

## INVITING COMMENTS ON THE DRAFT DEFENCE ACQUISITION PROCEDURE 2026

1. The Department of Defence, Ministry of Defence, Government of India, has prepared a draft **‘Defence Acquisition Procedure (DAP) 2026’** as part of the year of reforms. Once approved, it will replace the Defence Acquisition Procedure 2020.
2. Procedure for Acquisition of Aero Space Systems is being worked separately in consultation with the stake holders. The same will be included in the DAP 2026 subsequently.
3. As part of the consultation process, the draft Defence Acquisition Procedure 2026 and The Handbook on Guidelines and Annexures along with the prescribed format for the comments are available on the Ministry's website: <https://mod.gov.in/>
4. The Comments and suggestions on draft Defence Acquisition Procedure 2026 and the Hand Book on Guideline and Annexures are invited from all stakeholders and the general public. The comments/suggestions may be sent by email to [secy-dap2025@gov.in](mailto:secy-dap2025@gov.in) / [tmls-mod@nic.in](mailto:tmls-mod@nic.in) in MS word or PDF format as early as possible but latest by 03.03.2026 in the following format.

Ser No	Document (DAP/ Handbook)	Para & Page	Comment	Justification	Amendment Proposed
Chapter ( )					

---

# DEFENCE ACQUISITION PROCEDURE 2026

---

## INDEX SHEET

Ser No	Chapter	Content	Pages	
			From	To
1.	-	Objectives & Guiding Principles	1	1
2.	I	Acquisition Categories, Acquisition Planning, Indigenous Design and Indigenous Content	2	25
3.	II	Acquisition Procedures for Categories under 'Buy' and 'Buy and Manufacture' Schemes	26	47
4.	III	Procedure for Procurement Under 'Make' Categories	48	60
5.	IV	Procedure for 'Innovation' Categories	61	66
6.	V	Procedure for Acquisition of Systems Designed and Developed by DRDO / DPSU / and Central Government Research Organisations	67	73
7.	VI	Fast Track Procedure	74	80
8.	VII	Low-Cost Capital Acquisition (LCCA)	81	83
9.	VIII	Other Capital Procurement Procedure (OCPP)	84	92
10.	IX	Strategic Partnerships Model (SPM)	93	101
11.	X	Procedure for Leasing	102	110
12.	XI	Procedure for Defence Ship Building	111	133
13.	XII	Contract Management	134	141

## PREAMBLE TO THE DEFENCE ACQUISITION PROCEDURE (DAP 2026)

We stand at the threshold of the most consequential and decisive decade in independent India's defence history. The previous decade was about laying the foundation of Atmanirbharta, the next decade is about vertical velocity. This period is the critical "Amrit Kaal" bridge that will ensure that India arrives at its centenary in 2047 as a Shaper of the Global Order. Jointness, Atmanirbharta and Innovation (**JAI**) are the keystone of government policy of defence preparedness across every facet.

This DAP marks a doctrinal departure from the initial phase of "Indigenisation", which was primarily practiced as manufacturing foreign equipment or components on Indian soil. For next decade, the metric of success is not just "Made in India," but "**Owned by India.**" We are shifting the focus from Transfer of Technology (ToT) - which often results in dependency on legacy systems - to **Co-Development and Intellectual Property (IP) Ownership.** Capital Acquisitions would prioritise the retention of source codes, critical design data, and upgrade authority within Indian entities. We now aim to be a **design powerhouse of the world.**

Defence capital acquisition is now explicitly linked to the nation's economic engine. This DAP serves as the regulatory infrastructure for that growth. It provides boost to realistic Indian designed and developed equipment with renewed aggression, ensuring that the nation's money recirculates within the domestic economy, nurturing a supply chain that ranges from the semiconductor labs to precision forges of the country. At same time cutting edge of national defence will be maintained by procuring the critical equipment through foreign routes as well as commencing parallel development of domestic alternatives. Booming human and industrial capital of the nation will also be supported by this DAP by matching the needs of defence forces, foreign direct investments and infusion of high end technological skill sets by foreign plants in India. The DAP rationally balances the Defence preparedness in terms of modern equipment, Domestic industry, foreign high end technology and International connect by FDIs.

