The MoD Shall:		The Supplier shall:	
1.	Strive to deliver value for money from the Defence Budget by managing its acquisition processes efficiently, while understanding the needs of Suppliers to be profitable and give share holder value.	1.	Strive to deliver value to the MoD, and to improve competitiveness in line with internationally recognized benchmarks of best practice, whilst understanding the constraints that public accountability places on MoD.
2.	Behave as an intelligent customer with well informed and objective capability requirements and assumptions which will be made readily available to supplier at the earliest opportunity within the acquisition cycle.	2.	Inform the MoD fully and frankly, and at the earliest opportunity, of the industrial financial and commercial realism of its requirements and assumptions.
3.	Make available to Supplier as much information as is practicable and responsible to allow Suppliers to facilitate long-term planning.	3.	Make known his skill base, capabilities, strategies and alliances to enable MoD to form an adequate assessment of the supplier's capability to satisfy MoD's forward needs.
4.	Work continuously with Supplier to establish realistic budgets to balance performance, cost and time parameters to achieve affordable, definite capability requirements.	4.	Assist MoD in devising realistic budgets for acquisition programmes, highlighting options to trade among timescales, quality, operational effectiveness and/or cost.
5.	Wherever feasible, encourage the long-term availability of military capability by promoting arrangements	5.	Demonstrate commitment to supply of long-term industrial capability by presenting MoD with a range of

	that can lead to a continuous support relationship with the Supplier and his supply chain.		support options including the methodologies for their measurement.
6.	Protect commercially sensitive information and intellectual property in any pre/or post-tender discussions with Supplier.	6.	Protect the confidentiality of information provided by MoD, regardless of the identity of the Originator
7.	<p>When seeking tenders:</p> <ul style="list-style-type: none"> <li>• always take account of the resources needed to respond to it and sustain the subsequent evaluation process.</li> <li>• Fully state the time requirements needed from tenderers to negotiate a contract and, where necessary, indicate whether they are mandatory or merely desirable.</li> <li>• Make available the criteria and weightage to be used in tender evaluation and notify the outcome promptly.</li> <li>• In the competitive environment, fully, frankly and fairly debrief tenderers to facilitate continuous improvement.</li> <li>• Award an effective contract to the winning bidder as soon as is practical on the basis of the offer made, modified as necessary by any post-tender negotiations.</li> <li>• MoD shall ensure that information of costs and cost estimates provided by the supplier is not divulged to any other party.</li> </ul>	7.	<p>When responding to invitations to tender:</p> <ul style="list-style-type: none"> <li>• Do so wholeheartedly within his capability and resources.</li> <li>• Always identify all noncompliances and the reasons for them.</li> <li>• Participate in debriefing opportunities fully and frankly to improve future performance.</li> <li>• Provide feedback on MoD's conduct of the competitive process.</li> <li>• Promptly accept a contract from MoD that reflects what has been offered in the contractor's most recently submitted bid as modified by any post tender negotiations.</li> <li>• Provide MOD information regarding costings and cost estimates required to assess the true value of contract.</li> <li>• Allow MoD access to company accounts, which relate to production of the items contracted.</li> </ul>
8.	<p>In establishing and monitoring performance under the contract:</p> <ul style="list-style-type: none"> <li>• Set out clear and objective contract criteria for assessing compliance</li> <li>• Work with the supplier to overcome any programme problems in good faith without</li> </ul>	8.	<p>During the performance of the contract:</p> <ul style="list-style-type: none"> <li>• Adopt internal and supply chain management procedures that encourage innovation, cost reduction and continuous performance, whether for payments, acceptance, or both.</li> <li>• When certifying performance provide</li> </ul>

	<p>disturbing effective performance, and encourage an open, cooperative and non- adversarial environment in which legal recourse is the option of last resort.</p> <ul style="list-style-type: none"> <li>• Seek to avoid placing disruption, delay and other additional cost burdens on the Supplier.</li> </ul>		<p>the necessary evidence of compliance called for in the contract.</p> <ul style="list-style-type: none"> <li>• Inform MoD fully and frankly, and at the earliest possible time, of any programme problems and work with MoD and other suppliers to resolve them in good faith, and with fidelity to the programme.</li> <li>• Seek to mitigate disruption, delays and additional costs by whomsoever caused.</li> </ul>
9.	Maintain a record of supplier’s past performance for review with him; encourage an approach where lessons are learnt from experience.	9.	Provide MoD with feedback on its comparative performance as a customer and encourage an approach where lessons are learned from experience.

6. THIS Agreement shall become effective from the date on which it is executed by both MoD and the Supplier.

7. THIS Agreement shall remain valid as long as the Company enjoys the status of “RUR”.

8. The MoD reserves the right of terminating the Agreement if at any time it is satisfied that the Code of Practice has been violated by the Supplier. Before taking this decision, MoD shall give an opportunity to the Supplier to explain his position by issuing a Show Cause Notice. The termination of this Agreement shall also tantamount to removing the Supplier from the list of “RUR” recognized and approved by the Ministry of Defence for purposes of Defence acquisition.

9. IN WITNESS WHEREOF, each of the PARTIES (Supplier and the MoD) hereto has caused this Agreement to be executed by its duly authorized officers or representatives:

For Supplier:

for MoD:

Name:

Name:

Title:

Title:

Signature:

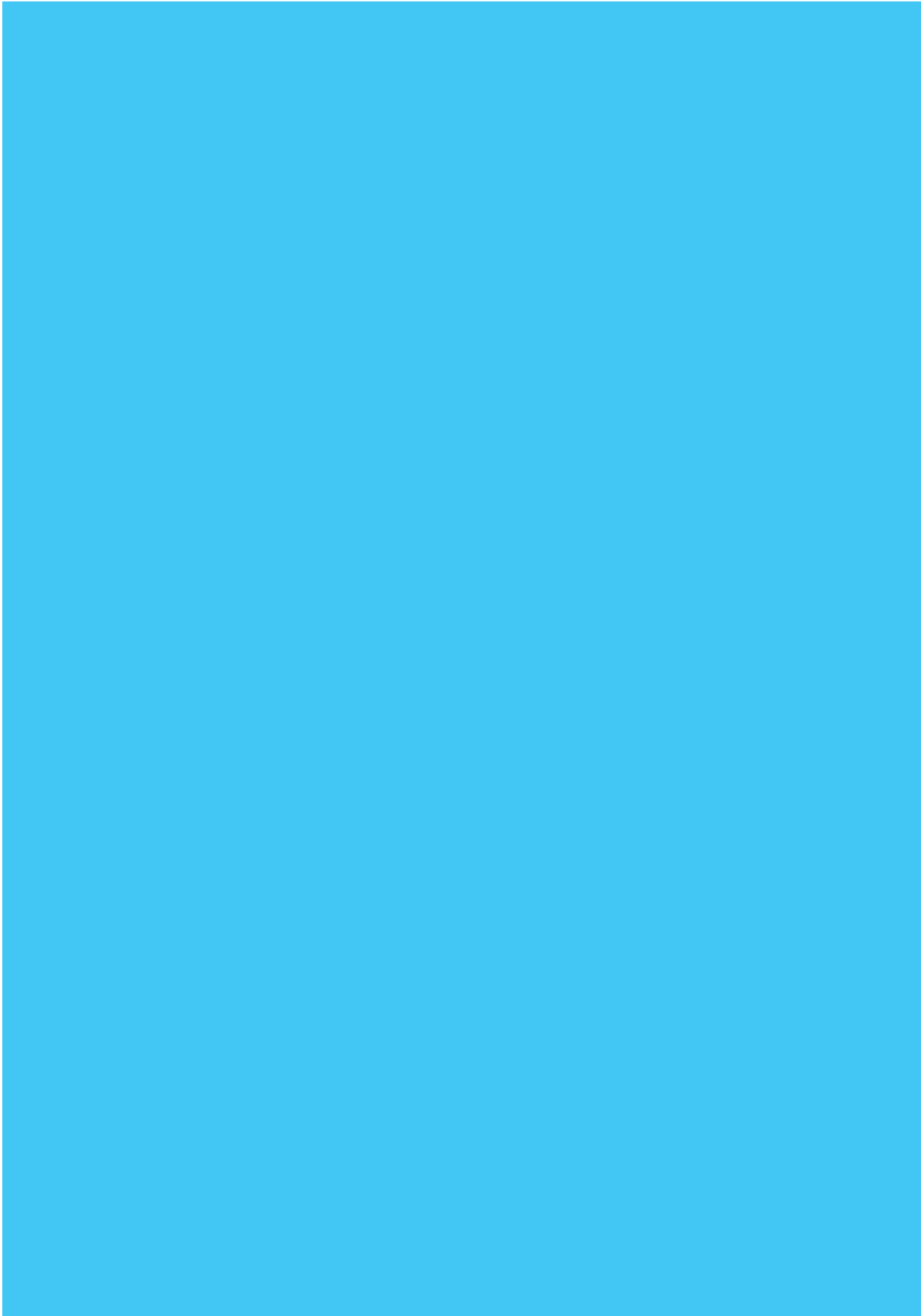
Signature:

Date:

Date:

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**Procedure for Defence**  
**Ship Building**



## **CHAPTER III**

### **PROCEDURE FOR DEFENCE SHIP BUILDING**

#### **General**

1. A Naval/Coast Guard ship consists of an assortment of weapons, sensors and support systems, along with propulsion, power generation and auxiliary systems, facilities for crew, fuel and provisions. All the surveillance and weapon systems are interlinked and integrated through an elaborate data management system. The system integration of complex sensors and weapons between themselves and to the ship's systems and combat management system is crucial for a ship design and construction project. The platform design successfully integrates systems acquired from different sources.
2. To achieve this successfully, a ship construction programme, therefore, necessarily involves feasibility studies on the basis of the staff requirements, concept design, model tests, preliminary design, specialist design studies, detailed design, system integration, construction, tests and trials. It also involves technology application and transfer, selection of various equipment, development of new equipment, identification and purchase of a large number of items, including weapons and sensors from numerous indigenous and foreign suppliers.

#### **Preamble**

3. In accordance with the Defence Procurement Procedure 2011 (DPP-11), Capital Acquisitions have been categorized under four main heads, namely; 'Buy', 'Buy and Make' 'Buy and Make (Indian)' and 'Make' decisions. Naval shipbuilding is a capital and technology intensive complex activity that requires a separate procedure for design / construction / acquisition of naval ships, submarines, yard crafts, auxiliary ships and Coast Guard vessels through design/construction. This Chapter is divided into two sections as follows:-
  - (a) **Section 'A'**. Acquisition of Naval and Coast Guard Ships, submarines, yard crafts and auxiliary crafts etc by nomination to DPSU.
  - (b) **Section 'B'**. Acquisition of Naval Ships, Coast Guard Ships, submarines, yard crafts and auxiliary crafts etc on competitive basis.
4. Actions indicated for Naval authorities in succeeding paragraphs would be carried out by Coast Guard authorities mutatis-mutandis, in cases where this procedure is followed for Coast Guard acquisitions.



## SECTION 'A'

### ACQUISITION OF NAVAL AND COAST GUARD SHIPS, SUBMARINES, YARD CRAFTS AND AUXILIARY CRAFTS ETC BY NOMINATION TO DPSU

5. Preamble and Applicability. This section is primarily applicable for acquisition of Naval/CG ships, submarines, auxiliaries, yard crafts and Coast Guard vessels of indigenous designs by IHQ MoD(N) to be constructed by DPSU shipyard(s) on nomination basis. However, it can be used as guidelines wherein the design is undertaken by the nominated shipyard(s) and/or construction through nomination to any other Indian shipyards.

6. Procedure. The Naval Ship Building Procedure under this section will cover the following :-

- (a) Outline Staff Requirements
- (b) Acceptance of Necessity
- (c) Nomination of Shipyards
- (d) Preliminary Staff Requirements
- (e) Preliminary Design
- (f) Preliminary Build Specifications
- (g) Build Strategy
- (h) Budgetary and Estimated Costs
- (j) Contract Negotiations
- (k) Approval of CFA
- (l) Conclusion of Contract
- (m) Detailed Design
- (n) Procurement of Ship-borne Equipment
- (p) Monitoring of Projects
- (q) Revision of Cost
- (r) Closure of the Project
- (s) Liquidated Damages, if applicable

#### Outline Staff Requirements

7. IHQ MoD (N) are to prepare the Outline Staff Requirements (OSRs), which are to include the role of the ship, dimensions of its hull, limiting dimensions if any, capability of major machinery, weapons, sensors and details of accommodation, manpower, endurance etc.

8. The OSRs would form the basis on which the feasibility studies and concept design of the ship, identification of OEMs/ vendors for specific weapons, sensors, machinery and equipment are to be carried out.

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

9. The proposal for induction of the ships is to be linked to the Maritime Capability Perspective Plan (MCPPE)/Five Years Plan which stipulates the numbers and type of vessels required as well as timelines for such inductions. The guidelines at Para 8 and 9 of Chapter 1 of DPP-11 would apply, for consideration and approval of DAC. The Statement of Case for the proposal is to be prepared by IHQ MoD (N) and processed in line with the details given in Para 18 of Chapter 1 of DPP-11. This will inter alia contain Outline Staff Requirements, broad category of weapons and sensors to be fitted on the ship along with the status of their indigenous development if applicable, operational necessity, approximate cost and budgetary provisions. The proposal is to clearly indicate whether it is a new design, Follow on ships or Follow on ships with substantial design / equipment changes.

### **Nomination of Shipyard**

10. SHQ in consultation with DDP will carry out a capacity assessment of the shipyards and forward recommendations on the nomination of the shipyard for the project along with AON for approval by DAC. More than one shipyard may also be nominated. In case of nomination of more than one shipyard, lead shipyard is also to be recommended in the proposal along with allocation of ships to each shipyard.

11. Cases for nomination of a yard for Coast Guard ships will also be approved by the DAC based on the merits of each case.

### **Preliminary Staff Requirements**

12. On completion of the feasibility analysis/ concept design, the OSRs are to be refined, and the Preliminary Staff Requirements (PSRs) are to be promulgated based on the selected option of the concept design. The procedure for the Services Qualitative Requirements (SQRs) as set out at Paras 13 to 17 of Chapter 1 DPP-11 shall be followed for new weapons and related sensors as appropriate.

### **Preliminary Design**

13. Based on the promulgated PSRs, the preliminary design, including hull form design, weapons/sensors/equipment fit, identification of OEMs/ vendors for specific weapons, sensors, machinery and equipment, model tests, validation studies and other design activities are carried out by IHQ MoD (N)/Shipyard in consultation, as necessary. The propulsion package, weapons/ sensors, hull equipment and engine equipment may be identified by the customer. Based on the necessity, SHQ may indicate the requirement for model test and other design validation studies as well as for augmentation of existing design facilities at Design/ Production Directorate. This will be authorised at the time of seeking AoN.

14. Due to long gestation period in ship-building, there may be occasions when systems/ equipment, which are still under development or those not fully evaluated, have to be considered in order to ensure that the ship when ready has the latest state of the art capabilities at the time of induction into service. The dates for freezing of developmental system would be indicated in the contract. Further, due to operational reasons adaptation of developmental systems, shortfalls observed during installation/trials of equipment/systems etc may require modifications in design.

### **Preliminary Build Specifications**

15. Based on the preliminary design, the Preliminary Build Specifications (PBS) of the vessel are to be prepared by SHQ and forwarded to the nominated shipyard(s). The SHQ and nominated shipyard will interact to finalise these and other related documents.

16. In cases where the vessel is not designed by IHQ MoD (N), the nominated shipyard will prepare the preliminary build ship specifications based on the PSRs and finalise these, along with draft contract and other related documents through interactions with SHQ.

### **Build Strategy**

17. The nominated shipyard(s) is/are to propose a build strategy based on the preliminary build specifications, required delivery schedules, yard infrastructure and available resources. This would include the proposed construction schedule, Level 1 work breakdown structure, detailed master control network with resource allocation plan for utilization of shipyard manpower, infrastructure and committed infrastructure up-gradation specific to the project, if applicable, outsourcing plan, the tentative procurement schedule for major long lead items, including weapons and sensors, and the schedule for design documentation and drawings. This should also include shipyard's plans to meet the resource requirements of the new project together with other on-going projects.

### **Budgetary Cost**

18. After approval of the build strategy by IHQ MoD(N), the shipyard(s) is/are to forward a budgetary cost for the construction of the ship on the basis of the Build Strategy, along with draft contract.

19. Budgetary Cost – New Design Ships/ Follow-On Ships with Substantial Design/Equipment Changes. In case of new design projects or Follow-on projects with substantial design/equipment changes, the shipyard will forward estimated budgetary cost broken down to the extent possible, into standard elements such as labour cost indicating number of man-days, overheads, direct expenses, profit payable to shipyard, specially contracted works, approximate cost of raw material, all major equipment, weapons, sensors and propulsion machinery chosen, etc as well as the expected year wise cash flow separately for fixed and variable component. The cost should take into account normal escalation in cost of various elements and known equipment and machinery as per the scheduled time of procurement, so as to arrive at an estimated completion cost. Details of cost elements, which cannot be assessed at this stage such as cost of new/ developmental equipment, exchange rate variation etc should be explicitly indicated.

20. Estimated Cost – New Design Ships/ Follow-on Ships with Substantial Design/Equipment Changes. The estimated cost of the project is to include the budgetary cost provided by the shipyard, costs towards project studies, functional design development through design bureaus /agencies and detailed design work by shipyard/ specialist agencies. Augmentation of design facilities at Design/ Production Directorate of Navy and creation of infrastructure in the shipyard etc, are also to be reflected as separate items. For new design ships, the estimated cost shall be as close to the final cost as possible explicitly indicating variable cost elements and projected cost of weapons, related sensors and other items under development, if any.

21. Budgetary Cost – Follow On Ships. In case of ships of Follow on projects with minor design changes or equipment change requiring minimal design changes, the shipyard is to forward a firm cost for construction of the ship with variable element only for new and developmental systems, if any, in conformance with the Build Strategy, indicating the year wise requirement of funds.

22. Estimated Cost – Follow On Ships. The estimated cost should be carefully worked out based on the budgetary quote given by the nominated shipyard and should be broken down into fixed and variable cost elements, such as labour cost indicating number of man-days, overheads, direct expenses, profit payable to shipyard, specially contracted works, approximate cost of raw material, all major equipment, weapons, sensors and propulsion machinery chosen, etc.

23. Modifications. In view of Para 14 above, the construction of ships may require to accommodate unforeseen changes necessitated due to minor operational requirements of the user etc. Since it is not feasible to forecast these, a provision needs to be made for the same, while obtaining CCS/CFA approval. The extent of modification cost would be examined by the CNC, on case to case basis. Based upon the deliberations during the CNC, a percentage of the project cost will be included in the CFA approval on 'Not Exceeding Basis' for modifications, subject to a maximum of 4% of the basic cost. Any extra time required beyond the delivery date of the ship, on account of modification would be restricted to a maximum of 4% of the original contract delivery period under the project. Expenditure on modification cost along with commensurate time extension (if any) will be approved by the concerned CFA based upon delegated financial powers in consultation with IFA.

### **Contract Negotiations**

24. Before seeking the approval of CFA, negotiations on the price and the other aspects of the contract with shipyard are to be undertaken and concluded by a Committee chaired by the Acquisition Manager (Maritime Systems). The Committee is to include representatives from the concerned directorates of the IHQ MoD(N) in addition to the representatives of MoD (Fin).

### **Approval of CFA**

25. The proposal for the design and construction of the ship is thereafter, to be taken up for the approval of the CFA.

26. The proposal for CFA approval should indicate the estimated cost of the project as brought out above, the time schedule for completion, spread of expenditure, availability of funds,

categories and operational details of major weapons, sensors, propulsion machinery and other major equipment sought for fitment on the ship. The capability and potency of the weapons and related sensors may be clearly indicated in the draft CCS note.

27. While seeking CFA approval, the time schedule for the following activities as applicable may also be specifically indicated:-

- (a) Freezing of SRs.
- (b) Selection of weapons and sensors including those under development.
- (c) Time required for project studies, design, model testing etc in case of projects involving concurrent development / design.
- (d) Freezing of preliminary design.
- (e) Broad ordering schedule for weapons and sensors, major equipment and propulsion machinery and also price negotiations with nominated shipyard for the entire project in case of Follow-on projects.
- (f) Time schedule for obtaining subsequent approval of CFA for new design ships, Follow on ships with substantial design/equipment changes.

28. Follow On Ships. For 'Follow on Ships', CFA approval would be sought on fixed price basis if there are minor changes in the design/equipment fit. In case of substantial changes in the design/equipment fit, CFA sanction is to be obtained in two stages in accordance with Para 29 below.

29. New Design Ships/ Projects with Substantial Changes in Design/Equipment. In cases of new design ships as well as Follow on projects with substantial changes in design/equipment vis-à-vis parent ship, where it is not possible to estimate the likely firm cost of components, subsequent approvals of the CFA need to be obtained as the cost elements are firmed up. In such cases, based on the first stage approval of CFA, the work on shipbuilding, viz ordering of equipment and material and development of detailed/production design, etc, commencement of construction can start. The ordering of equipment under variable component will be progressed in accordance with diagram at Para 37. Thereafter, after firming up estimates of all cost elements under variable cost, second stage approval of CFA will be taken on cost estimates (on not exceeding basis (if necessary)), within a period specified at the time of initial CFA approval.

### **Conclusion of Contract with the Shipyard**

30. The contracts should be on 'Fixed Price' basis for Follow-on ships and on Fixed Plus Variable Price in case of new design or Follow-on ships with substantial design / equipment changes based upon the first stage CFA approval, indicating inter alia permissible price escalation, exchange rate variations, increase in statutory levies etc. However, variable price element would be indicated on not exceeding basis in the Supplementary Contract based on the 2<sup>nd</sup> stage CFA approval.

31. The contract is to be signed within a period of two months from the date of CFA approval. In cases, where subsequent CCS approvals are necessitated, Supplementary Contracts are to be signed within two months of such approval. In case of delay in signing of contract, approval of RM is to be sought with full justification for the delay.

32. In view of the peculiarities associated with the design and construction of naval ships, illustrative contracts shall be promulgated separately by MoD/ DDP for guidance.

33. Amendments to contracts concluded with the shipyards will be affected after due approval of MoD and MoD(Finance).

### **Detailed Design**

34. On conclusion of contract, shipyard is to commence Detailed Design, order equipment & material and obtain binding data for the detailed design. The actual construction of the ship can, however, start in parallel along with the detailed design.

### **Procedure for Procurement of Ship-borne Equipment**

35. Procurement of Non-Weapon Equipment. Procurement of long lead and other items are to be initiated at an early stage, to ensure timely availability based upon the construction schedule. Due to the peculiar nature of the ship construction activity, different procedures have to be followed for procurement of equipment and material for the ship. The procurement of all yard materials, ship borne hull equipment & material, associated fittings as well as Propulsion machinery and Engineering Equipment will be by the shipyard.

36. Procurement of Weapons and Related Sensors.

(a) As indicated in Para 9 above, while seeking approval for Acceptance of Necessity and also CFA approval, the broad categories, operational details and potency of the weapons and related sensors to be fitted in the ship are to be indicated.

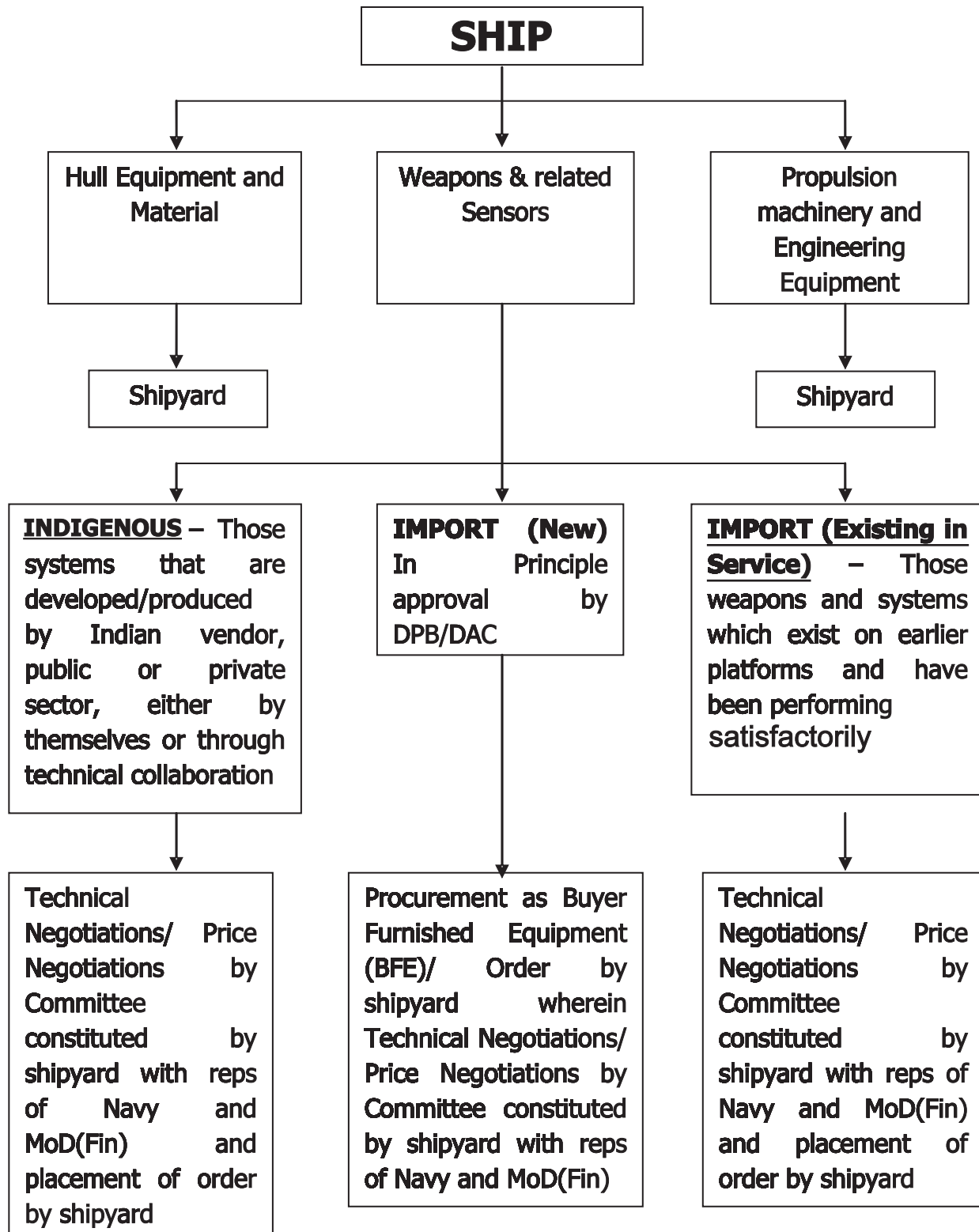
(b) The categories of the weapons and related sensors shall be as approved by the CFA. As brought out in the diagram at Para 37, the procedure for procurement of weapons and sensors will be as follows:-

(i) Weapons and related Sensors to be imported from Abroad for the First Time. Weapons and related sensors imported from abroad for the first time may be processed for procurement as BFE. If these are to be procured by the shipyard, Technical Negotiations/ Price Negotiations will be undertaken by a Committee constituted by the Shipyard with reps of SHQ and MoD(Fin). The placement of order would be by the shipyard. In both cases, prior approval of DAC/DPB will be required.

(ii) Imported Weapons and related Sensors existing in Service. Procurement of weapons and related sensors from foreign sources, which are existing in service or their upgraded versions, is to be carried out by the Shipyard. Technical Negotiations/ Price Negotiations will be undertaken by a committee constituted by the Shipyard with reps of SHQ and MoD(Fin). The placement of order would be by the shipyard.

(iii) Indigenous Weapons and related Sensors under Development or existing in Service. Procurement of indigenous weapons and related sensors under development or existing in service is to be carried out by the shipyard. Technical Negotiations/ Price Negotiations will be undertaken by a Committee constituted by the Shipyard with reps of SHQ and MoD(Fin). The placement of order would be by the shipyard.

37. The procedure for procurement of ship-borne equipment is broadly depicted in the diagram below :-



38. Single Vendor Situations. In cases where certain state-of-the-art new weapons and related sensors being manufactured by only one vendor are to be utilised, the procedure set out at Paras 69 and 70 of Chapter 1 of the DPP-11 shall be followed.

39. Inter Government Agreement. In cases where the state-of-the-art new weapons and related sensors are available only in one country and an Inter Government Agreement is involved, the procedure set out at Para 71 and 72 of Chapter 1 of DPP-11 shall be followed.

40. Procurement on Strategic Considerations. For acquisitions of new weapons and related sensors based on considerations of strategic partnerships, the procedure set out at Para 73 of Chapter 1 of the DPP-11 shall be applicable.

41. Nomination of Equipment. To enable standardisation, accruing the advantage of ToT, retain/select those equipment on Follow-on class/ships which are fundamental to design, interchangeability, interoperability, repair infrastructure, maintenance and support of OEM, spares logistics and inventory control, system integration, training etc, SHQ may nominate equipment from single vendor. For Weapons and related Sensors nominated on Single Vendor by SHQ, the procedure of obtaining DAC approval outlined at Para 38 will be followed. For other equipment, the requirement of single vendor nomination will be vetted by a Committee comprising members from SHQ, DDP (Dte of Standardisation) and shipyard. Based on the recommendations of the Committee, a certificate for procurement on single vendor basis, duly approved by PSO, will be issued. The Statement of Technical Requirements (SOTRs) and Ordering Instructions (OIs) for the shipyard will be prepared by IHQ MoD(N) as per approved procedure.

### **Payment Terms**

42. The payment terms for each shipbuilding project would be negotiated and finalised by the CNC since these are dependent upon the indigenous and imported content of the equipment fit. However, a broad suggested payment schedule, for fixed price element, is placed at Appendix A and Appendix C for guidance.

43. Payment terms for augmentation/ modernisation of shipyard infrastructure, where provided for, will be separately formulated, negotiated with the shipyard and finalised by the DDP.

44. Payment Mode. The Variable Cost element, where applicable, will be paid on actuals, within the overall ceiling of total variable cost approved by CFA. Payment of variable cost element would be done through opening of a separate project account. The interest accrued on this account will be credited to the Consolidated Fund of India. Shipyard can make payments against actual cost incurred for procurement after submission of relevant documents. Guidelines in this regard will be issued by MoD(Fin).

### **Monitoring of Projects**

45. After conclusion of contract, physical construction activity is to commence at the shipyard. All shipbuilding projects are to be monitored as follows:-

- (a) Six monthly review by an Apex Steering Committee under the Chairmanship of Secretary(DP) as notified by MOD.



(b) Committee under the chairmanship of CWP&A with members from MoD (Acq Wing/ DP/ Fin/ DGQA), Design/ Production Directorate, CDA(N) and shipyard that will monitor shipbuilding projects on a quarterly basis. Such reviews may be delegated to nominated reps on as required basis.

46. These committees shall be suitably empowered to ensure efficient execution of the project.

47. The Apex Steering Committee under the chairmanship of Secretary (DP) will consist of the following officers:-

- (i) Additional Secretary (DP)
- (ii) Joint Secretary (NS), Member Secretary
- (iii) Joint Secretary & Acquisition Manager (MS)
- (iv) Additional FA & JS (Defence PSUs)
- (v) TM(MS)
- (vi) Financial Manager (MS)
- (vii) CWP&A
- (viii) DGND/ACWP&A
- (ix) ACNS(P&P)/PDNP
- (x) CMD of concerned Shipyard
- (xi) Director and Project Superintendents of concerned project of Shipyard
- (xii) PDND/PDSP

48. The terms of reference of the Steering Committee are as under: -

- (i) To review the physical progress of the project with specified reference to compliance of milestones laid down for completion of various activities of ship construction.
- (ii) To monitor the financial progress of the project to ensure that the project progresses within the financial limits sanctioned by the Govt.
- (iii) To identify technical and administrative hold ups and give suitable directions so that the project proceeds as per the time schedule and cost approved by the Govt.
- (iv) To review fulfilment of contractual obligations at pre determined stages.
- (v) Any other matter requiring direction and guidance of the Steering Committee.

49. The secretarial assistance for the committee will be provided by the Naval System Division of Department of Defence Production. The Apex Steering Committee will meet at least once in six months.

### **Approval of CFA for Revised Project Cost**

50. After the project is approved by CCS as in Para 25-29 above, the MoD, IHQ/MoD(N),

DDP and the shipyard will endeavour to ensure that the ship construction proceeds strictly as per the time schedule and cost approved by CCS. Since all the cost elements both fixed and variable including possible escalations on account of price, exchange rate variation, increase in statutory levies etc, are taken into consideration for estimating the project cost, there should not normally be any occasion/ need for the project to slip either in time schedule or in cost. However, if due to any unavoidable circumstances, the project is likely to be delayed or the cost per ship as approved by CCS is likely to be exceeded, the following procedure is to be adopted for seeking approval of the Competent Authority for the revised cost:-

- (a) Increase in project cost, which arises entirely due to change in statutory levies, exchange rate variation and price escalation within the originally approved project time cycle will be submitted to RM for approval.
- (b) Increase in project cost up to 10% of the approved cost estimated by CCS (after excluding the increase due to statutory levies, exchange rate variation and price escalation within the originally approved project time cycle) will also be submitted to RM for approval.
- (c) Increase in project cost exceeding 10% but upto 20% of the approved cost estimated by CCS (after excluding the increase due to statutory levies, exchange rate variation and price escalation within the approved project time cycle) will be submitted to RM and FM for approval.
- (d) Increase in project cost exceeding 20% of the approved cost estimated by CCS (after excluding increase due to statutory levies, exchange rate variation and price escalation within the approved project time cycle) due to reasons such as time overrun, under estimation, change in scope etc will be submitted to CCS for approval.
- (e) 'Statutory levies' means State and Central Taxes, including import and export duties as notified by Govt of India and paid by the project authorities but excludes water, electricity charges and Petroleum, Oil & Lubricants (POL) price increases.
- (f) No expenditure beyond the existing sanction can be incurred unless the revised project cost is approved by the Competent Authority as indicated above. However, in exceptional cases, in the interest of the project, if such a necessity arises, the procedure set out at Para 54 shall be followed. Sub-paras (a) to (e) above are in line with the guidelines issued by Ministry of Finance vide O.M. No.1(3)/PF II/2001 dated 18.2.2002.
- (g) In all cases where the revised project cost overrun is over 20% and is accompanied by time overrun of over 10%, while seeking approval of CCS for the revised cost estimates and time schedule, accountability aspects for such cost and time overruns should be fixed and indicated in the CCS Note (in line with the guidelines of the Planning Commission issued vide letter No.)-14015/2/980PAMD dated 19th August, 1998).

### **Closure of the Project**

51. The cost analysis of the first ship of the project shall be carried out by a team led by Advisor Cost (DDP) within a period of 12 months from the second reading of the D-448 document check list, so that realistic and firm cost estimates for the other ships of the class can be worked out.

52. The final closure of the ship construction project is to be carried out within the time schedule of 12 months from the second reading of the D-448 document check list of the last ship of the project. All tasks not carried out by the shipyard should be listed and carried out separately. Where the final closure is not possible within the specified time frame, the approval of the competent authority for extension of the time limit shall be taken. The final closure of the project is important so that the exact costing can be worked out and approvals for the follow on projects can be obtained on a firm basis.

### **Liquidated Damages**

53. In case of delay in completion of the project and if the delay is attributable to the shipyard, after the grace period of 30 days, Liquidated Damages should be levied at the rate of 1 % per month or part thereof on prorata basis of delay, subject to a maximum of 5% at the time of delivery.

### **Deviations and Exemptions**

54. If any deviations from the prescribed procedure are envisaged and any exemptions are to be taken, the permission of RM shall be sought, as prescribed at Para 75 of Chapter 1 of the DPP-2011.

### **Review**

55. Review of the procedure would be undertaken by the DPB as per guidelines in force.

## **SECTION 'B'**

### **ACQUISITION OF NAVAL AND COAST GUARD SHIPS, SUBMARINES, YARD CRAFT AND AUXILIARIES ETC ON COMPETITIVE BASIS**

56. **Preamble and Applicability.** While the acquisition of ships on Nomination basis has been prescribed in Section A, the methodology to be followed for acquisition of ships, submarines, auxiliaries and yard crafts through competitive bidding on multi-vendor basis under the categories 'Buy Indian', 'Buy and Make', 'Buy and Make (Indian)' and 'Buy Global' are set out in this section. The acquisition process under this section would be an amalgamation of the processes prescribed in Section A, read in conjunction with certain Clauses of Chapter I.

### **Acquisition Process**

57. The process of acquisition of ships under this Procedure would involve following steps:-
- (a) Request for Information (RFI)
  - (b) Staff Requirements (SRs).

- (c) Acceptance of Necessity (AoN).
- (d) Solicitation of offers.
- (e) Evaluation of Technical Offers by Technical Evaluation Committee (TEC).
- (f) Commercial negotiations by Contract Negotiation Committee (CNC).
- (g) Approval of Competent Financial Authority (CFA).
- (h) Award of Contract.
- (j) Contract administration and post Contract management.