For a foreseeable future, the primary challenge of the acquisition process will not be budget, but obsolescence. The rate of technological change in Artificial Intelligence, Quantum Computing, new tech drones and Directed Energy Weapons now outpaces the traditional 2-3-year acquisition cycle. This DAP introduces "**Procurement Protocols**" for such fast evolving systems. It also acknowledges that in the era of Multi Domain Warfare, software is equally a deadly weapon along with the hardware weapons. Therefore, this DAP has focused on upgrades being an equally important part of acquisition as is the equipment.

Next decade battlefield of will be dominated by dual-use technologies. The rigid walls between "Civilian" and "Military" specifications have crumbled. This Manual institutionalises **Civil-Military Fusion.** It allows the Services to procure commercial-off-the-shelf (COTS) drone swarms, space technologies, and cyber-security tools with minimal desirable customisation, to enable conversion of advanced civil technology in military capability. We are expanding the mandate of **iDEX (Innovations for Defence Excellence)** from a "startups experiment" to a one of the "mainstream acquisition pathway." The DAP empowers the defence forces to efficiently acquire equipment from Make, Design & Development projects and iDEX. The provisions would integrate the young talent into defence manufacturing quotient of the nation.

To support the enhanced speed of the innovation, production and efficiency of private sector, the Government is suitably amending its regulation framework. We are moving from a regime of "Quality Assurance by government Inspection" to "**Quality Assurance by self-certification & third party certification.**" The requirement for bank guarantees has been further rationalised, ensuring that the industry's working capital is used for R&D, not locked in banks.

By 2030, India targets annual defence exports of ₹50,000 Crores, scaling even higher by 2036. This DAP explicitly aligns domestic requirements with export potential. With this strategic aim, "Exportability" would also become a desirable qualitative requirement (QR) in the development of new platforms. Adequate certification support would be given by defence forces for selected, and also for qualified equipment, so that these can be accepted by other nations with limited trials. We will be building systems not just for our frontier but for the partners in the Indian Ocean Region (IOR) and the Global South, effectively positioning India as the "Net Security Provider" of choice for nations seeking alternatives to the traditional equipment blocs. On an alternate scale this DAP simplifies the process for **Inter-Governmental Agreements** sales thereby enabling the availability of best and selective defence technologies to our defence forces without affecting our domestic capability.

**Speed in defence acquisition and scalability in defence production** have become cornerstone of defence policy. As we modernise, our defence forces would be able to plan for long term acquisitions for their major equipment with inbuilt mechanism to absorb the evolutionary cycle of equipment and at same time maintain capability to response to emerging threats. Industry would be given adequate catalyst to funnel their capital and technological means into equipment prowess by provision of technological perspective of long term by defence forces. The acquisition will be supported by this DAP by giving visibility of long term bulk requirements of major platforms and spiral development to match threats and technological growth.

This DAP is the navigation chart for the middle leg of our journey to 2047. It demands a cultural shift: of demanding capabilities, not just hardware by defence forces, value time as much as money by our administrative and bureaucratic procedures, and innovate for the world, not just for the tender by the industry. The DAP **suitably glues the modernisation of defence forces and development of complete defence manufacturing ecosystem.** By end of next decade, when effects of this DAP fructify in defence environment, India shall no longer be aspiring for great power status; we shall be exercising it. Defence Procurement Manual 2025 released in October 2025, caters for sustenance and maintenance aspects of the defence forces under revenue budget. This DAP covers acquisition of equipment through capital budget of defence forces.

## OBJECTIVES AND GUIDING PRINCIPLES

**1. Objective.** The Defence Acquisition Procedure serves as the foundational framework for capital acquisitions undertaken by the Ministry of Defence and the Service Headquarters. Its primary objective is to ensure the timely acquisition of military equipment, systems and platforms as required by the Armed Forces in terms of performance, capabilities and quality standards, through optimum utilisation of allocated budgetary resources. While enabling the same, the Defence Acquisition Procedure will provide for the highest degree of probity, public accountability, transparency, fair competition and level-playing field.

**2. Guiding Principles.** The Defence Acquisition Procedure 2026 is structured to ensure that acquisition decisions are strategically aligned with national security priorities, procedurally sound, economically prudent and geared toward long-term industrial transformation. The following guiding principles underpin its design, logic and implementation framework:-

**2.1. National Security Imperatives.** The Defence Acquisition Procedure reinforces India's ability to respond to current and evolving threats across all the operational domains. It prioritises capability enhancement, operational readiness and strategic autonomy by promoting reduced reliance on foreign systems and enabling integration through interoperable and standardised platforms.

**2.2. Atmanirbhar Bharat and Indigenisation.** In support of national self-reliance, DAP 2026 embeds indigenous capability development as a core objective. It fosters indigenous design, manufacturing and technology development, while encouraging Medium, Small and Micro Enterprises and Start-ups participation to build a resilient and competitive defence industrial base.

**2.3. Cost Effectiveness and Lifecycle Value.** The procedure emphasises long-term sustainability and lifecycle cost considerations in acquisition planning. It promotes modularity, upgradeability and infrastructure compatibility to ensure enduring operational viability and fiscal responsibility.

**2.4. Transparency and Fair Competition.** Defence Acquisition Procedure 2026 ensures a transparent and equitable procurement environment through standardised procedures and competitive vendor selection, reinforcing public accountability and institutional integrity.

**2.5. Ease of Doing Business.** Defence Acquisition Procedure 2026 enables simplified structures and procedures to promote ease of doing business.

**2.6. Accountability and Oversight.** Robust mechanisms are embedded to monitor compliance with contractual obligations, indigenous design and indigenous content, ensuring that acquisitions deliver intended strategic outcomes.

**2.7. Flexibility and Responsiveness.** To meet diverse operational needs, Defence Acquisition Procedure 2026 incorporates flexible models to enable adaptive decision-making within defined thresholds to support timely and context-sensitive acquisitions.

## **CHAPTER I**

# **ACQUISITION CATEGORIES, ACQUISITION PLANNING, INDIGENOUS DESIGN AND INDIGENOUS CONTENT**

## CHAPTER I

### ACQUISITION CATEGORIES, ACQUISITION PLANNING, INDIGENOUS DESIGN AND INDIGENOUS CONTENT

#### Introduction

1. The DAP shall govern all Capital Acquisitions undertaken by the Ministry of Defence (MoD) and Service Headquarters (SHQ), whether sourced indigenously or through import, except for works, land and medical equipment.
2. All acquisition of goods and services, including Transfer of Technology (ToT), carried out under Capital Expenditure as per Rules 84, 98, 99, 101 and 233 of General Financial Rules-2017 and booked under the Capital Budget Head will be classified as 'Capital Acquisitions' and shall be processed in accordance with the procedures laid down in DAP 2026.

#### Scope

3. The DAP contains all the procurement policies and procedures and shall be read in conjunction with the Handbook of Guidelines & Annexures, which contains all relevant guidelines, formats and appendices.
4. In the event of enactment of new legislation or change or amendment or enforcement of any Act or Law or Policy, rules or regulations or guidelines of the MoD or Ministry of Finance (MoF) or Government of India (GoI) or bodies such as Central Vigilance Commission, which becomes effective after the date of last amendment to DAP 2026, the same will automatically be deemed as replacement to the one referred to in DAP 2026. All such relevant polices would be updated on the MoD website along with the latest edition of DAP. Also, all previous letters / instructions issued before the issue of DAP are deemed to have been superseded after the issue of DAP 2026.