58. For cases being steered under 'Buy and Make (Indian)', the additional steps as envisaged at Para 25(a) of Chapter 1 would also be applicable.

59. The applicability of various provisions of Chapter I and Section A Chapter III are enumerated below:-

Sl No	Steps Involved	Concordance
(a) (b)	Staff Requirements (SRs). Acceptance of Necessity (AoN).	Procedure for Outline Staff Requirements, AoN and PSR leading to SRs would be guided by Paras 7, 8, 9 and 12 of Section A, as applicable.
(c) (d) (e)	Solicitation of offers Evaluation of Technical Offers by Technical Evaluation Committee (TEC) Commercial negotiations by Contract Negotiations Committee (CNC).	To be guided by the provisions of Chapter I for short-listing of the vendor. The Paras of Chapter I under Group headings Solicitation of Offers, TEC and CNC would be followed as applicable.[Paras 23 to 36 and 46 to 55(a)] IHQ MoD(N) in consultation with DDP & MoD(Fin) will carry out periodic capacity assessment of shipyards and forward recommendations to DG(Acq) for issue of RFP.
(f) (g)	Approval of Competent Financial Authority (CFA). Award of Contract	To be guided by Paras 56, 58, 59 of Ch I. As regards Repeat Order/Option Clause, Para 64-68 of Chapter I would apply, as applicable.
(h)	Contract administration and post Contract management	For monitoring of projects, Para 62 of Chapter I would be applicable. The Committee under CWP&A would be constituted as per Para 45(b) of Section A.
(j)	Offsets	To be guided by Para 22 of Chapter I

60. Procurement of Ship Borne Equipment. The procurement of ship-borne equipment would be undertaken by the shipyard in accordance with the shipyards internal policy. Nominated Equipment/ Buyer Furnished Equipment would be clearly defined in the RFP.

61. Field Trials. The requirement of Field Evaluation Trials, as per Para 37(a) of Chapter I, will not be applicable for procurement cases in respect of acquisition/construction of Ships, Submarines, Yard Craft, and auxiliaries, etc. However, Simulated Signature Studies of complete platforms in respect of stealth characteristics, magnetic signature, EMI/EMC, Noise analysis, etc may be included in the SOC. The requirement of trials in the case of specialised new induction equipment/sensors being bought through the shipyard route, should be detailed in the RFP. These would also be included in the Statement of Case while seeking the AON.

62. Transfer of Technology (ToT). In cases where ToT is being sought, the appropriate Production Agency (PA) would be approved by the DAC based on the recommendations of the DDP. Clauses in Chapter I covering ToT would apply in shipbuilding cases, as applicable. The PA could be selected from any of the public/private firms including a joint venture company based on the inputs from DDP and, if required, from DRDO. The RFP in such cases would spell out the requirements of TOT depending upon the depth of the technology which is required. Clauses related to 'ownership of design' or 'manufacture under license' need to be spelt out in the RFP. The nominated Production Agency (PA) for the receipt of technology will be closely associated in the preparation of RFP.

63. Payment Terms. Ship production being an inherently complex process, needs to be divided into clearly identifiable/tangible stages for monitoring. The payments made to the shipyards therefore need to be set against achievement of these stages which need to be clearly verifiable. In this regard, Guidelines for Payment terms for ships would be in accordance with Appendix B. The Payment Terms for yardcrafts is at Appendix C. All payments for non-deliverables will be secured with Bank Guarantees.

### **Miscellaneous**

64. Closure of Project, LD, Deviations and Exemptions. For approval of cases for Closure of Project, LD, Deviations and Exemptions, provisions of Section A (Paras 52 to 54) would apply.

65. RFP. All issues related to terms and conditions of procurement would be amplified in the RFP.

66. Nomination of Equipment. To enable standardisation, accruing the advantage of ToT, retain/select those equipment on Follow-on class/ships which are fundamental to design, interchangeability, interoperability, repair infrastructure, maintenance and support of OEM, spares logistics and inventory control, system integration, training etc, SHQ may nominate equipment from single vendor. For Weapons and related Sensors nominated on Single Vendor by SHQ, the procedure of obtaining DAC approval outlined at Para 38 of Section A, as applicable will be followed. For other equipment, the requirement of single vendor nomination will be vetted by a Committee comprising members from SHQ, DDP (Dte of Standardisation) and IFA(N). Based on the recommendations of the Committee, a certificate for procurement on single vendor basis, duly approved by PSO, will be issued. The nominated single vendor equipment will be indicated in the RFP.

67. In case of competitive bidding, bank guarantees will be submitted by all shipyards, including DPSUs, against non-deliverable stages. The deliverable stages will be defined in the RFP.

**TERMS OF PAYMENT – SHIPS & SUBMARINES (Fixed Price Element)**

1. The terms of payment may vary between each project depending upon a variety of factors such as indigenous content, necessity for building infrastructure, imports, design considerations and development of indigenous technology. However, some broad guidelines for payment terms are appended below:-

Stage	% of Vessel's Fixed cost	Activity	Schedule To be finalized during CNC
I	10%	With signing of contract and acceptance by Shipbuilder (10% of the Contract cost)	
II	10%	(a) Proof of ordering Steel / Hull Construction Material (b) Submission of Cardinal date programme/ Production PERT/ Work Breakdown Structure (Level 2) alongwith resource allocation	
III	5%	(a) Submission of Drawing Schedule (b) Submission of network of activities upto launching of vessel (Work Breakdown Structure Level 3) (c) Submission of main hull structural drawing (d) Order for all major pre-launch items finalised and placed	
IV	5%	(a) Completion of 10% physical progress of construction and submission of weight analysis for first ship of the series only (b) Submission of equipment installation schedule	
V	5%	(a) Completion of 15% physical progress of construction and submission of weight analysis for first ship of the series only (b) Completion of main engines, gear box girders & seatings / m/c seatings as applicable to erecting of 60% hull	
VI	5%	(a) Completion of 25% physical progress of construction and submission of weight analysis for first ship of the series only (b) All access holes to be cut and preparation of main seatings in m/c compartment	

		(c) Placement of order for major equipment & systems affecting conduct of basin trials	
VII	5%	(a) Pressure test of built in tanks (b) Manufacture/ procurement of W/T doors and hatches (c) Submission of network of balance activities upto delivery alongwith resource allocation	
VIII	10%	(a) Completion of installation of machinery, equipment & fittings with the associated system required for reaching pre launch stage and submission of weight analysis for first ship of the series only (b) Launching of the vessel or equivalent stage of construction reached	
IX	5%	Completion of 40% physical progress of construction and submission of weight analysis for first ship of the series only	
X	5%	Completion of 60% physical progress of construction and submission of weight analysis for first ship of the series only	
XI	5%	Completion of 85% physical progress of construction and submission of weight analysis for first ship of the series only	
XII	10%	Completion of Basin trials	
XIII	5%	(a) Completion of inclining experiments and submission of weight analysis for first ship of the series only (b) Successful completion of CST	
XIV	5%	(a) Successful completion of FMT (b) Stowage of all Onboard Spares (c) All documentation, drawings, manuals for the ship to be made available to the concerned agencies as per specifications (d) Completion of first reading of D-448 and acceptance of vessel	
XV	10%	All defects/ deficiencies and contractor's liabilities including guarantee repairs/ dry docking to be completed	

**TERMS OF PAYMENT – SHIPS & SUBMARINES**

The terms of payment may vary between each project depending upon a variety of factors such as indigenous content, necessity for building infrastructure, imports, design considerations and development of indigenous technology. However, some broad guidelines for payment terms for multivendor cases are appended below:-

<b>Stage</b>	<b>% of Vessel's cost</b>	<b>Activity</b>	<b>Schedule To be finalized during CNC</b>
I	10%	With signing of contract (10% of Contract cost)	
II	10%	(a) Proof of ordering Steel / Hull Construction Material (b) Submission of Cardinal date programme/ Production PERT	
III	5%	(a) Submission of Drawing Schedule (b) Submission of detailed network of activities including Work Breakdown upto launching of vessel (c) Submission of main hull structural drawing (d) Order for all major pre-launch items finalised and placed	
IV	5%	(a) Completion of 10% physical progress of construction and submission of weight analysis for first ship of the series only (b) Submission of equipment installation schedule	
V	5%	(a) Completion of 15% physical progress of construction and submission of weight analysis for first ship of the series only (b) Completion of main engines, gear box girders & seatings / m/c seatings as applicable to erecting of 60% hull	
VI	5%	(a) Completion of 25% physical progress of construction and submission of weight analysis for first ship of the series only (b) All access holes to be cut and preparation of main seatings in m/c compartment (c) Placement of order for major equipment & systems affecting conduct of basin trials	



VII	5%	(a) Pressure test of built in tanks (b) Manufacture/ procurement of W/T doors and hatches (c) Submission of network of balance activities upto delivery alongwith resource allocation	
VIII	10%	(a) Completion of installation of machinery, equipment & fittings with the associated system required for reaching pre launch stage and submission of weight analysis for first ship of the series only (b) Launching of the vessel or equivalent stage of construction reached	
IX	5%	Completion of 40% physical progress of construction and submission of weight analysis for first ship of the series only	
X	5%	Completion of 60% physical progress of construction and submission of weight analysis for first ship of the series only	
XI	5%	Completion of 85% physical progress of construction and submission of weight analysis for first ship of the series only	
XII	10%	Completion of Basin trials	
XIII	5%	(a) Completion of inclining experiments and submission of weight analysis for first ship of the series only (b) Successful completion of CST (c) Completion of Training	
XIV	5%	(a) Successful completion of FMT (b) Stowage of all Onboard Spares (c) All documentation, drawings, manuals for the ship to be made available to the concerned agencies as per specifications (d) Completion of first reading of D-448 and acceptance of vessel	
XV	10%	All defects/ deficiencies and contractor's liabilities including guarantee repairs/ dry docking to be completed	

**Appendix C**

(Refers to Para 42 &amp; 63)

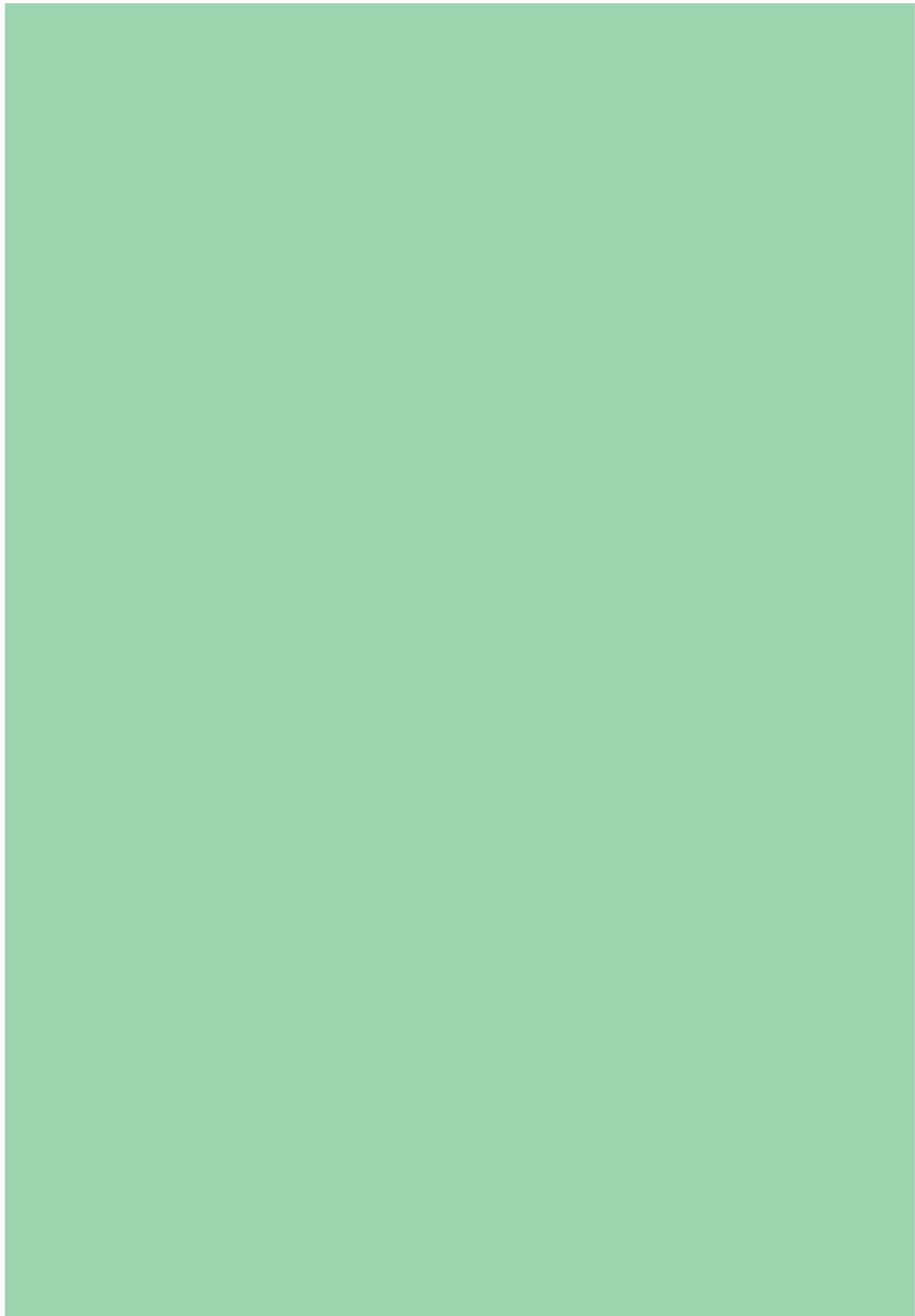
**TERMS OF PAYMENT- YARD CRAFTS /AUXILIARIES**

In addition to the broad guidelines indicated in Appendix A & B to Chapter III, a six stage indicative guideline for yard crafts is given below:-

<b>Stage</b>	<b>% of Vessel's cost</b>	<b>Activity</b>	<b>Pre Requisites</b>
1	10%	On signing of the Contract (10% of Contract cost)	On submission of bank guarantee of equal value cum performance bond (s) of 5% of the contractual cost. DPSUs may submit indemnity bond, when nominated.
2	25%	(a) Proof of ordering of steel/ Hull Construction Material (b) Submission of cardinal date programme/ production PERT. (c) Submission of drawing schedule (d) Submission of main hull structural drawings. (e) Order for all major pre-launch items finalized and placed. (f) Erection of 60% hull. (g) Submission of equipment schedule. (h) Completion of main engines, Gear box girders & seatings/machinery seatings as applicable to erection of 60% hull.	To be certified by Owners rep / Overseer.
3	15%	(a) Erection of 100% main hull. (b) All access holes to be cut and preparation of main seatings in machinery compartments. (c) Placement of order for major equipment & system affecting conduct of basin trials. (d) Pressure test of built in tanks. (e) Manufacturer/procurement of W/T doors and hatches. (f) Submission of network of balance activities.	To be certified by Owners rep / Overseer.

IV	15%	<p>(a) Completion of installation of machinery, equipment and fittings with the associated systems required for reaching pre launch stage.</p> <p>(b) Launching of the vessel or equivalent stage of construction reached.</p> <p><b>Note.</b> If large amount of machinery is to be placed after the launch of the vessel, this stage may be split into two @ 10 % or 7.5% each.</p>	To be certified by Owners rep / Overseer.
V	30%	<p>(a) Completion of Basin Trials.</p> <p>(b) Completion of inclining experiment.</p> <p>(c) Successful completion of contractor's sea trials (form part of vessel acceptance trials).</p> <p>(d) Successful completion of final machinery trials.</p> <p>(e) Stowage of all on-board spares.</p> <p>(f) All documentation, drawings, manuals for the ship to be made available to the concerned agencies as per specifications.</p> <p>(g) Completion of first reading of D-448 and acceptance of the vessel.</p>	To be certified by Owners rep / Overseer.
VI	5%	All defects, deficiencies and contractor's liabilities including guarantee repairs & dry docking to be completed.	

# **Fast Track Procedure**



## **CHAPTER IV – FAST TRACK PROCEDURE**

### **General**

1. Fast Track Procedure for meeting urgent operational requirements was promulgated vide MoD ID No: 800/SS (A)/2001 dated 28 Sep 2001. This procedure has been reviewed and modified based on experience gained in implementation. This procedure, named the Fast Track Procedure, is set out in succeeding paragraphs.

### **Aim**

2. The objective of this procedure is to ensure expeditious procurement for urgent operational requirements foreseen as imminent, or for a situation in which a crisis emerges without prior warning.

### **Scope**

3. The Fast Track Procedure (FTP) will cover acquisitions undertaken by the Ministry of Defence and Defence Services under 'Buy category' or outright purchase. The acquisitions may or may not be part of LTIPP /SCAP / AAP. Such acquisitions are applicable for both indigenous sources and ex-import. Procurement proposals in which user trials are envisaged will not be under the purview of FTP.

4. The acquisition under FTP can be categorised as under:

- (a) Procurement of equipment already inducted into Service.
- (b) Procurement of new equipment.

## **ACQUISITION PROCESS**

### **Acceptance of Necessity (AON)**

5. The adoption of FTP to meet urgent operational requirements will be authorised by special DAC meeting chaired by the Raksha Mantri based on proposals moved by respective SHQs with the approval of the concerned Service Chief. This Committee would comprise of the Service Chief(s), Defence Secretary, Secretary (Defence Production), Secretary (R&D), Secretary Defence (Finance), Director General (Acquisition), HQ IDS (CISC) and other officials of the MoD as deemed necessary. The proposal would be processed by HQ IDS which will act as secretariat to the special DAC. Copies of the proposal/s would also be circulated to the other members of the committee. The projected requirement must be related to an operational situation foreseen as imminent or for a situation where a crisis has emerged without prior warning. The requirement, as projected, must identify the items required, their numbers, mode of procurement, broad Operational Requirements (ORs) / Services Qualitative Requirements (SQRs) desired and

the time-frame within which they need to be inducted. The format for the Statement of Case (SOC) for processing such proposals is given as **Appendix A**.