*Note – SHQ, for the purpose of DAP, would include HQ Integrated Defence Staff (IDS), Integrated HQ of the MoD (Army), Naval HQs, Air HQs and the Indian Coast Guard (ICG). Defence Research and Development Organisation (DRDO) and Defence Public Sector Undertakings (DPSUs) will continue to follow their own procurement procedure.*

#### Acquisition Planning Process

5. **Capability Development Planning Process.** The capability development plan for the Armed Forces would evolve from the National Security Strategy / Guidelines and the 'Raksha Mantri's Operational Directive'. The following planning process would be adopted:-

5.1. HQ IDS shall prepare a 10-year roll on Integrated Capability Development Plan (ICDP) in consultation with the SHQ (less ICG), every five years, consisting of two parts. Part I of the ICDP shall contain Defence Capital Acquisition Plan (DCAP) for the first five years and Part II of the ICDP shall contain the DCAP for next five years. The ICG's Capability Development Plan will be prepared on similar lines and processed separately by HQ ICG along with the ICDP for approval of DAC. The ICDP and ICG's Capability Development Plan will be approved by the DAC. The ICDP will clearly define requirements, induction timelines and facilitate the derivation of system specifications, ensuring that Acceptance of Necessity (AoN) for major systems accounts for lead times required for development, testing, evaluation and production.

5.2. A Technology Perspective Capability Roadmap (TPCR) will be derived by translating the ICDP into precise problem definition statements, along with the ICDP and ICG's Capability

Development Plan, which may be made public to guide industry efforts towards allocation of resources and seamless transition from technology development to testing, trials and production.

5.3. Based on the ICDP, each SHQ shall prepare a two-year roll-on acquisition plan, to be called the Annual Acquisition Plan (AAP), before the commencement of each financial year, which shall form the basis for initiation of every acquisition proposal for AoN. The draft AAP will be submitted by the SHQ to HQ IDS by the 31<sup>st</sup> of January each year, after obtaining comments of the concerned Joint Secretary and Acquisition Managers (JS & AMs), Additional Director Generals Acquisition Technical (ADGs Acquisition Technical) and MoD (Finance).

5.4. A consolidated AAP will be prepared by HQ IDS along with prioritisation of schemes based on the overall financial limits linked to the anticipated budget {limits being fixed in consultation with MoD (Finance)}. HQ IDS will obtain approval of the AAP from the DPB in the first DPB of the new Financial Year. Approval of the DPB of AAP in respect of ICG will be processed by HQ ICG after due prioritisation.

## 6. AAP.

6.1. The AAP will comprise of six parts as given below :-

6.1.1. Part A will contain a list of all carry-over acquisition proposals from the previous year and those for which AoN has been accorded during the year.

6.1.2. Part B will include the list of acquisition proposals under the Buy scheme [to include Buy (Indian-Indigenously Designed, Developed and Manufactured) {'Buy (Indian-IDDM)'}, Buy (Indian) and Manufacture in India, Buy (Global) and Manufacture in India & Buy (Global)], likely to be initiated for AoN in the forthcoming year.

6.1.3. Part C will include the list of cases under the Development scheme {to include Design and Development (D&D), Make-I, Make-II, Make-III, Innovation in Defence Excellence (iDEX) and Technology Development Fund (TDF)}, likely to be initiated for AoN in the forthcoming year.

6.1.4. Part D will list of proposals for procurement under Other Capital Procurement Procedure (OCPP), likely to be initiated for AoN in the forthcoming year.

6.1.5. Part E will include proposals under Fast Track Procedure (FTP), likely to be initiated for AoN in the forthcoming year.

6.1.6. Part F will include proposals under Strategic Partnership (SP), likely to be initiated for AoN in the forthcoming year.

6.2. The maturity levels of indigenous technology based on Technology Readiness Levels (TRLs) in accordance with ISO 16290:2013 of the product offered, assessed as per National Technology Readiness Assessment Framework (NTRAF) or certified by the National Establishment for Technology Readiness Assessment (NETRA) / any other accredited / recognised National or Global certification agency, may be reflected in the AAP against each acquisition proposal. Further details of TRLs are provided in Para 9 of Appendix A of Chapter I of the Handbook of Guidelines & Annexures.

6.3. Acquisition proposals not included in the AAP may also be initiated by SHQ on account of unforeseen circumstances and will be deemed to be included in the relevant section of the AAP after the grant of AoN. However, AoN for such cases shall be processed within the overall

budget estimates as prescribed for AAP and shall be approved by the DAC. The AAP will be accordingly revised and brought up for approval of the DPB as per the next scheduled revision.

6.4. The DPB may also carry out amendments to the AAP, if considered necessary, on account of national security requirements, operational urgencies and budgetary provisions or any other exigency based on recommendations made by SHQ / HQ IDS / Department of Military Affairs / MoD (Finance) / Department of Defence.

6.5. SHQ shall preferably undertake Request for Information (RFI) / Preliminary Study (as applicable) for proposals listed in the ICDP before their inclusion in the AAP. However, the AAP approved by DPB may contain proposals for which RFI / Preliminary Study are yet to commence. For such proposals, SHQ shall issue RFI / commence Preliminary Study within eight (08) weeks of inclusion in the AAP (ie, issue of minutes of DPB meeting).

### **Request for Information (RFI) / Preliminary Study**

7. **RFI.** RFI is a means to carry out an environment scan and seek vendor inputs for acquisition proposals for deciding on acquisition category, Services Qualitative Requirement (SQR) / Joint Services Qualitative Requirement (JSQR), maintenance philosophy, contractual provisions, for inclusion in AoN, Request for Proposals (RFPs) and contracts. In addition to seeking vendor inputs, SHQ shall also leverage known defence equipment databases, specialist tools or consultancy services to examine adversary capabilities and global market offerings as part of the RFI process. The objectives of RFI are as follows: -

7.1. To explore the suitability of the available equipment / technology to meet the Operational Requirements (ORs) of the Services.

7.2. To formulate / refine / rationalise SQR based on a rational combination of different product specifications.

7.3. To determine the acquisition schemes of Buy, Development, Additional Procedures or their combination and aid in determining the applicable acquisition category.

7.4. To estimate indicative budgetary and cost implications, besides assisting CNCs to arrive at a realistic benchmarking price.

7.5. To gather inputs for drafting trial methodologies and identifying applicable Indian and international standards.

7.6. To identify sub-systems, Line Replaceable Units (LRUs), software and fast-moving spares for mandatory indigenous production / development for inclusion in the AoN, RFP and contracts.

7.6. To gather inputs for maintenance philosophy as well as other contractual provisions for inclusion in the AoN, RFP and contracts.

7.7. To enable vendors time to obtain requisite Government clearances such as Industrial License, Registration, Export License etc by providing lead time.

8. The RFI shall be sent to known vendor bases, Industrial bodies and Defence Attachés. SHQs may refer SRIJAN-DEEP portal of DDP for identification of vendors with domain expertise. Extensive interactions will be held by SHQ with Indian as well as Global vendors / industrial bodies after the issue of the RFI. Unclassified RFIs shall be hosted on the MoD, SRIJAN-DEEP Portal and SHQ websites. Vendors responding to the RFI are required to provide factual and correct information in their responses within eight weeks, extendable by further eight weeks by SHQ. In case, at any

subsequent stage of the acquisition process, it comes to notice that any vendor(s) has furnished false information in response to RFI, the EMD / PWBG may be forfeited and MoD may impose any other penalty as deemed appropriate.

9. If the final SoC for AoN is not submitted in SPB / DPB secretariat for accord of AoN post expiry of 66 weeks from the closing date of RFI response, the process of RFI will be re-initiated.

10. SHQ shall provide a quarterly report for RFI issued and their status to the Project Management Unit at the Acquisition Wing in MoD.