6. Consequent to the initiation of the proposal, a special meeting of the DAC would be convened within seven days. The DAC would discuss the proposal and accord Acceptance of Necessity to the proposal. Decisions on following aspects will explicitly emanate from the analysis by the DAC:-

- (a) Equipment and the quantities approved.
- (b) Source of Procurement.
  - (i) A Vendor whose Equipment is already in Service. If so:-
    - (aa) For additional quantities of an ongoing contract.
    - (ab) For Invoking 'Option Clause' of a Contract. In case the quantities required are in excess of the 'Option Clause' of the contract, the same would be clearly brought out for approval by the DAC . The quantity could be up to 100% with the approval of DAC.
    - (ac) For Placing Repeat Orders on Past Suppliers. The quantities could be limited to 100% of the previous contract.
    - (ad) A case where the vendor is not able to supply the entire quantity of required item and the procurement may be made from other known vendors whose equipment has been found acceptable in the past.
  - (ii) Procurement of a New Equipment. Based on:-
    - (aa) Single vendor.
    - (ab) Multi vendor.
    - (ac) Option of procuring from friendly countries ex-stock or through lease.
- (c) Composition of the Empowered Committee.
- (d) Estimated cost of the proposal.
- (e) Time schedule for induction to be specified by the DAC.

7. Minutes of meeting of the special DAC, as approved, would be construed as the AON and based on which the SHQ/Acquisition Wing/ Empowered Committee would initiate the procurement process.

8. Given the limited time-frame, the FTP would necessarily have to be confined to such items as would be available within the specified time-frames and therefore, long lead items such as major weapon system should be avoided. The items involved should preferably be such which are already in Service or have been trial evaluated or are available widely in the world /in service in foreign defence forces / indigenous market for ready procurement so that the time required for evaluation is minimised. The Indian DAs / Ambassadors in their respective country would confirm

the information furnished by the vendors regarding the item being 'In Service in Foreign Defence Forces'. The TEC would include such information received from DAs in their technical compliance statement.

### **Procurement of Equipment Already Inducted into Service**

9. Procurement of equipment already inducted into Service may entail placing orders under following conditions:

(a) Additional requirements of Equipment on the Vendor who is Executing an Ongoing Contract. The concerned Acquisition Manager would invite the vendor for negotiations for additional quantities. The CNC would conclude the negotiations preferably at the same price and terms & conditions. It will however, have the right to negotiate and arrive at a mutually agreed price and terms & conditions with the vendor in case of differences.

(b) Invoking Option Clause. The concerned Acquisition Manager would invoke the option clause and invite the vendor for signing the addendum to the contract.

(c) Past Supplier for the Subject Item. In such cases a repeat order would be placed on the vendor. The SHQ would forward a draft commercial RFP to the Technical Manager. The draft RFP would be vetted in collegiate manner by Acquisition, Finance and Technical Managers and issued in the shortest possible time. The vendor can be called for negotiations along with the commercial offer itself. Quantity to be procured would be restricted to 100% of the quantity contracted earlier.

(d) There may be a situation where the vendor who has supplied the equipment earlier is unable to supply the required quantity within the given time frame. In order not to proliferate the existing inventory, Acquisition Wing will first invite commercial offer from the vendor and negotiate the price based on the LPP. Thereafter Acquisition Wing in coordination with SHQ will invite all vendors (As approved by the DAC), whose equipments have been trial evaluated and found acceptable for introduction into Service, for supply of the balance quantity of equipment at the negotiated price with the last supplier. The apportionment of quantity would be as per the earlier L2, L3, in that order.

### **Procurement of New Equipment**

10. Service Qualitative Requirements (SQR)/ Operational Requirement (ORs). For procurement of new equipment, there would be a requirement of formulation of Service Qualitative Requirement (SQR) or Operational Requirements by the concerned Service HQs. While formulating the SQR/ORs, it would be kept in mind that the required equipment is widely available in the world market/ in service in foreign defence forces/ indigenous market. Such SQRs/ORs could be approved by appropriate authority at Service HQs and may be without endorsement by Staff Equipment Policy Committee. The SQR / OR would be forwarded along with the proposal when initiated by the Service Chief.



11. Solicitation of Offers. Solicitation of offers will be as per 'Single Stage-Two Bid System'. RFPs will be processed by Service HQs within 10 days of approval of the proposal by the Apex Committee. In order to save time, collegiate vetting of RFP will be resorted to at Service HQs while obtaining the views of maintenance and QA agencies. RFP would then be vetted in a similar manner by Acquisition, Finance and Technical Managers. RFP will be approved by Director General (Acquisition)/Additional Secretary (Acquisition) and issued by Technical Managers to all known vendors on a limited tender basis.

12. Request for Proposal (RFP). The RFP will be a self-contained document that will enable vendors to make their offers after consideration of full requirement of the acquisition. The standardized RFP document under FTP would be as per Schedule I of DPP-2011 with relevant modifications / amendments.

13. Technical Evaluation. The Technical Evaluation Committee will carry out evaluation of the technical bids received in response to RFP, with reference to QRs. It will examine the extent of variations/differences, if any, in the technical characteristics of the equipment offered by various vendors with reference to the QRs and prepare a compliance statement shortlisting the equipment, which are acceptable for procurement. The Director General (Acquisition) will formally accept the report of the TEC on recommendations of the Technical Managers. Any deviation/waiver to SQRs or any single vendor situation that may emerge, would have to be recommended by the concerned Service Chief for consideration and approval of the Raksha Mantri. However, cases where the procurement has been approved ab-initio on a single vendor basis, no relaxation of SQRs would be permitted.

14. Empowered Committee. Although there would be no requirement of any trial evaluation of the identified equipment, an Empowered Committee may be authorized to visit the premises of vendors to witness demonstrations/evaluate the equipment as required. The Empowered Committee would have the powers to negotiate and conclude contracts in the shortest possible time, and would have adequate representations from different wings of the Ministry/Service HQs to ensure that requisite expertise and authority for procurement action is available. They would be provided with a range of deviations in performance according to TEC Report (where applicable) from that laid down in the QRs, to expedite the selection of equipment.

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

15. The standard composition of the CNC shall be as indicated at Appendix B to this procedure. Any change in the composition of the CNC may be effected with the approval of Director General (Acquisition).

16. Cases for which contracts have already 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 endeavor should be to conclude the CNC early so that the operational / urgent requirement of the indenting service is met in a time-bound manner. Guidelines to be followed for early conclusion of CNC are given in succeeding paragraphs.

17. For certain category of items, where orders have been placed in the past, there could be downtrend 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.

18. In case it is found that the lowest tenderer (L1) is not able to supply the entire quantity within the prescribed time-frame, the CNC will have the right to divide the quantity amongst other qualified tenderers (L2, L3..... in that order), on the condition that other tenderers accept the price and terms & conditions quoted by the lowest tenderer, if feasible.

19. (Amended by MoD ID No. 2153/DG(ACQ)/2007 dated May 25th, 2007) In multi vendor cases, on opening of commercial offers, once L1 vendor is identified the contract should be concluded with him 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 should be established. In all cases, CNC should establish a benchmark and reasonableness of price in an internal meeting before opening the commercial offer. 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 such multi vendor cases, should clearly lay down that no negotiations would be carried with the L1 vendor once the reasonability of the price quoted by him is established. As far as possible all aspects contributing towards formulation of a commercial offer by the vendor should be included in the RFP. In such cases, the services may have to state the requirement of maintenance by the OEM/authorized vendor for a specified period. Aspects of advance and stage payments (where applicable) also to be given upfront in the RFP so that it facilitates selection of L1 vendor.

20. Oversight Committee. For projects over ₹ 300 Crores, a committee comprising Secretary (Defence R&D), Secretary (Defence Finance) Additional Secretary of the Department of Defence and Deputy Chief at SHQ would scrutinize each case from the procedural angle within three days before the contract is signed / order is placed.

21. Contact Conclusion. The contract will be signed after the CFA approval of the case. CCS would be kept informed of all FTP cases of value from ₹ 200 to 400 Crs. The date of signing of the contract would be the effective date of contract. To ensure adherence to the delivery schedule the contract should specify the date by which the vendor would have to submit the BGs as also the date by which MoD would have to open the LCs. The Standard Contract Document as in DPP-2011 would be the guidelines for acquisitions under FTP. Any deviations to the standard contractual clauses would be accorded by Raksha Mantri on recommendation of the CNC/Empowered Committee.

### **ADDITIONAL PROVISIONS**

22. In case of procurement from a Defence Public Sector Undertaking (DPSU), a Letter of Intent (LoI) may be placed immediately on the DPSU which supplied this store last or is having a running contract. The details concerning prices would be negotiated and incorporated in a Supply Order subsequently.

23. In case of procurement from OFB, for an already introduced item, indent would be placed by Acquisition Manager after AON has been accorded.

24. In certain acquisition cases it may be expedient to procure equipment from friendly countries by sale/lease/otherwise ex their own stocks. In such cases, Government-to-Government Agreements at appropriate level would be established to facilitate the issue of such stores. Care, however, would be exercised to ensure that adequate residual shelf life remains available for our Armed Forces. In such cases a technical delegation may be sent to check the condition of the equipment being offered as required. Only if it is technically acceptable would the case be processed further.

25. Inspection. Considering the urgent nature of requirements and to ensure that items being supplied conform to the technical specifications agreed in the contract, detailed Pre Dispatch Inspection (PDI) of the stores need to be carried out by our inspectors at the premises of the vendor, wherever considered necessary by the SHQ. If PDI is not to be carried out, then the vendor will furnish his own Certificate of Quality or of the Defence Forces of his country or of its accredited quality assurance agency. In such cases, Joint Receipt and Inspection (JRI) would be carried out by the Ministry of Defence and the vendor in India. In such cases, certain sums from those due for payment to the vendor would be retained to be released only on successful completion of JRI. In case of items procured through Govt to Govt agreements signed at appropriate level, PDI may not be insisted upon and their Certificate of Quality may be considered for acceptance.

26. Performance Bank Guarantee (PBG). Since the contract will be for short term duration and supplies will be required in shorter time frame, the performance of the contractual obligations by the vendor need to be enforced by obtaining a PBG @ 10% of the value of the Contract from a first class international bank.

27. Liquidated Damages (LD). In case of delay in supplies, the vendor shall be levied LD @ 1.5% per week subject to maximum of 15% of value of delayed store.

28. Termination Clause. The contract to be signed in FTP will have a Termination Clause which will be made applicable in the following cases:-

- (a) The delivery of the material is delayed for causes not attributable to Force Majeure for more than three months after the schedule date of delivery.
- (b) The Seller is declared bankrupt or becomes insolvent.
- (c) The 'Buyer' has noticed that the seller has utilized the services of an Indian / Foreign agent in getting this contract and paid any commission to such individual / company etc.

29. Advance Payments. The amount of advance payment permissible should be stated upfront in the RFP. There should be a cap on the amount of advance payable which should be in line with the GFR of the Ministry of Finance. Any advance will have to be supported by a Bank Guarantee of equal amount from a first class bank of international repute.

30. In case of supplies from countries with which Bi-lateral Agreement exists for Standards Terms & Agreements of Contract, the same would supercede the corresponding terms & conditions of the Standard Contract Document.

31. Integrity Pact. An 'Integrity Pact' would be signed between government department and the bidders for all procurement schemes over Rs 100 Crores. The Integrity Pact would be a binding agreement between the government department and bidders for specific contracts in which the government promises that it will not accept bribes during the procurement process and bidders promise that they will not offer bribes. The draft Integrity Pact document is placed as **Annexure I** to the **Appendix 'H'** of **Schedule I of DPP -2011**.

32. Since the procurement under FTP would be for cases of urgent operational requirement, it is imperative that all activities be carried out in a time-bound manner. The proposed time frame for each activity is given at **Appendix C**. In case it takes more than six months to conclude the contract or time in excess of the schedule indicated by the DAC for induction of the equipment, the proposal/ case would be referred back to the DAC for appropriate directions.

33. While the above provisions are adopted as the guidelines for emergency procurement, it may not always be possible to ensure complete compliance of above conditions. In such cases, the specific approval-seeking waiver would be obtained from the RM.

34. Monitoring.

(a) Pre Contract. Concerned Service HQrs would report the progress of FTP cases on a monthly basis to the DPB.

(b) Post Contract.

(i) While responsibility for contract administration and management would be that of the SHQ concerned, post-contract monitoring would be conducted by the Acquisition Wing. The projects would be reviewed by the Acquisition Manager / equivalent Service Officer in the respective SHQs.

(ii) The concerned Service HQ would make arrangements to monitor the receipt and ensure expeditious induction of stores subsequent to delivery of items. The DPB would be informed about the progress of induction of the equipment on a fortnightly basis.

35. Fall Clause. An undertaking would be sought from the bidder that he has not supplied/ is not supplying the similar systems or subsystems at a price lower than that offered in the present bid in respect of any other Ministry/Department of the Government of India and if the similar system has been supplied at a lower price then the details regarding the cost, time of supply and quantities should be included in the commercial offer. If it is found at any stage that the similar system or sub-system was supplied by the Bidder to any other Ministry/Department of the Government of India at a lower price, then that very price with due allowance for quantities and intervening time period will be applicable to the present case and the difference in the cost would be refunded by the Bidder to the Buyer, if the contract has already been concluded.

## CONCLUSION

36. This procedure would be in supersession of the Fast Track Procedure promulgated vide MoD ID No 800/SS(A)/2001 dated 28 Sep 2001 & FTP-2006 which came into effect from 13 July, 2006.

**STATEMENT OF CASE**  
**FOR PROPOSAL UNDER FAST TRACK PROCEDURE**

1. Brief of the situation necessitating procurement under FTP.
2. Proposal and the details of the equipment.
3. Justification to include the following, where applicable: -
  - (a) Operational urgency.
  - (b) Quantities required.
  - (c) Source of Procurement. It could be either of the following: -
    - (i) Vendors' whose Equipment is already in Service. Details of previous contracts be given. Confirmation should be obtained, by telefax, that the proposed vendor is in a position to supply the required quantities in the proposed time frame. Such cases could be for:-
      - (aa) Additional quantities of an ongoing contract.
      - (ab) Invoking 'Option Clause' of a Contract. In case the quantities required are in excess of the 'Option Clause' of the contract, it would be clearly brought out in the SOC.
      - (ac) Placing repeat orders on past suppliers.
      - (ad) In case the vendor is not able to supply the entire quantity of required item then other known vendors whose equipment has been found acceptable in the past and the quantities to be procured from other vendor / vendors.
      - (ae) For equipment already inducted into service, it may be necessary to go back to the OEMs for procurement of additional equipment / major-assemblies / sub-assemblies / Special Maintenance Tools (SMT) / Special Test Equipment (STE) / maintenance/ integration of Buyer Furnished Equipment (BFE), as no other supplier would be in a position to meet this requirement. All such acquisitions would not be construed as single vendor cases requiring waiver. It must, however, be ensured that when spares etc are procured from OEMs of subassemblies, the assurances / warranties extended by the OEM for the main equipment retain their validity.
      - (af) If equipment proposed to be procured has already been procured

by a sister service after following due process then such cases would be treated as repeat order.

- (ii) Procurement of a new equipment.
  - (aa) Single / multi-vendor along with details.
  - (ab) Services Qualitative Requirement (SQRs) / Operational Requirements (ORs) to be attached.
  - (ac) Whether the equipment is in service in foreign defence forces.
- (iii) If option of procuring from friendly countries ex-stock or through lease.
- (d) Estimated cost of the proposal.
- (e) Acceptable time schedule for induction to be clearly stated.

**STANDARD CNC COMPOSITION**

1. Acquisition Manager - Chairman.
2. Technical Manager.
3. Finance Manager.
4. Advisor Cost / Director (Cost).
5. DGQA Representative.
6. Procurement Agency Representative.
7. User Representative.
8. Representative of Contract Management Branch at SHQ.
9. Repair Agency Representative (If required).
10. Under Secretary concerned.

Note: Member Secretary to be nominated by the Chairman out of the members mentioned above.

**TIME FRAME UNDER FTP**

<b>Ser No</b>	<b>Activity</b>	<b>Time Frame (days/ months)</b>
1.	Initiation of Proposal by Service HQs	
2.	Analysis of the Services Requirement and Acceptance of Necessity by the committee chaired by RM	7 days
3.	Preparation, vetting, approval and issue of the Request for Proposal	10 days
4.	Receipt of Responses from vendors	30-45 days
5.	Technical Evaluations*	10 days
6.	On site Evaluations by Empowered Committee*	15 – 30 days
7.	Approval of Empowered Committee's report	7 days
8.	Commercial Negotiations	15 - 30 days
9	Approval of Competent Financial Authority	10-15 days
10	Contract Signing	8 - 15 days
	Minimum and Maximum Time Period	112-169 days
11.	Delivery (from the date of signing of contract)	3-12 months

\* Activities at Ser 5 & 6 would be carried out only for procurement of new equipment.



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# **Standard Contract Document**



**CHAPTER V – STANDARD CONTRACT DOCUMENT**

Agreement between the Government of the Republic of India, Ministry of Defence and

(Name of the company) for (Name of Equipment)

Contract No.

(No Of the Contract)

I

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CONTRACT NO.(\_\_\_\_\_)

DATED ( )

### PREAMBLE

This contract is made on this day, the (date) day of (Month & Year) in New Delhi, between the President of India represented by the Joint Secretary and Acquisition Manager (Land Systems/Air/ Maritime & Systems), Ministry of Defence, Govt of India, South Block, New Delhi, hereinafter referred to as the BUYER (which terms unless excluded by the context, shall be deemed to include his successor in office) on one part, and M/s (name of the company with address) duly represented by-----, and incorporated under the laws of \_\_\_\_\_, having its registered office at \_\_\_\_\_, \_\_\_\_\_ (which terms unless expressly indicated by the context shall be deemed to include its successors and its assignee), hereinafter referred to as the "SELLER" on the other part. WHEREAS, The BUYER agrees to buy and the SELLER agrees to sell the goods described in Annexure-I of this contract and in accordance with the terms and conditions of this CONTRACT.

AND WHEREAS the SELLER assures the BUYER that the BUYER has the full and unfettered right to have the supplies manufactured in India through a nominated agency and supply it to the BUYER,

It is hereby agreed and declared by and between the parties hereof:-

### ARTICLE 1 SCOPE OF CONTRACT

1.1 The SELLER undertakes to sell and to deliver to the BUYER and the BUYER undertakes to accept and pay for all the terms and conditions stipulated in this Contract (nomenclature of the equipment) and accompanied accessories according to the technical specifications stipulated in Annexure II to this contract and the quantities, unit prices and total value, as specified in Annexure I of the present contract.

1.2 The prices for the delivered Goods are quoted FCA/FOB/CIP/CIF and fixed in US \$/ Euro/ PS £ Net according to the international Rules for Interpretation of trade terms issued by the International Chamber of Commerce /INCOTERMS Edition 2000.

1.3 The total contract value of the Equipment, and Documentation to be supplied according to this contract amounts to US \$/ Euro/ PS £----- (in words).