11. The norms and procedures for RFI are given in Appendix A of the Handbook of Guidelines & Annexures.

### **Preliminary Study.**

12. SHQ may carry out the preliminary study with the involvement of other stakeholders instead of issuing RFI, where applicable. Industry associations including MSME associations would also be consulted to assist in preparation of Preliminary Study Report. SHQ may hire consultants / experts for the Preliminary Study for which funding, if required, shall be borne by SHQ under relevant Revenue Budget. The Preliminary Study Report shall be included in the statement of case for AoN. The Preliminary Study shall look into the following aspects:-

- 12.1 Assessment of enabling technologies to realise the requisite equipment / system / platform / components or their upgrades.
- 12.2. Assessment of capability of Indian industry to undertake design and development of the requisite equipment / system / platform or their upgrades and to identify probable vendors.
- 12.3. Estimated time period for development.
- 12.4. Estimated cost of prototype development and for subsequent procurement.
- 12.5. Recommend the optimal acquisition category.
- 12.6. Any other aspect considered important.

### **SQR**

13. SHQ will formulate SQRs for all capital acquisitions. However, proposals involving already inducted equipment will not necessitate SQR formulation and existing SQR will suffice. SQRs need to be realistic, achievable, verifiable and unambiguous. SQRs must not be tailored for a particular product. Required relevant standards will be mentioned in the SQRs. The SQRs will follow a standard format comprising Introduction, Essential Parameters-A, Essential Parameters-B (if applicable) and Enhanced Performance Parameter (EPP) (if applicable), as given in Paras 2 to 7 of Chapter II of DAP. The SQRs shall be approved by SEPC / ISEPC which may include Subject Matter Experts nominated by MoD.

14. **Preliminary SQR (PSQR).** SHQ shall formulate PSQRs in all cases under Make-I, Make-II, Make-III, D&D, iDEX and TDF, where the requirement of development and evaluation of prototype exists before issuing RFP for procurement. The PSQRs shall comprise 'Essential Parameters' and 'Desirable Parameters' and shall be approved by competent authority at SHQ. PSQRs shall be usually be converted to SQRs by SEPC / ISEPC post successful development and before issue of the commercial RFP in all cases, except where specific provisions enunciated in subsequent chapters provide for issue of RFP on PSQR.

15. The details for the formulation of SQRs are given in Chapter II of DAP 2026.

## **Acquisition Categories**

16. Capital acquisitions are broadly classified in schemes of ‘Buy’, ‘Development’ and ‘Additional Procedures’. The acquisition categories under these broad acquisition schemes are as below.

17. **Buy Scheme.** Buy refers to the procurement of equipment, system, platform or their upgrades or their sub-systems, sub-assemblies, assemblies, components, ammunition and software, as the case may be, that are available for purchase from indigenous or foreign sources. The following acquisition categories form part of the Buy scheme:-

17.1. **Buy (Indian-Indigenously Designed, Developed and Manufactured) [‘Buy (Indian-IDDM)’].** This category refers to the acquisition of defence equipment, system, platform or their upgrades or their sub-systems, sub-assemblies, assemblies, components, ammunition and software, as the case may be, that have been indigenously designed, developed and manufactured, by Indian vendors as defined in Para 23 below, including additional conditions at Sub-Paras 23.1 and 23.2 of this chapter and meet the specified Indigenous Design (ID) and Indigenous Content (IC) requirements.

17.2. **Buy (Indian) and Manufacture in India.** The ‘Buy (Indian) and Manufacture in India’ category refers to the acquisition of defence equipment, system, platform or their upgrades or their sub-systems, sub-assemblies, assemblies, components, ammunition and software, as the case may be, from Indian vendors as defined at Para 23 below, excluding additional conditions at Sub-Paras 23.1 and 23.2, meeting the specified IC requirement. It comprises two essential components:-

17.2.1. **Buy Component.** This involves the direct purchase of equipment from Indian Vendors. The Indian vendor may import the required equipment, system, platform or their upgrades or their sub-systems, sub-assemblies, assemblies, components, ammunition and software, as the case may be, from foreign OEMs.