### ARTICLE 2 EFFECTIVE DATE OF CONTRACT

2.1 The contract shall come into effect on the date of signature of both the parties on the contract (Effective Date) and shall remain valid until the completion of the obligations of the

parties under the contract. The deliveries, supplies and performance of the services shall commence from the effective date of the contract.

2.2 The BUYER and the SELLER have to fulfill the following obligations:-

- (a) SELLER. The SELLER shall furnish the following documents to the BUYER:-
- (i) Advance Bank Guarantee and Invoice.
  - (ii) Performance cum Warranty Bank Guarantee; and
  - (iii) Export License from the Seller's Government.
- (b) BUYER. The BUYER shall also provide End User's Certificate to the SELLER within 30 days of signing of the contract.

### ARTICLE 3 ADVANCE BANK GUARANTEE

3.1. An Advance Guarantee Bond will be issued in the form of a bank guarantee by (.....SELLER'S BANK.....) through an internationally recognised first class bank in favour of Government of India, Ministry of Defence to be confirmed by State Bank of India/Bank of Baroda/Canara Bank/Syndicate Bank equal to \_\_\_\_% of the total value of this contract i.e. for US \$/ Euro/ PS £ ..... (in words US Dollars /Euro/PS..... only).

(Note: Confirmation is required in case MoD on the advise of SBI/Bank of Baroda/Canara Bank/ Syndicate Bank takes a decision that the Advance Guarantee Bond needs to be further confirmed).

3.2. The specimen of the Advance Guarantee Bond is mentioned in Annexure-IV to this contract.

3.3. The Advance Guarantee Bond shall be considered open upon receipt by the BUYER's bank.

3.4. The Advance Guarantee Bond shall be proportionately and automatically reduced until full extinction along with and prorate to the value of each delivery as evidenced by the corresponding copy of document proving delivery (Bill of Lading or Air Way Bill, as the case may be) and the invoices of goods/services supplied/provided.

### ARTICLE 4 PERFORMANCE CUM WARRANTY BOND

4.1. A Performance cum Warranty bond will be issued in the form of a Bank Guarantee by (..... SELLER'S BANK) through an internationally recognized first class bank in favour of Government of India, Ministry of Defence, to be confirmed by State Bank of India / Syndicate Bank / Bank of Baroda / Canara Bank equal to 5% (Five percent) of the total value of the contract i.e. for USD / Euro / PS (in words USD/Euro/PS \_\_\_\_\_ Only).

(Note : Confirmation is required in case MoD on the advice of State Bank of India/Bank of Baroda/Canara Bank /Syndicate Bank takes a decision that the Performance-cum-Warranty bond needs to be further confirmed).



4.2 Specimen of the Performance-cum-Warranty bond is at Annexure IV (A) of this contract. The Performance-cum-Warranty bond shall be considered open upon receipt by the BUYER's bank.

4.3 The Performance-cum-Warranty bond shall remain valid for a period of three months beyond the warranty period.

4.4 In case any claim or any other contractual obligation are outstanding, the SELLER shall extend the Performance-cum-Warranty bond as asked by the BUYER till such time the SELLER settles all claims and completes all contract obligations.

4.5 The Performance-cum-Warranty bond will be subject to encashment by the BUYER in case, condition regarding adherence to delivery schedule, warranties, settlements claim and other provisions of the contract are not fulfilled by the SELLER.

## ARTICLE 5 PAYMENT TERMS

5.1. The Accounting and Payment currencies shall be US Dollors / Euro / Pound Sterling, etc.

5.2. The total contract price referred to in Article 1 of the contract shall be paid as follows:-

5.3. Advance Payment. \_\_\_\_\_% of total Contract Price being USD /Euro / Pound Sterling etc \_\_\_\_\_, shall be paid to the SELLER within 30 days of the receipt of the documents indicated at Article 2.2(a) through Bank Transfer.

5.4. \_\_\_% of the Total Contract Price being USD/Euro/Pound Sterling etc \_\_\_\_\_ shall be paid to the SELLER through a documentary irrevocable Letter of Credit to be opened by the BUYER as follows:-

(a) The SELLER will give a notification to the BUYER about the readiness of goods for dispatch 45 days prior to the delivery of the consignment.

(b) Consequent on receipt of the above notification, the BUYER shall open the Letter of Credit before expiry of this period of 45 days provided a 5% Performance cum Warranty Bond for the Full value of the Contract has been received.

(c) The Letter of Credit will be opened through State Bank of India/Bank of Baroda/ Canara Bank/Syndicate Bank with SELLER's Bank, i.e. \_\_\_\_\_ Account No. \_\_\_\_\_ in favour of SELLER and will be valid for a period of \_\_\_\_\_ days / months from the date of opening.

Note:- Since the LC charges are fixed on per quarter basis, it may be ensured that LC validity is fixed in multiples of 90,180,270 days depending upon the delivery schedule. In case the delivery is in multiple consignments and there is a long delivery schedule more than one LC or revolving Letter of Credit can be opened.

5.5. The payment under the Letter of Credit (Relevant Article may be referred e.g Article 5.4) shall

be made against presentation of the following documents by the SELLER to the Confirming Bank:-

- (a) SELLER's commercial invoice in sextuplicate, showing the number of the Contract, quantity and Denomination of the Equipment delivered and the amount.
- (b) Full set of Originals "Clean on Board" Bills of Lading/Air way bill.
- (c) Packing List, six copies.
- (d) Certificate of Origin, duly stamped by the SELLER's Chamber of Commerce.
- (e) Certificate of Conformity and Acceptance test report at the Pre Despatch Inspection signed by BUYER's and the SELLER's quality Assurance Department. In case BUYER's representative do not attend the PDI, then certificate issued by the BUYER that it does not wish to attend the PDI and Inspection and acceptance certificate issued by the SELLER.
- (f) Certificate of current manufacture from OEM.
- (g) Insurance documents for 110% of the cost of consignment in case of CIF or CIP contracts.
- (h) Dangerous Cargo Certificate if any.
- (j) Phyto – Sanitary / Fumigation Certificate.
- (k) In case of training, a certificate from BUYER's representative that training program has been completed.

5.6. In the event of delay in opening the Letter of Credit, the delivery date will automatically stand extended to that extent.

5.7. All expenses connected with establishment of the Letter of Credit in India will be borne by the BUYER and those outside India will be borne by the SELLER.

5.8. Where the extension of the validity of Letter of Credit is necessitated, the Bank charges for extension shall be borne by the party whose default causes such an extension.

5.9. No transshipment of goods is allowed; however part shipment is permitted.

5.10. Three copies of SELLER's Commercial Invoices, shipping documents, packing list and the specifications will be sent by courier and fax by the SELLER to the BUYER (Wing of Service HQ to be specified) within 3 days after the equipment has been shipped. Intimation may also be forwarded to Ministry of Defence, South Block, New Delhi (Wing to be specified).

5.11. Any demurrage charges incurred by the Port Consignee due to late submission/incorrect submission of the shipping documents by the SELLER as per Article above would be borne by the SELLER.

5.12 The Letter of Credit shall be subject to and shall be governed by the Uniform Customs and Practices for Documentary Credits (1993 Revision) issued by the International Chamber of Commerce (Publication Ref UCP 500).

5.13. All payments will be carried out with reference to the number of this contract.

5.14. Balance Payment. The balance payment for \_\_\_% shall be paid to the SELLER by LC / Bank Transfer within \_\_\_ days of completion of Joint Receipt Inspection (JRI) and Acceptance of goods against presentation of following documents:-

- (a) Copies of invoices (three copies).
- (b) Copy of JRI and acceptance certificate issued by the BUYER.
- (c) Any other relevant document indicated at Article 5.5.

5.15. SELLER's banker address and account number: -

\_\_\_\_\_

Account No.:

Sort code:

SWIFT Code:

5.16 The SELLER may designate a different first class International Bank upon written notification of the BUYER and after consultation with the BUYER.

## ARTICLE 6 SPECIFICATION

6.1 The SELLER guarantees to meet the specifications as per Annexure-II, the statement of work as per Annexure-III and to incorporate the modifications to the existing design configuration to meet the specific requirement of the Services as per Annexure-V and modifications/requirements recommended after the confirmatory trials/MET, in the first off production model of (Year) to be supplied to the BUYER. All technical literature and drawing shall be amended as the modifications by the SELLER before supply to the BUYER.

6.2 The SELLER, in consultation with the BUYER, may carry out technical upgradation/alterations in the design, drawings and specifications due to change in manufacturing procedures, indigenisation or obsolescence. This will, however, not in any way adversely affect the end specifications of the equipment. 'Changes in technical details, drawings repair and maintenance techniques alongwith necessary SMTs/STEs/Test Jigs as a result of upgradation/alterations will be provided to the BUYER free of cost within (\_\_\_) days of affecting such upgradation/alterations.'

## ARTICLE 7 QUALITY

The quality of the stores delivered according to this Contract shall correspond to the technical conditions and standards valid for the deliveries of the same stores for in SELLER's Country or specifications enumerated as per Article 4 and shall also include therein modification to the stores suggested by the BUYER. Such modifications will be mutually agreed to. The SELLER confirms that the stores to be supplied under this Contract shall be new ie not manufactured before \_\_\_\_\_ (year

of Contract), and shall incorporate all the latest improvements and modifications thereto and spares of improved and modified equipment are backward integrated and interchangeable with same equipment supplied by the SELLER in the past if any. The SELLER shall supply an interchangeability certificate along with the changed part Nos.

## ARTICLE 8 PRE DESPATCH INSPECTION (PDI)

8.1. The BUYER representatives will carry out Pre Despatch Inspection (PDI) of the Equipment in order to check their compliance with specifications in accordance with Acceptance test procedures as finalised during contract negotiation. Upon successful completion of PDI, the SELLER and BUYER will issue and sign a Certificate of Conformity as per specimen at Annexure-V. The format given is not sacrosanct and may be altered as per requirement of the equipment.

8.2. The SELLER shall intimate the BUYER and DGQA at least 45 days before the scheduled date of PDI. The time for visa formalities by the SELLER should not be inclusive in this notice. The BUYER will send his authorised representatives to attend the PDI.

8.3. The list of BUYER's representatives together with their particulars including name, title, date and place of birth, passport numbers including date of issue and date of expiry, address, etc. must be communicated by the BUYER at least (No of days) in advance to apply for the necessary authorisations and clearances to be granted.

8.4. The BUYER reserves the right not to attend the PDI or to request for a delay in the beginning of the PDI with a maximum of fifteen (15) days from the date fixed for such PDI in order to allow his representatives to attend such tests, in which cases he shall inform in writing the SELLER within 15 days before the date of the beginning of the PDI. Should the BUYER request for such delay, then liquidated damages, if any, shall not apply. In case the BUYER has informed the SELLER within the period mentioned here-above that he cannot attend the PDI or in case the BUYER does not come at the postponed date requested by him for performance of the PDI as mentioned above, the SELLER shall be entitled to carry out said tests alone as scheduled. The Certificate of Conformity and the Acceptance Test Report will be signed by the SELLERs QA representative alone and such documents bearing the sole signature of the SELLER's QA representative shall have the same value and effect as if they have been signed by both Parties. In case BUYER does not elect to attend the PDI, then the BUYER shall intimate the SELLER in writing that it does not wish to attend the PDI.

8.5. The SELLER shall provide all reasonable facilities, access and assistance to the BUYER's representative for safety and convenience in the performance of their duties in SELLER's Country.

8.6. All costs associated with the BUYER's representative stay in (Name of country), including travel expenses, boarding and lodging accommodation, daily expenses, shall be borne by the BUYER.

## ARTICLE 9 PACKING AND MARKING

9.1. The SELLER shall provide packing and preservation of the equipment and spares/goods

contracted so as to ensure their safety against damage in the conditions of land, sea and air transportation, transshipment, storage and weather hazards during transportation, subject to proper cargo handling. The SELLER shall ensure that the stores are packed in containers, which are made sufficiently strong, and with seasoned wood. The packing cases should have hooks for lifting by crane/fork lift truck. Tags with proper marking shall be fastened to the special equipment, which cannot be packed.

9.2. The packing of the equipment and spares/goods shall conform to the requirements of specifications and standards in force in the territory of the SELLER's country.

9.3. Each spare, SMT, STE and accessory shall be packed in separate cartons. A label in English shall be pasted on the carton indicating the under mentioned details of the item contained in the carton. A tag in English with said information shall also be attached to six samples of the item. If quantity contracted is less than six then tag shall be affixed to complete quantity contracted of the item. The cartons shall then be packed in packing cases as required.

- (a) Part Number:
- (b) Nomenclature:
- (c) Contract annex number:
- (d) Annex serial number:
- (e) Quantity contracted:

9.4. One copy of the packing list in English shall be inserted in each cargo package, and the full set of the packing lists shall be placed in Case No.1 painted in a yellow colour.

9.5. The SELLER shall mark each package with indelible paint in English language as follows:-

EXPORT

Contract No. -----  
 Consignee -----  
 Port / airport of destination -----  
 Ultimate consignee -----  
 SELLER -----  
 Package No. a/b -----  
 Gross/net weight: kg -----  
 Overall dimensions/volume: cm/cu m -----  
 The SELLER's marking,  
 Where: a – Serial No. of package;  
       b – total number of packages in this consignment.

9.6. If necessary, each package shall be marked with warning inscriptions:

<Top>, "Do not turn over", category of cargo etc.

9.7. Should any special equipment be returned to the SELLER by the BUYER, the latter shall provide normal packing, which protects the equipment and spares/goods from the damage of deterioration during transportation by land, air or sea. In this case the BUYER shall finalize the marking with the SELLER.

ARTICLE 10  
DELIVERY

10.1. The delivery of the goods / services shall be completed within \_\_\_\_\_ months of the effective date of the contract in accordance with the schedule laid down in Annexure III. The Annexure should clearly specify the item, the quantity and the month from the effective date of the contract as follows:-

<u>No</u>	<u>Equipment/Service</u>	<u>Quantity</u>	<u>Month from Effective Date</u>
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Note For large value and complex weapons acquisition programme, a complete programme schedule in the form of a PERT Chart should be attached with the contract.

10.2. Port Consignee.

- (a) Equipment. ( Concerned Embarkation HQ)
- (b) Ammunition.

10.3. Ultimate Consignee.

- (a) Equipment. Commandant (Name of Depot).
- (b) Ammunition. Commandant (Name of Depot).

10.4. The SELLER shall intimate to the BUYER by letter or fax, six weeks in advance, the anticipated date of delivery of each consignment. The information shall consist of quantities of the goods and all other details required in connection with the shipment of the consignment. A copy of similar intimation shall also be forwarded to: -

- (a) Service HQs (Branches may be specified as DDG /PPO, MGO, AHQ etc).
- (b) Government of India, Ministry of Defence, South Block, New Delhi.
- (c) Commandant COD ultimate Consignee Depot.
- (d) Commandant Port Consignee.
- (e) DGQA ( ), South Block, New Delhi.

10.5. Invoices and other dispatch documents shall be prepared in favour \_\_\_\_ ( Fill details while contract finalizing )

10.6. Two copies each of dispatch documents as listed in LC documents shall be forwarded by Air Courier to the following addresses within 72 hours after the goods have been dispatched or earlier, if possible: -

- (a) Port Consignee.
- (b) Services HQrs, New Delhi-110011 (branch may be specified).
- (c) Ultimate consignee.

10.7. The SELLER will also forward a copy of the Airway Bill and Commercial invoice by fax on the day of despatch to \_\_\_\_ (Branch may be specified).

ARTICLE 11  
TRANSPORTATION

TRANSPORTATION (BY SEA-FOB)

11.1. The stores shall be delivered FOB/FAS/CIP..... (as per INCOTERMS 2000, or latest version).

11.2. The stores shall be delivered to the BUYER by Indian Ships only. Shipping arrangements will be made by the Shipping Officer, Ministry of Surface Transport, Chartering Wing, Transport Bhavan, Parliament Street, New Delhi-110011 (Telegraphic Address: TRANSSHART, NEW DELHI-1, Telex "VAHAN" In 31-61157 OR 31-61158, Phone 2371 9480, Fax 2371 8614) to whom adequate notice of not less than 8 weeks about the readiness of stores for shipment should be given by the SELLER under intimation to the BUYER for finalising the Shipping arrangements.

11.3. The date of issue of the Bill of Lading shall be considered as the date of delivery.

11.4. Part shipment of goods is permitted however; trans-shipment of goods is not permitted.

OR

TRANSPORTATION (BY AIR-FCA)

11.1. The delivery of the goods shall be FCA/CIF/ \_\_\_\_\_ Airport (port of Exit) (as per INCOTERMS 2000 or latest version).

11.1.2 The goods will be transported by the BUYER'S nominated freight forwarder and their associates in \_\_\_\_\_ (name of the company form which goods dispatched). The details of the BUYER's nominated freight forwarder are as follows:-

(Name and address)

11.1.3. The date of issue of the Air Way Bill shall be considered as the date of delivery.

Note:- In case of CIF/CIP contracts the following clause to be incorporated:-

“The goods shall be insured by the SELLER in favour of the BUYER on the terms and conditions (relevant clauses) according to Institute Cargo Clauses of the Institute of London underwriters to the amount of 110% of the contract value of the delivered equipment”

ARTICLE 12  
AIRLIFT

12.1. Should the BUYER intend to airlift all or some of the stores the SELLER shall pack the stores accordingly on receipt of intimation to that effect from the BUYER. Such deliveries will be agreed upon well in advance and paid for as may be mutually agreed.

ARTICLE 13  
LIQUIDATED DAMAGES

13.1. In the event of the SELLER's failure to submit the Bonds, Guarantees and Documents, supply the stores/goods and conduct trials, installation of equipment, training and MET as per schedule specified in this contract, the BUYER may, at his discretion withhold any payment until the completion of the contract. The BUYER may also deduct from the SELLER as agreed, liquidated damages to the sum of 0.5% of the contract price of the delayed/undelivered stores/services mentioned above for every week of delay or part of a week, subject to the maximum value of the Liquidated Damages being not higher than 5% of the value of delayed stores.

ARTICLE 14  
JOINT RECEIPT INSPECTION (JRI) IN INDIA

14.1 The Parties agree that the Joint Receipt Inspection (JRI) of delivered goods shall be conducted out on arrival in India at location to be nominated by BUYER. JRI shall be completed within 120 days (for armament/ammunition)/ 90 days (for other than armament/ammunition) of arrival of goods at Port Consignee. JRI will consist of:-

- (a) Quantitative checking to verify that the quantities of the delivered goods correspond to the quantities defined in this contract and the invoices.
- (b) Complete functional checking of the Equipment as per specifications in this contract and as per procedures and tests laid down by Indian DGQA. Functional checking of spares shall not be done.
- (c) Check Proof and firing shall be carried out for armament and ammunition, as per procedure and tests laid down by Indian DGQA.

14.2. JRI will be carried out by the BUYER's representative. The BUYER will invite the SELLER with a minimum fifteen (15) days prior notice to attend the JRI for the delivered goods. The SELLER reserves the right not to attend the JRI. The bio data of the SELLER's representative will be communicated fifteen (15) days prior to the despatch of goods to the BUYER for obtaining the necessary security clearance in accordance with the rules applicable in the BUYER's country.

14.3. Upon completion of each JRI, JRI proceedings and Acceptance Certificate as per Annexure 8, will be signed by both Parties. In case the SELLER's representative is not present then the JRI proceedings and Acceptance Certificate shall be signed by the BUYER's representative only and the same shall be binding on the SELLER. Copy of JRI proceedings and Acceptance Certificate shall be despatched to SELLER within 30 days of completion of JRI. In case of deficiencies in quantity and quality or defects, details of these shall be recorded in the JRI proceedings, Acceptance Certificate shall not be issued and claims raised as per Article on Claims in this contract. In case of claims, Acceptance Certificate shall be issued by BUYER's representative after all claims raised during JRI are settled.

14.4. If the BUYER does not perform the JRI as per reasons mentioned above for reasons exclusively attributable to him, then the JRI in India shall be deemed performed and the equipment fully accepted.



ARTICLE 15  
WARRANTY

15.1. The SELLER warrants that the goods supplied under this contract conform to technical specifications prescribed and shall perform according to the said technical specifications.

15.2. The SELLER warrants for a period of \_\_\_\_\_ months from the date of acceptance of stores by Joint Receipt Inspection or date of installation and commissioning whichever is later, that the goods/stores supplied under this contract and each component used in the manufacture there of shall be free from all types of defects/failures.

15.3. If within the period of warranty, the goods are reported by the BUYER to have failed to perform as per the specifications, the SELLER shall either replace or rectify the same free of charge, maximum within 45 days of notification of such defect received by the SELLER, provided that the goods are used and maintained by the BUYER as per instructions contained in the Operating Manual. Warranty of the equipment would be extended by such duration of downtime. Record of the down time would be maintained by user in logbook. Spares required for warranty repairs shall be provided free of cost by SELLER. The SELLER also undertakes to diagnose, test, adjust, calibrate and repair/replace the goods/equipment arising due to accidents by neglect or misuse by the operator or damage due to transportation of the goods during the warranty period, at the cost mutually agreed to between the BUYER and the SELLER. The SELLER shall intimate the assignable cause of the failures.

15.4. SELLER hereby warrants that necessary service and repair back up during the warranty period of the equipment shall be provided by the SELLER and he will ensure that the downtime is within 20 % of the warranty period.

15.5 SELLER shall associate technical personnel of maintenance agency and QA of BUYER during warranty repair and shall also provide the details of complete defects, reasons and remedial actions for defects.

15.6. If a particular equipment/goods fails frequently and/or, the cumulative down time exceeds 20% of the warranty period, the complete equipment shall be replaced free of cost by the SELLER within a stipulated period of 45 days of receipt of the notification from the BUYER duly modified/upgraded through design improvement in all equipment supplied / yet to be supplied and ESP supplied and yet to be supplied. Warranty of the replaced equipment would start from the date of acceptance after JRI by the BUYER/date of installation and commissioning.

15.7. In case the complete delivery of Engineering Support Package is delayed beyond the period stipulated in this contract, then SELLER undertakes that the warranty period for the goods/stores shall be extended to that extent.

15.8 The SELLER will guarantee the shelf life of ( ) years under the Indian tropical condition as given below:-

- |     |                       |   |   |
|-----|-----------------------|---|---|
| (a) | Minimum temperature   | - | -40 degree C.   |
| (b) | Maximum temperature   | - | +55 degree C, plus 1140 w/m square solar radiation equivalent plus 700. |
| (c) | Average Humidity (RH) | - | 65%.  |

15.9 For procurement of oils and lubricants the following will be included: -

- (a) The SELLER warrants that the special oils and lubricants required during the warranty period of the equipment shall be provided by the SELLER himself.
- (b) The penalty amounting to ( %) of the value of the equipment shall be imposed on the SELLER in case the SELLER refuses or fails to meet the requirement of oils and lubricants during the warranty period of the equipment.
- (c) The SELLER shall make available the detailed specifications of all oils and lubricants required to be used in the equipment at the line of initial delivery of equipment to facilitate identification and development of indigenous equivalents to be used after the expiry of the warranty period.

## ARTICLE 16

### **BLANK**

## ARTICLE 17 CLAIMS

17.1 The claims may be presented either:-

- (a) On Quantity of the stores. In case it does not correspond to the quantity shown in the Packing List/Insufficiency in packing or,
- (b) On Quality of the stores. In case it does not correspond to the quality mentioned in this contract.

17.2 The quantity claims for deficiency of quantity shall be presented within 45 days of completion of JRI and acceptance of goods. The quantity claim shall be submitted to SELLER in the form at Annexure-VII (To be provided by MGO (PPO)) to this Contract.

17.3 The quality claims for defects or deficiencies in quality noticed during the JRI shall be presented within 45 days of completion of JRI and acceptance of goods. Quality claims shall be presented for defects or deficiencies in quality noticed during warranty period earliest but not later than 45 days after expiry of the guarantee period. The quality claims shall be submitted to SELLER in the form at Annexure-VIII to this contract.

17.4 The description and quantity of the stores are to be furnished to the SELLER along with concrete reasons for making the claims. Copies of all the justifying documents shall be enclosed to the presented claim. The SELLER will settle the claims within 45 days from the date of the receipt of the claim at the SELLER's office, subject to acceptance of the claim by the SELLER. In case no response is received during this period the claim will be deemed to have been accepted.

17.5 The SELLER shall collect the defective or rejected goods from the location nominated by the BUYER and deliver the repaired or replaced goods at the same location under SELLER's arrangement.

17.6. Claims may also be settled by deduction of cost of goods under claim from bonds submitted by the SELLER or payment of claim amount by SELLER through demand draft drawn on Indian Bank, in favour of PCDA HQ, New Delhi, payable at New Delhi.

17.7. "The quality claims will be solely raised by the BUYER and without any certification/ countersigning by SELLER's representative stationed in India.

## ARTICLE 18 TAXES AND DUTIES

18.1 All taxes, duties, levies and charges which are to be paid for the delivery of goods, including advance samples, shall be paid by the parties under the present contract in their respective countries.

## ARTICLE 19 TERMINATION

19.1 The BUYER shall have the right to terminate this Contract in part or in full in any of the following cases :-

- (a) The delivery of the material is delayed for causes not attributable to Force Majeure for more than (\_ months) after the scheduled date of delivery.
- (b) The SELLER is declared bankrupt or becomes insolvent.
- (c) The delivery of material is delayed due to causes for Force Majeure by more than (\_\_\_months).
- (d) The BUYER has noticed that the SELLER has utilised the services of any Indian/ Foreign agent in getting this contract and paid any commission to such individual/ company etc.
- (e) As per decision of Arbitration Tribunal (Article 21).

## ARTICLE 20 LAW

20.1 The present Contract shall be considered and made in accordance to the laws of Republic of India. This contract shall be governed by and interpreted in accordance with the laws of the Republic of India.

ARTICLE 21  
ARBITRATION

21.1. All disputes or differences arising out of or in connection with the present Contract, including the one connected with the validity of the present Contract or any part thereof, shall be settled by bilateral discussions.

21.2. Any dispute, disagreement or question arising out of or relating to this Contract or relating to construction or performance (except as to any matter the decision or determination whereof is provided for by these conditions), which cannot be settled amicably, shall within sixty (60) days or such longer period as may be mutually agreed upon, from the date on which either party informs the other in writing by a notice that such dispute, disagreement or question exists, will be referred to the Arbitration Tribunal consisting of three arbitrators.

21.3 Within sixty (60) days of the receipt of the said Notice, one arbitrator shall be nominated in writing by SELLER and one arbitrator shall be nominated by BUYER.

21.4. The third arbitrator, who shall not be a citizen or domicile of the country either of the parties or of any other country unacceptable to any of the parties shall be nominated of the parties within (90) days of the receipt of the notice mentioned above, failing which the third arbitrator may be nominated under the provision of Indian Arbitration and Conciliation Act, 1996 or by Arbitration or dispute resolution institutions such as Indian Council of Arbitration, ICADR or by the President of International Chamber of Commerce, Paris, at request of either party but the said nomination would be after consultation with both the parties and shall preclude any citizen or domicile of any country as mentioned. The arbitrator nominated under this Clause shall not be regarded nor act as an umpire.

21.5. The Arbitration Tribunal shall have its seat in New Delhi or such other place in India as may be mutually agreed to between the parties.

21.6. The Arbitration Proceedings shall be conducted in India under the Indian Arbitration and Conciliation Act, 1996 and the award of such Arbitration Tribunal shall be enforceable in Indian Courts only.

21.7. The decision of the majority of the arbitrator shall be final and binding on the parties to this contract.

21.8. Each party shall bear its own cost of preparing and presenting its case. The cost of arbitration including the fees and expenses of the third arbitrator shall be shared equally by the SELLER and the BUYER, unless otherwise awarded by the Arbitration Tribunal.

21.9 In the event of a vacancy caused in the office of the arbitrators, the party which nominated such arbitrator, shall be entitled to nominate another in his place and the arbitration proceedings shall continue from the stage they were left by the retiring arbitrator.

21.10. In the event of one of the parties failing to nominate its arbitrator within 60 days as above or if any of the parties does not nominate another arbitrator within 60 days of the place of arbitrator failing vacant, then the other party shall be entitled after due notice of at least 30 days to request the President of International Chamber of Commerce, Paris or dispute resolution institutions in India such as Indian Council of Arbitration, ICADR to nominate another arbitrator as above.

21.11. If the place of the third arbitrator falls vacant, his substitute shall be nominated according to the provisions herein above stipulated.

21.12. The parties shall continue to perform their respective obligations under this contract during the pendency of the arbitration proceedings except in so far as such obligations are the subject matter of the said arbitration proceedings.

## ARTICLE 22

### PENALTY FOR USE OF UNDUE INFLUENCE

22.1. The SELLER undertakes that he has not given, offered or promised to give, directly or indirectly any gift, consideration, reward, commission, fees brokerage or inducement to any person in service of the BUYER or otherwise in procuring the Contracts or forbearing to do or for having done or forborne to do any act in relation to the obtaining or execution of the Contract or any other Contract with the Government for showing or forbearing to show favour or disfavour to any person in relation to the Contract or any other Contract with the Government. Any breach of the aforesaid undertaking by the SELLER or any one employed by him or acting on his behalf (whether with or without the knowledge of the SELLER) or the commission of any offers by the SELLER or anyone employed by him or acting on his behalf, as defined in Chapter IX of the Indian Penal Code, 1860 or the Prevention of Corruption Act, 1988 or any other Act enacted for the prevention of corruption shall entitle the BUYER to cancel the contract and all or any other contracts with the SELLER and recover from the SELLER the amount of any loss arising from such cancellation. A decision of the BUYER or his nominee to the effect that a breach of the undertaking had been committed shall be final and binding on the SELLER.

22.2. Giving or offering of any gift, bribe or inducement or any attempt at any such act on behalf of the SELLER towards any officer/employee of the BUYER or to any other person in a position to influence any officer/employee of the BUYER for showing any favor in relation to this or any other contract, shall render the SELLER to such liability/ penalty as the BUYER may deem proper, including but not limited to termination of the contract, imposition of penal damages, forfeiture of the Bank Guarantee and refund of the amounts paid by the BUYER.

## ARTICLE 23

### AGENTS/AGENCY COMMISSION

23.1 The SELLER confirms and declares to the BUYER that the SELLER is the original manufacturer of the stores referred to in this contract and has not engaged any individual or firm, whether Indian or foreign whatsoever, to intercede, facilitate or in any way to recommend to the Government of India or any of its functionaries, whether officially or unofficially, to the award of the contract to the SELLER; nor has any amount been paid, promised or intended to be paid to any such individual or firm in respect of any such intercession, facilitation or recommendation. The SELLER agrees that if it is established at any time to the satisfaction of the BUYER that the present declaration is in any way incorrect or if at a later stage it is discovered by the BUYER that the SELLER has engaged any such individual/firm, and paid or intended to pay any amount, gift, reward, fees, commission or consideration to such person, party, firm or institution, whether before or after the signing of this contract, the SELLER will be liable

to refund that amount to the BUYER. The SELLER will also be debarred from entering into any supply Contract with the Government of India for a minimum period of five years. The BUYER will also have a right to consider cancellation of the Contract either wholly or in part, without any entitlement or compensation to the SELLER who shall in such event be liable to refund all payments made by the BUYER in terms of the Contract along with interest at the rate of 2% per annum above LIBOR rate for foreign vendors and Base Rate of SBI for Indian vendors. The BUYER will also have the right to recover any such amount from any contracts concluded earlier with the Government of India

#### ARTICLE 24 FORCE MAJEURE

24.1 Should any Force Majeure circumstances arise, each of the contracting party shall be excused for the non-fulfillment or for the delayed fulfillment of any of its contractual obligations, if the affected party within (\_\_ days) of its occurrence informs in a written form the other party.

24.2 Force Majeure shall mean fires, floods, natural disasters or other acts, that are unanticipated or unforeseeable, and not brought about at the instance of, the party claiming to be affected by such event, or which, if anticipated or foreseeable, could not be avoided or provided for, and which has caused the non-performance or delay in performance, such as war, turmoil, strikes, sabotage, explosions, quarantine restriction beyond the control of either party.

24.3 A party claiming Force Majeure shall exercise reasonable diligence to seek to overcome the Force Majeure event and to mitigate the effects thereof on the performance of its obligations under this contract.

#### ARTICLE 25 NON DISCLOSURE OF CONTRACT DOCUMENTS

25.1 Except with the written consent of the BUYER/SELLER, other party shall not disclose the contract or any provision, specification, plan, design, pattern, sample or information thereof to any third party.

#### ARTICLE 26 NOTICES

26.1 Any notice required or permitted by this contract shall be written in English language and may be delivered personally or may be sent by FAX, TELEX, Cable or registered pre paid airmail, addressed to the last known address of the party to whom it is sent.

#### ARTICLE 27 TRANSFER AND SUB-LETTING

27.1 The SELLER has no right to give, bargain, sell, assign or sublet or otherwise dispose of the

Contract or any part thereof, as well as to give or to let a third party take benefit or advantage of the present Contract or any part thereof.

ARTICLE 28  
PATENTS AND OTHER INDUSTRIAL PROPERTY RIGHTS

28.1 The prices stated in the present Contract shall be deemed to include all amounts payable for the use of patents, copyrights, registered charges, trade marks and payments for any other industrial property rights.

28.2 SELLER shall indemnify the BUYER against all claims from a third party at any time on account of the infringement of any or all the rights mentioned in the previous paragraphs, whether such claims arise in respect of manufacture or use. The SELLER shall be responsible for the completion of the supplies including spares, SMTs/STEs, technical literature and training aggregates irrespective of the fact of infringement of the supplies, irrespective of the fact of infringement of any or all the rights mentioned above.

ARTICLE 29  
AMENDMENTS

29.1 No provision of this contract shall be changed or modified in any way (including this provision) either in whole or in part except by an instrument in writing made after the date of this contract and signed on behalf of both parties and which expressly states to amend this contract.

ARTICLE 30  
PRODUCT SUPPORT

30.1 The SELLER agrees to provide Product Support for the stores, assemblies/subassemblies, fitment items and consumables, SMTs/STEs subcontracted from other agencies/manufacturers by the SELLER for a maximum period of (\_\_\_years) including (\_\_\_years) of warranty period after the delivery of (name of equipment). Even after the said mandatory period, the vendor would be bound to give at least two years notice to the Government of India prior to closing the production line so as to enable a Life Time Buy of all spares before closure of the said production line. The SELLER agrees to undertake MAINTENANCE CONTRACT for a maximum period of (\_\_\_months), extendable till the complete Engineering Support Package is provided by the SELLER, at a time, at terms and conditions mutually agreed between the Supplier and the Indian manufacturer.

30.2 In the event of any obsolescence during the above mentioned period of product support in respect of any component or sub-system, mutual consultation between the SELLER and BUYER/ Indian manufacturer will be undertaken to arrive at an acceptable solution including additional cost, if any.

30.3 Any improvement/modification/up gradation being undertaken by (M/s name of company) on (name of equipment) or their sub suppliers will be communicated by the SELLER to the BUYER and, if required by the BUYER, these will be carried out by the SELLER at BUYER's cost.

30.4 The SELLER agrees to provide an Engineering Support Package as specified in Article 34 as modified after confirmatory MET. The SELLER agrees to undertake the repair and maintenance of the equipment, SMTs/STEs test set up, assemblies/sub assemblies and stores supplied under this contract for a period of five years as maintenance contract specified at para 30.1 above or provision of complete ESP to the BUYER viz EME which ever is later, as per terms and conditions mutually agreed between the SELLER and the BUYER.

### ARTICLE 31 TRAINING

31.1 The SELLER shall provide the following training to the personnel of the BUYER free of charge :

- (a) Operator Training:
  - (i) (Duration) at OEM'S premises for a maximum of (\_\_\_)officers.
  - (ii) (\_\_\_) days per group in India, to a maximum of (\_\_\_)personnel in (\_\_\_) groups of (\_\_\_) each.
- (b) Repair and Maintenance Course.
  - (i) Field Repair/Maint. (\_\_\_ weeks) at OEM'S premises for (composition of the team to be specified).
  - (ii) Base Repair/Maint. (\_\_\_ weeks) at OEM, premises for (composition of the team to be specified).
- (c) The SELLER will provide training to the QA reps of the BUYER for ( ) days on various aspects of quality assurance of equipment.
- (d) The syllabus of training as above will be decided within --- months of MET by the BUYER and shall meet the needs of repair and maintenance of the complete equipment, SMTs/STEs, test set up, assemblies/sub assemblies as per the existing repair concept of Indian Army as covered under Article 32.

31.2 The training for the first group of operators and users will be organised and conducted so that its termination does not go beyond (\_\_\_ days) of the scheduled delivery of the first equipment. Training of second group of operator and users will be conducted within ( ) months thereafter. Repair and maintenance course will be conducted within ( ) months of signing of the contract and before expiry of warranty.

### ARTICLE 32 OPTION CLAUSE

32.1 The BUYER shall have the right to place separate order on the SELLER on or before -----  
----- (----- year from the date of this contract) for the main equipment, spares, facilities or services as per the cost, terms and conditions set out in this contract up to a maximum of 50% quantity



and during the original period of contract provided there is no downward trend in prices. The price of the system, spares etc shall remain same till ----- year from the effective date of the contract.

ARTICLE 33  
BUYER FURNISHED EQUIPMENT (BFE)

33.1 The following equipment will be provided by the BUYER at his own expense:

(a)

(b)

(NAME OF THE EQUIPMENTS TO BE PROVIDED BY THE BUYER ALONGWITH THE MAIN EQUIPMENT) This provision is in addition to the provisions set forth in Annexure III (Statement of Work)

ARTICLE 34  
ENGINEERING SUPPORT PACKAGE

34.1. Repair Philosophy. The Engineering Support Philosophy shall conform to repair philosophy as follows: -

(a) Field Repairs. Envisages diagnosis and repair assemblies / PCBs / modules (called rotables) and discreet components not forming part of these rotables.

(b) Component Level Repair. This level of repair envisages diagnosis and repairs of notables as defined at sub para (a) above.

(c) Base Overhaul. This level of repair defines stripping and rebuilding of equipment in a Base workshop.

34.2 Accompanied Accessories/User Replaceable Parts/ Expendables.

Accompanied accessories/ User Replaceable Parts/ Expendables as per the list, which will be prepared by the BUYER within ---- months of completion of operator and operator trainer training. for the amount specified at Ser No --- of Annexure I. The list of items required to be supplied will be taken from Appendix-A to Annexure-IX duly incorporating Adequacy Clause (Article 34.9 below refers).

34.3. Spares. Spares requirement for carrying out maintenance and repair up to component level will be provided by the SELLER as per the list, which will be prepared by the BUYER within --month of completion of MET, within the amount specified at Ser No --- of Annexure I. The list of spares required to be supplied will be taken from Appendix-A to Annexure-IX duly incorporating Adequacy Clause.

34.4. Special Maintenance Tools, Special Test Equipments and Test Jigs (SMT/STE/Test Jigs). SMT/STE/Test Jigs requirement for carrying out maintenance and repair up to ( ) level of repair will be provided by the SELLER as per the list, which will be prepared by the BUYER within ---- month of

completion of MET, within the amount specified at Ser No \_\_\_\_\_ of Annexure-I. The list of equipment required to be supplied will be taken from Appendix A to Annexure IX duly incorporating Adequacy Clause.

34.5. Training. Training of operators, operator trainers, and maintenance personnel will be carried out as per details given in Appendix-B to Annexure IX at \_\_\_\_\_ in English Language. The syllabus given at Appendix-B will be refined by the SELLER in consultation with the BUYER at the time of MET. The SELLER confirms to the BUYER that the maintenance training will be imparted to the satisfaction of the BUYER and SELLER ensures that the training content and period will be extended so as to impart working proficiency up to ( ) level repairs. All training requirements such as training aids, projection system, complete equipment with accessories /optionals, technical literature, spares, test equipment/test set up, charts etc will be catered for by the SELLER.

34.6. Technical Literature. The SELLER shall provide ----- sets of Technical Literature. (Specify format to the vendor if required). Inadequacy/voids in Technical Literature identified during the Maintenance Evaluation Trials will be rectified by the SELLER at the time of delivery of Technical Literature to the satisfaction of maintenance agency of the BUYER.

34.7. Maintenance Evaluation Trials (MET). BUYER will depute within (\_\_\_\_) months After Receipt of Order (ARO), a team of (\_\_\_\_) personnel to SELLER's country for (duration), to conduct a maintainability evaluation (MET) for (Name of the Equipment) at SELLER's premises. SELLER will provide all necessary assistance to carryout MET. In case the MET is to be conducted in the BUYERS premises, all infrastructure should be ready by (duration to be mentioned). The team will study applicability of SMTs/STE/Test jigs, spares and adequacy of technical literature and documentation provided under this Contract. If, as a result of the above mentioned evaluation, BUYER decides to augment its spare parts or STE quantities, BUYER will then exercise the additional order through the provisions of Article 30 (Options Clause). BUYER may also adjust the quantities of spare parts SMTs/STEs/Test jigs provided that the total price of the spare parts ISMTs/STEs/Test jigs listed is not changed and provided also that the adjustment is made not later than (\_\_\_\_) months) after the conduct of the MET evaluation in (name of the country) and before the delivery schedules of spare parts/SMTs/STEs/Test jigs stipulated in the contract.

34.8. Maintenance Evaluation Trials (MET). (Users handbook, operators manual, ISPL, check proof details, fixtures required for Acceptance Test/check proof, technical specifications, etc). Specimen of documents required is attached at Appendix C to Annexure IX. The details of items and inputs required for MET are given in \_\_\_\_\_ (Specify Appendix/Annexure as applicable) to the contract. The SELLER shall allow stripping/ opening of the equipment during MET. The SELLERS technical representative(s) who is/are competent to clarify all the issues pertaining to maintenance and repair up to ( ) level shall be present during the complete duration of MET. Inadequacies in items/inputs, if any, brought out during MET must be rectified and would be presented for re-evaluation by the SELLER along with the JRI.

34.9 Adequacy Clause. The SELLER confirms to the BUYER that the range and depth of Accompanied Accessories/ User Replaceable Parts/ Expendables, Spares and SMT/STE/Test Jigs given in Appendix- of Annexure- of this contract are complete and exhaustive for use and carrying out repairs up to ( ) level for the equipment procured under this contract by the BUYER. Any additional items, spares, tools and equipment up to the lowest level needed for use, maintenance and repair will

be supplied by the SELLER at mutually agreed prices with in 60 days of receipt of notification from the BUYER for the period specified in Article 25 (PRODUCT SUPPORT). The SELLER also confirms to the BUYER that the overall cost of one set of complete list of spares and parts used to make one functional (Equipment \_\_\_\_\_) as per the specifications given at Annexure- (Technical Specifications) along with accompanied accessories as per Annexure- as per the cost given in Appendix- of Annexure- will not exceed the cost of the equipment as given in Appendix \_\_. The SELLER also confirms that, if two different prices have been given for the same/ similar item in Appendix- to Annexure-, 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 will be lowered/adjusted proportionately for the items.

ARTICLE 35  
ACCESS TO BOOK OF ACCOUNTS

35. In case it is found to the satisfaction of the BUYER that the SELLER has engaged an Agent or paid commission or influenced any person to obtain the contract as described in clauses relating to Agents/Agency Commission and penalty for use of undue influence, the SELLER, on a specific request of the BUYER shall provide necessary information/inspection of the relevant financial documents/information.

36. Testimonial and signature clause. The authorised representative of the SELLER should be shown to have been so authorised by the Resolution of the Board of Directors of the Company of the SELLER or duly authorised by the Memorandum/Articles of Association of the Company along with supporting documents for the same.

LEGAL ADDRESSES OF THE CONTRACTING PARTIES

1. Judicial addresses of both contracting parties:

SELLER

.....  
.....  
.....  
.....

BUYER:

GOVERNMENT OF INDIA  
MINISTRY OF DEFENCE  
SOUTH BLOCK  
NEW DELHI -110011  
REPUBLIC OF INDIA

**STATEMENT OF PRICES AND QUANTITIES**

Ser No	Item	Qty	Unit Price (US Dollars /Euros/Ponds)	Total Value (US Dollars)	Remarks
1.	Description of Main Equipment along with accessories, optional items etc.				
2.	ESP/MRLS				
3.	Technical manuals				
4.	Training Package				
	Total				

Total (in words) \_\_\_\_\_

To Contract No.

Dated

**TECHNICAL SPECIFICATION**

All Tech parameters listed in terms of size, weight, performance, operating environment, power, utility life storage shelf life etc, both in terms of essential and desirable levels as applicable to the equipment.

(The Technical parameters of the equipment being contracted also to be included)

To Contract No.

Dated

STATEMENT OF WORK (SOW) AND DELIVERY SCHEDULE

1. General.
2. Abbreviations / Definitions.
3. Equipment, Materials And Services

The SELLER shall deliver the goods and perform services as following:

3.1 Deliverable Items and Schedule:

3.1.1 Deliverable Items:

3.1.2 Delivery Schedule

Ser No	Equipment/ service	Quantity	Month (from Effective date)
--------	-----------------------	----------	-----------------------------

3.2 Modifications to be incorporated in (Name of Equipment).

3.3 BUYER Furnished Data and Equipment.

4. Integrated Logistic Support (ILS).

4.1 The maintenance of the (Name of Equipment) shall be carried out at Field and Base Level by BUYER's personnel after receiving Maintenance Documentation, CBTs Training, Special Test Equipment (STE) and test set up and Spare Parts.

4.2 The ILS package will support the following maintenance tasks:

(All tasks to be listed)

4.2.1 Field

4.2.2 Base/Component Level.

4.3 Training & Documentation. (All details of trg to be incorporated)

4.3.1 Field Maintenance Training and Documentation.

No	Description	No of pers	Duration	Month (from ED)	Remarks
----	-------------	------------	----------	-----------------	---------

4.3.2 Base Maintenance Training and Documentation.

No	Description	No of pers	Duration	Month (from ED)	Remarks
----	-------------	------------	----------	-----------------	---------

4.4 Special Test Equipment and Test Setup4.4.1 For Field Maintenance Test Equipment.4.4.2 For Base/Component Level Maintenance

No	Description	No of pers	Duration	Month (from ED)	Remarks
----	-------------	------------	----------	-----------------	---------

**BUYER FURNISHED TEST EQUIPMENT**

No	Description	Qty	Month(ARO)	Remarks
----	-------------	-----	------------	---------

**ANNEXURE IV**

To Contract No.

Dated

**BANK GUARANTEE FORMAT FOR ADVANCE**

1. In consideration of the President of India (hereinafter called “the Government”) having agreed to exempt \_\_\_\_\_ (hereinafter called “the said Contractor(s)”) from the demand, under the terms and conditions of an Agreement dated \_\_\_\_\_ made \_\_\_\_\_ between \_\_\_\_\_ and \_\_\_\_\_ for \_\_\_\_\_ (hereinafter called “the said agreement”) of security deposit for the due fulfilment by the said Contractor(s) of the terms and conditions contained in the said Agreement, on production of a bank Guarantee for Rs \_\_\_\_\_ (Rupees \_\_\_\_\_ only) We, \_\_\_\_\_ (hereinafter referred (indicate the name of the bank) to as “the bank”) at the request of \_\_\_\_\_ (contractor(s) do hereby undertake to pay to the Government an amount not exceeding Rs \_\_\_\_\_ against any loss or damage caused to or suffered or would be caused to or suffered by the Government contained in the said Agreement.

2. We \_\_\_\_\_ (indicate the name of the bank) do hereby undertake to pay the amounts due and payable under this guarantee without any demur, merely on a demand from the Government stating that the amount claimed is due by way of loss or damage caused to or would caused to or suffered by the Government by reason of breach by the said contractor(s) of any of the terms or conditions contained in the said Agreement or by reason of the contractor(s) ‘ failure to perform the said Agreement. Any such demand made on the bank shall be conclusive as regards the amount due and payable by the Bank under this guarantee. However, our liability under this guarantee shall be restricted to an amount not exceeding Rs \_\_\_\_\_.

3. We undertake to pay to the Government any money so demanded notwithstanding any dispute or disputes raised by the contractor(s)/supplier(s) in any sult or proceeding pending before any Court or Tribunal relating thereto our liability under this present being absolute and unequivocal. The payment so made by us under this bond shall be valid discharge of our liability for payment there under and the contractor(s) suppliers shall have no claim against us for making such payment.

4. We, \_\_\_\_\_ (indicate the name of bank) further agree that the guarantee herein contained shall remain in full force and effect during the period that would be taken for the performance of the said Agreement and that it shall continue to be enforceable till all the dues of the Government under or by virtue of the said Agreement have been fully paid and its claims satisfied or discharged or till \_\_\_\_\_ office/ Department/Ministry of \_\_\_\_\_ certifies that the terms and conditions of the said Agreement have been fully properly carried out by the said contractor(s) and accordingly writing on or before the \_\_\_\_\_ we shall be discharged from all liability under this guarantee thereafter.



5. We, \_\_\_\_\_ (indicate the name of bank) further agree with the Government that the Government shall have the fullest liberty without our consent and without affecting in any manner our obligations hereunder to vary any of the terms and conditions of the said Agreement or to extend time of performance by the said contractor(s) from time to time or to postpone for any time or from time to time any of the powers exercisable by the Government against the said Contractor (s) and to forbear or enforce any of the terms and conditions relating to the said agreement and we shall not be relieved from our liability by reason of any such variation, or extension being granted to the said Contractor (s) or for any forbearance, act or omission on the part of the Government or indulgence by the Government to the said Contractor(s) or by any such matter or thing whatsoever which under law relating to sureties would, but for this provision, have effect of so relieving us.

6. This guarantee will not be discharged due to the change in the constitution of the bank or the contractor (s)/supplier(s).

7. We, \_\_\_\_\_ (indicate the name of bank) lastly undertake not to revoke this guarantee during the currency except with the previous consent of the Government in writing,

8. Dated the \_\_\_\_\_ day of \_\_\_\_\_ for \_\_\_\_\_  
 \_\_\_\_\_ (indicate the name of the Bank).

## ANNEXURE IV (A)

**Bank Guarantee Format for Performance-cum-Warranty Bond**

From: (\_\_\_\_\_ Bank)  
 To : The President of India (represented by \_\_\_\_\_)  
 Ministry of Defence, Government of India

Dear Sir,

1. Whereas President of India (hereinafter referred to as BUYER) have entered into a contract No \_\_\_\_\_ dated \_\_\_\_\_ (hereinafter referred to as the said contract) with M/s \_\_\_\_\_ (hereinafter referred to as the SELLER) for supply of goods as per contract to the said BUYER and whereas the SELLER has undertaken to produce a bank guarantee for (%) of total contract value amounting to \_\_\_\_\_ to secure its obligations towards Performance-cum-Warranty to the Buyers.

We the \_\_\_\_\_ bank hereby expressly, irrevocable and unreservedly undertake and guarantee as principal obligors on behalf of the SELLER that, in the event that the BUYER declares to us that the amount claimed is due by way of loss or damage caused to or would be caused or suffered by the BUYER by reason of breach/failure to perform by the said SELLER of any of the terms and conditions in the contract related to Performance and Warranty clauses, we will pay you, on demand and without demur, all and any sum up to a maximum of \_\_\_\_\_ Rupees only. Your written demand shall be conclusive evidence to us that such repayment is due under the terms of the said contract. We undertake to effect payment upon receipt of such written demand.

2. We shall not be discharged or released from this undertaking and guarantee by any arrangements, variations made between you and the SELLER, indulgence to the SELLER by you, or by any alterations in the obligations of the SELLER or by any forbearance whether as to payment, time performance or otherwise.

3. In no case shall the amount of this guarantee be increased.

4. This Performance-cum-Warranty guarantee shall remain valid for a period until three months beyond the warranty period as specified in the contract.

5. Unless a demand or claim under this guarantee is made on us in writing or on before the aforesaid expiry date as provided in the above referred contract or unless this guarantee is extended by us, all your rights under this guarantee shall be forfeited and we shall be discharged from the liabilities hereunder.

6. This guarantee shall be continuing guarantee and shall not be discharged by and change in the constitution of the Bank or in the constitution of M/s \_\_\_\_\_ We undertake no to revoke this guarantee during the currency except with previous consent of BUYER in writing.

7. Dated the \_\_\_\_\_ day of \_\_\_\_\_ for \_\_\_\_\_  
 (name of Bank).

To contract No

Dated

MODIFICATIONS TO BE INCORPORATED AS PER  
REQUIREMENTS OF THE SERVICE HQ

(To be elaborated depending on the modification existing if any with the OEM or modifications required for suiting the buyer's requirements)

**CERTIFICATE OF CONFORMITY**

Date :

No :

Product Name :

Product No :

Lot No :

Quantity :

Contract No :

Packaging List No :

**THIS IS TO CERTIFY THAT THE ABOVE MENTIONED PRODUCT HAVE SUCCESSFULLY PASSED ALL THE ACCEPTANCE TESTS IN ACCORDANCE WITH THE RELEVANT SPECIFICATIONS AND DRAWINGS.**

\_\_\_\_\_  
( )

\_\_\_\_\_  
( )

\_\_\_\_\_  
( )

\_\_\_\_\_  
( )

\_\_\_\_\_  
( )

\_\_\_\_\_  
( )

QUANTITY CLAIM

to the Contract No .....

dated .....

CLAIM PROTOCOL NO .....

Laid ..... down

For inter/tare storage

Commission, consisting of Chairman ..... and Members ..... having examined the state of the delivered equipment ascertained as follows:-

1. The equipment was delivered by M/s ..... against Bill of Lading No ..... of ..... in the quantity of one collie with the Marking ..... Case No .....

2. The obtained equipment is delivered under Contract No ..... Item Srl No ..... Cost .....

3. The state of packing and seals on goods packages, correspondence of the gross weight and the weight indicated in the way bills (packing lists) Nos of the collies are to be pointed out ..... Condition of the collie ..... Gross weight of the collie ..... Net weight of the collie .....

4. While unpacking the goods packages, the following discrepancy between the shipping documents (packing lists as the packed equipment was discovered/separately for each package .....  
.....  
.....

5. Conclusion of the commission .....  
.....  
.....

6. The following documents confirming the justification of the complaint are attached to the report (Packing list, photos of the damaged sports and others) .....  
.....

Chairman .....

Members .....

Place and date of issue .....

QUALITY CLAIM

to the Contract No .....  
dated .....  
CLAIM PROTOCOL NO .....

Laid down on

Concerning (Name of the claimed equipment)  
Commission Members .....  
Chairman .....  
.....

The Commission has acquainted with the claimed equipment and made the following decision:-

1. .... Serial No  
.....  
(equipment)  
Production by the ..... Made by the manufacturer .....  
.....  
(date of manufacture)  
No of running hours ..... With guarantee period of .....  
(completed)  
.....  
(years, months)

From the beginning of operation, the product has been operating for ..... hours.

2. Indicate operation conditions of the equipment .....  
.....  
(State type of fuel and oil used during operation of the equipment)
3. Description of the defect ..... (the date and circumstances under which the defect was ascertained, short description of the probable causes and probable consequences of the defect)
4. List of units (or their parts)  
(defective equipment will remain in that organization store-room when it has been operating till arrival of the SELLER's instruction)
5. Conclusion of the Commission .....  
.....

.....  
.....

(on investigation the commission decided that the claimed equipment is not serviceable and that it must be subject to repair or must be replaced with a new equipment. The kind of repair and place where the repair should be carried out are to be stated).

The following parts are required for the repair of the equipment (or its parts)

.....  
.....  
.....  
.....

The defect occurred ..... within the guarantee period from the reason as follows

.....

The costs of the repair of the equipment or its parts .....

.....  
.....  
.....

The defect occurred ..... within the guarantee period from the reason as follows

.....

..... The costs of the repair will be debited to (..... manufacturer/owner.....)

To settle the claim, the SELLER has to replace the equipment and dispatch the unit and other parts, indicate the parts and where the repair should be carried out (manufacturer's side), the manner of reimbursement of costs connected with the repair of the equipment, etc.

Supplementary data:

The equipment was handed over in accordance with the ..... No

..... on (date)  
.....

The following documents are enclosed to this claim protocol to support the justification of the claim (photos, samples, results of analysis, packing sheets, etc.)

Signature of the commission members

.....  
.....  
.....

PRICE BREAKDOWN OF SUPPLIES AND SERVICES

<u>No</u>	<u>Item</u>	<u>Quantity</u>	<u>Ready for Shipment</u>	<u>Unit Price USD \$</u>	<u>Total Price USD \$</u>
1.	EQPT ____ as per Appendix A along with accessories given at Note 1 below	221 Nos (Illustrative example)	As per Note 2 below		
2	Cost of Additional Accompanied Accessories, User Replaceable Parts and Expendables (As per Appendix A)	As per Article 34.2	As per Note 2(d) below		
3.	Spares and SMT/STE /TJ (As per Appendix A)	As per Article 34.3 and 34.4	As per Note 2(d) below		
4.	Training as per the syllabus given at Appendix B	4 and 24 working days for operator & maintenance personnel respectively (Illustrative Example)			
5.	Technical Literature given at Appendix C	As per Article 34.6	As per Note 2(d) below		
			TOTAL		

Notes:

1. Description of Equipment. Equipment \_\_\_\_ System and the following accessories:-

<u>Part No</u>	<u>Item</u>	<u>Quantity</u>
(a)	943013 Battery	02 Nos
(b)	943700 Manual in English	01
(c)	540006 Phillips Screwdriver #1	01

2. Delivery Schedule. Delivery Schedule (to be read in conjunction with Article 10 Delivery) to be completed as under:-

- (a) First consignment of ---- Nos Equipment \_\_\_\_ within--- weeks from the effective date of the contract (Article 2 refers) along with contracted ESP package viz spares, SMTs/STEs/TJs and technical literature.



- (b) Second consignment of --- Nos EQPT \_\_\_\_\_ within --- weeks from the effective date of the contract (Article 3 refers).
- (c) Third consignment of --- EQPT \_\_\_\_\_ within ---- weeks from the effective date of the contract (Article 3 refers).
- (d) Fourth and last consignment of ---- EQPT \_\_\_\_\_, and Additional Accompanied Accessories/ User Replaceable Parts/ Expendables, Spares, SMT/STE/TJ and Technical Literature within ---- weeks from the effective date of the contract (Article 2 refers) and 34 refers.

**Appendix-A to Annexure-IX**

PRICE BREAKDOWN OF EQUIPMENT, ACCESSORIES,  
MAIN EQUIPMENT ETC FOR EQPT

1. Main Equipment – Price Breakdown.

Ser No	Sr No of Offer	Description	Unit Cost	Qty	Total Cost

2. Sub-assemblies for Equipment.

Sl. No.	Sl. No. of Offer	Part No.	Nomenclature	Schematic ref.	No. per eqpt	Unit cost in USD \$	Total cost in USD \$	Remarks
1	1	220124	Sensor NO2	S1				
2	2	943253	Sensor Membrane					
			Total				-----	

3. Accessories along with the Equipment

Sl. No.	Sl. No. of Offer	Part No.	Nomenclature	Schematic ref.	No. per eqpt	Unit cost in USD \$	Total cost in USD \$	Remarks
1	4	943013	Battery cartridges					
			Total				-----	

4. Optional Items

Sl. No.	Sl. No. of Offer	Part No.	Nomenclature	Schematic ref.	No. per eqpt	Unit cost in USD \$	Total cost in USD \$	Remarks
1	16	943021	External battery pack		1			
			Total				-----	

5. Spares

Sl. No.	Sl. No. of Offer	Part No.	Nomenclature	Schematic ref.	No. per eqpt	Unit cost in USD \$	Total cost in USD \$	Remarks
1	12	943046	RS232 Cable		1			
	Total	-----						

6. Additional Items Required for Completeness of Spares, and Consumables

Sl. No.	Sl. No. of Offer	Part No.	Nomenclature	Schematic ref.	No. per eqpt	Unit cost in USD \$	Total cost in USD \$	Remarks
1		943018	Audio Ear Set		1			spare
			Total					

7. List of SMT/STE/Test Jigs

Sl. No.	Sl. No. of Offer	Part No.	Nomenclature	No. per eqpt	Unit cost in USD \$	Total cost in USD \$	Remarks
1		TJ 3000	Test Jig EVD	1			Component Level Checks Manufacture Supplied
			Total				

Note. The SELLER confirms for authenticity, completeness correctness of the data given in this annexure.

## Appendix-B to Annexure-IX

TRAINING

1. Operator Course. This course is designed to give the student the necessary knowledge to operate an Equipment \_\_\_ effectively. It also covers unit maintenance procedures and procedures for unit level repair and replacement of parts.

Time	Course	Description	Materials
-- hrs		This course covers the theory, operation and proper sampling techniques. It will include hands on and visual presentations.	Slide Show, User Guide
--hrs		This course allows the student to do practical exercises with an Equipment ___.	User Guide, Equipment ___ unit, Practical outline
-- hr		This time allows the student to ask any questions they have and review for the test.	User Guide, Equipment ___ unit
-- hr	Operator Test	The student takes the certification test.	User Guide, Test paper

2. Trainer Course. This course is designed to give the student an understanding of the Equipment \_\_\_ as well as first line maintenance techniques that will the student to keep the (Equipment) \_\_\_ working properly. In addition to that there will be a course on training others how to use the (Equipment) \_\_\_ by stressing the important issues using the (Equipment) \_\_\_. Following the course there will be a certification test which will then allow the student to train other users on the (Equipment) \_\_\_.

Time	Course	Description	Materials
--hrs		This course covers the theory, operation and proper sampling techniques. It will include hands on and visual presentations. It will also include first line maintenance techniques used in the field.	Slide Show, Supervisor Guide
-- hrs		This course allows the student to do practical exercises with an (Equipment) ___.	Supervisor Guide, (Equipment) ___ unit, Practical outline
-- hrs		This course cover the important issues in training other users on the (Equipment) ___.	Trainer Guide, (Equipment) ___ unit
-- hrs		This course allows the students to practice training other users on the (Equipment) ___ under supervision.	Trainer Guide, Slide Show, (Equipment) ___ unit
-- hr	Supervisor Test	The student takes the certification test.	SupervisorGuide, Test paper Trainer Guide

3. Field Repair level Maintenance Training. This course is designed to give the student an understanding of the (Equipment) \_\_\_ as well as first line maintenance techniques that will the student to keep the (Equipment) \_\_\_ working properly. Then the course will discuss the Mechanical/Automotive/Electronic/Armament portion of the (Equipment) \_\_\_. A break down of all components as well as the calibration procedure is taught. The student will then take apart and rebuild an (Equipment) \_\_\_ going over various points. Following the classes there will be a certification test which will allow the student to then do any repairs needed on the (Equipment) \_\_\_.

Time	Course	Description	Materials
-- hrs		This course covers the theory, operation and proper sampling techniques. It will include hands on and visual presentations. It will also include first line maintenance techniques used in the field.	Slide Show, Supervisor Guide
-- hrs		This course allows the student to do practical exercises with an (Equipment) ___.	Supervisor Guide, (Equipment) ___ unit, Practical outline
-- hrs		This course covers all the electronics in the (Equipment) ___. A look at all the PCBs in the unit and the procedure of analyzing samples.	Technical Guide, (Equipment) ___ unit
- hrs		This course discusses the troubleshooting	Technical Guide,
-- hrs		techniques used for repairing an (Equipment) ___. This course cover the proper procedure in calibrating and (Equipment) ___.	(Equipment) ___ unit Technical Guide, (Equipment) ___unit

4. Component level Maintenance Training. This course is designed to train students to undertake component level repair of all assemblies, subassemblies, modules, PCBs ect.

5. Base Repair Maintenance Training. The syllabus for base repair maintenance training will be finalised during MET as per the requirement of the BUYER.

6. Technical Know How. The SELLER shall provide the complete know how on the technology used, repair and maintenance of the equipment and shall not withhold such information during the conduct of the training. Maintenance philosophy will be discussed and suggested norms for major maintenance tasks will be provided by the SELLER.

MET

1. This is carried with a view to facilitate provisioning of effective engineering support for life cycle of the equipment. This would involve stripping of the equipment and carrying out recommended tests and adjustments and establishing adequacy of maintenance spares, tools, test equipment and technical literature. To facilitate this process, the SELLER is required to provide the following in addition to one complete set of the equipment apart from the quantity being procured vide this contract.

:-

- (a) Technical Literature
  - (i) User Handbook/Operators Manual.
  - (ii) Design Specifications.
  - (iii) Technical Manuals
    - (aa) Part-I. Technical description, specifications, functioning of various systems.
    - (ab) Part-II. Inspection/Maintenance tasks, repair procedures, materials used, fault diagnosis and use of Special Maintenance Tools (SMTs) /Special Test Equipment (STEs).
    - (ac) Part-III. Procedure assembly/disassembly, repair up to component level safety precautions.
    - (ad) Part-IV. Part list with drawing reference and list of SMTs/STEs Test Bench.
  - (iv) Manufacturers Recommended List of Spares (MRLS) with schematic references and part numbers for all the items.
  - (v) Illustrated Spare Part List (ISPL).
  - (vi) Technical Manual on SMT/STE with drawing reference.
  - (vii) Complete Equipment (TOTE) & carried spares.
- (b) One set of Gauges.
- (c) One set of complete SMTs/STEs/TJs and Test set up.
- (d) Servicing Schedule and condemnation limits.
- (e) Permissive Repair Schedule for repairs possible at various levels with available infrastructure.
- (f) Packing specification/ instructions.

(g) Any additional information suggested by the OEM such as infrastructure/facilities/ BUYER furnished items for use and maintenance/repair of equipment.

2. The vendor technical representative shall be present during complete duration of MET. On completion of MET, the SELLER can take back all the items produced for evaluation and maintenance training.



LETTER OF CREDIT

Form of Doc Credit (40A) : Irrevocable/revocable/revolving/confirming.

Doc Credit Number (20) :

Expiry (31D) : Date : 12 months after issuance of Documentary credit.

Applicant bank (51) : -----  
-----  
-----

Beneficiary (59) : -----  
-----

Amount (32B) : Currency :  
Amount :

Max Credit Amount (39B) : No Exceeding

Available with/By (41) : By payment.

Partial Shipments (43P) : Allowed/Not Allowed.

Transshipment (43T) : Not allowed/allowed.

Loading in Charge (44A) :  
(Port of Loading).

For Transport to (44B) : -----  
(Port of Discharge).

Shipment Period (44D) : -----

Descript of Goods (45A) : -----

Documents Required (46A) : + Signed commercial invoice in six copies.

+ Two copies of original clean on board bills of lading made out to order and endorsed in blank, showing applicant as notify party and marked: Freight payable at destination.

+ Packing list in six copies.

+ Certificate of origin issued by a chamber of commerce.

+ Lot acceptance certificate signed by the seller's and the Buyer's quality assurance representatives or alternatively the seller's quality assurance representative and armscor.

Additional Condition (46A) : + Telegraphic reimbursement is allowed.

+ This credit will automatically revolve cumulatively on an annual basis as indicated below, and will accordingly be automatically extended upon transmission of a notice to this effect by means of

an authenticated telex/swift message from the beneficiary's bank to the issuing bank not later than 15 days prior to the expiry of the relevant validity period.

Stage	Amount	Validity Period

+ Maximum utilization under the credit will be

+ Confirmation charges for the letter of credit are for the beneficiaries account.

+Late Shipment is acceptable.

Details of Charges (71B) : All charges outside India are for beneficiary account.

Presentation Period (48) : Within 21 days after shipment date.

Confirmation (49) : Confirm.

Reimbursing Bank (53) : -----  
Instructions

(78) : + Documents must be forwarded to us by courier in one lot.

+ We hereby engage that payments made under and in compliance with all the terms and

conditions of this credit will be duly honoured by us upon presentation of the stipulated documents.

+ Paying bank may claim reimbursement telegraphically from the reimbursing bank for value 3 days after their authenticated telex/swift advice to the issuing bank of any conform drawing presented under this credit.

Advise through (57) : -----

Send to Recd Info (72) : -----

**(BLANK)**

## ABBREVIATIONS

<u>Ser No</u>	<u>Abbreviation</u>	<u>Full Form</u>
1.	AAP	Annual Acquisition Plan
2.	AM	Acquisition Manager
3.	Acq	Acquisition
4.	Addl FA	Additional Financial Advisor
5.	AIP	Approval In Principle
6.	AMC	Annual Maintenance Contract
7.	AGM	Annual General Meeting
8.	AS	Additional Secretary
9.	AON	Acceptance of Necessity
10.	ATP	Acceptance Test Procedure
11.	BFE	BUYER Furnished Equipment
12.	BG	Bank Guarantee
13.	BC	Bank Commission
14.	CFA	Competent Financial Authority
15.	CAE	Computer Aided Engineering
16.	CAM	Computer Aided Machining
17.	CST	Comparative Statement
18.	CNC	Contracts Negotiation Committee
19.	CKD	Complete Knocked Down
20.	CIR	Cargo Integration Review
21.	CCS	Cabinet Committee on Security
22.	CMD	Chairman & Managing Director
23.	CWP&A	Controller of Warship Production and Acquisition
24.	CIF	Cost Insurance and Freight
25.	COD	Central Ordnance Depot
26.	CTOT	Complete Transfer of Technology

<b><u>Ser No</u></b>	<b><u>Abbreviation</u></b>	<b><u>Full Form</u></b>
27.	CDA	Controller of Defence Account
28.	CFR	Cost and Freight
29.	CIP	Carriage and Insurance Paid to
30.	CPT	Carriage Paid to
31.	COTS	Commercial Off The Shelf
32.	DPP	Defence Procurement Procedure
33.	DRDO	Defence Research and Development Organisation
34.	DPSU	Defence Public Sector Unit
35.	DPB	Defence Procurement Board
36.	DAC	Defence Acquisition Council
37.	DGQA	Director General of Quality Assurance
38.	DGAQA	Director General of Aeronautical Quality Assurance
39.	DDP&S	Department of Defence Production & Supplies
40.	DGS&D	Director General of Supply and Disposal
41.	Dir	Director
42.	DCF	Discounted Cash Flow
43.	DD	Demand Draft
44.	DoD	Department of Defence
45.	DG	Director General
46.	ESP	Engineering Support Package
47.	EMI	Electro Magnetic Interference
48.	EMC	Electro Magnetic Compatibility
49.	EIC	Equipment Induction Cell
50.	ERV	Exchange Rate Variation
51.	EFC	Expenditure Finance Committee
52.	FOB	Free on Board
53.	FM	Financial Manager

<b><u>Ser No</u></b>	<b><u>Abbreviation</u></b>	<b><u>Full Form</u></b>
54	Fin	Finance
55.	FPGA	Field Programmable Gate Array
56.	FMECA	Failure Mode, Effect and Criticality Analysis
57.	GSQR	General Staff Qualitative Requirement
58.	IDS	Integrated Defence Staff
59.	IM	Indigenously Manufactured
60.	IGA	Inter Governmental Agreement
61.	ISPL	Illustrated Spare Part List
62.	IP	Intellectual Property
63.	IPL	Itemized Price List
64.	JSQR	Joint Service Qualitative Requirement
65.	JRI	Joint Receipt Inspection
66.	LTPP	Long Term Perspective Plan
67.	LI	Lowest Bidder
68.	LOI	Letter of Intent
69.	LRU	Line Replaceable Unit
70.	MET	Maintainability Evaluation Trial
71.	MTBF	Mean Time Between Failure
72.	MTBO	Minimum Time Before Overhaul
73.	MTBUR	Mean Time Between Unit Replacement
74.	MTTR	Mean Time To Repair
75.	MoD	Ministry of Defence
76.	MF	Main File
77.	Mil	Military
78.	MRLS	Manufacturer Recommended List of Spares
79.	NPV	Net Present Value
80.	NHQ	Naval Headquarters
81.	OFB	Ordnance Factory Board
82.	OF	Ordnance Factory
83.	OEM	Original Equipment Manufacturer
84.	OM	Office Memorandum

<b><u>Ser No</u></b>	<b><u>Abbreviation</u></b>	<b><u>Full Form</u></b>
85.	O, I, D	Level Operator, Intermediate, Depot Level
86.	PA	Production Agency
87.	Proc	Procurement
88.	PSO	Principal Staff Officer
89.	PROM	Programmable Read Only Memory
90.	PSR	Preliminary Staff Requirements
91.	POL	Petroleum, Oil and Lubricant
92.	QA	Quality Assurance
93.	PBG	Performance Bank Guarantee
94.	PDI	Pre Dispatch Inspection
95.	PCB	Printed Circuit Board
96.	PIB	Public Investment Board
97.	RFI	Request for Information
98.	RFP	Request for Proposal
99.	RM	Raksha Mantri
100.	SCAP	Services Capital Acquisition Plan
101.	SQR	Services Qualitative Requirement
102.	SKD	Semi Knocked Down
103.	SOP	Standard Operating Procedure
104.	SMT	Special Maintenance Tool
105.	STE	Special Test Equipment
106.	SR	Short Refit
107.	SBI	State Bank of India
108.	SHQ	Service Headquarters
109.	SMD	Storage Module Device
110.	SRAM	Sideways Random Access Memory
111.	SS	Special Secretary
112.	SRU	Shop Replaceable Unit
113.	ToT	Transfer of Technology
114.	TCA	Technical Collaboration Agreement
115.	TM	Technical Manager

<b><u>Ser No</u></b>	<b><u>Abbreviation</u></b>	<b><u>Full Form</u></b>
116.	TEC	Technical Evaluation Committee
117.	TOOC	Technical Offer Opening Committee
118.	TNC	Technical Negotiations Committee
119.	TOTE	Table of Tools and Equipment
120.	UW	Under Water
121.	USD	United States Dollars
122.	WWR	War Wastage Reserve
123.	WLR	Weapon Locating Radar
124.	WE	War Establishment