17.2.2. **Manufacture Component.** This entails indigenous manufacture of equipment, system, platform or their upgrades or their sub-systems, sub-assemblies, assemblies, components, ammunition and software, as the case may be and may follow a graduated approach to production, comprising semi-knocked down kits, completely knocked down kits and indigenous manufacturing, along with testing, integration, maintenance, repair and overhaul (MRO) facility and upgrades, through transfer of technology (ToT) to the Indian vendor.

17.2.3. Acquisition under this category may be carried out with Buy Quantity as Zero with complete quantities being manufactured indigenously. Equipment / systems / platforms figuring on the Positive Indigenisation Lists, notified by MoD, may be procured under this category, only if Buy quantities are Zero.

17.3. **Buy (Global) and Manufacture in India.** The “Buy (Global) and Manufacture in India” category refers to an outright purchase of equipment, system, platform or their upgrades or their sub-systems, sub-assemblies, assemblies, components, ammunition and software, as the case may be, from foreign vendors, in quantities as considered necessary, followed by indigenous manufacture of the entire / part of the equipment and spares / assemblies / sub-assemblies / Maintenance, Repair and Overhaul (MRO) facility for the equipment, through its subsidiary in India / through a Joint Venture / through an Indian Production Agency (PA) (with ToT of critical technologies as per specified range, depth and scope to the Indian PA), meeting stipulated IC. Indian vendors are eligible to participate in the Buy (Global) and Manufacture in

India category. Acquisition under this category can also be carried out without any initial procurement of equipment in the FF state. All payments for the 'Manufactured' portion will be paid to the vendor in Indian Rupees as per contract provisions. Equipment / systems / platforms figuring on the Positive Indigenisation Lists, notified by MoD, may be procured under this category, only if Buy quantities are Zero.

**17.4 Buy (Global).** The 'Buy (Global)' category refers to the outright purchase of equipment, system, platform or their upgrades or their sub-systems, sub-assemblies, assemblies, components, ammunition and software, as the case may be, from foreign vendors, subject to meeting the stipulated IC requirements. In case of procurement through foreign vendors, Government-to-Government (G2G) route / Inter-Government Agreement (IGA) may also be adopted for equipment meeting strategic / long-term requirements. Indian vendors are permitted to participate in the Buy (Global) category. No equipment / systems / platforms figuring on the Positive Indigenisation Lists, notified by MoD, shall be procured under this category. For all cases being progressed under the Buy (Global) category, the SoC for AoN should include a proposal for accord of AoN for indigenous development through the Make or Design & Development (D&D) category.

17.5. The procedure and norms for acquisition categories under the Buy scheme shall be as per Chapter II of DAP 2026.

**18. Development Scheme.** Development refers to acquisition categories that require design and development of equipment / system / platform or their upgrades or their sub-systems / sub-assembly / assemblies / major components, material, ammunition and software, as the case may be, by indigenous design agencies / industry prior to procurement by MoD / SHQ. The Innovation & Indigenisation Organisation established by SHQs will lead efforts in innovation, identify indigenous design and import substitution projects, monitor progress and employ project / programme implementation experts, as well as the latest execution/ monitoring techniques and software / modern tools to ensure timely development and implementation. The procurement for all acquisition categories under the Development scheme shall be carried out under Buy (Indian-IDDM). The following acquisition categories form part of the Development scheme :-

18.1. **Make.** The following acquisition categories form part of Make :-

18.1.1. **Make-I.** Make-I refers to the acquisition of equipment / system / platform or their upgrades or their sub-systems / sub-assembly / assemblies / major components, material, ammunition and software, as the case may be, to be designed, developed and manufactured by Indian vendors as defined at Para 23 below, including additional conditions at Sub-Paras 23.1 and 23.2 and meeting stipulated ID and IC requirements. Projects with emerging and critical technologies may be undertaken under Make-I, as per list promulgated by Acquisition Wing, MoD, for Projects under Make-I, MoD shall provide financial support for the development of prototypes to selected DAs, as approved by AoN According Authority. The procedure and norms for Make-I shall be as per Chapter III of DAP 2026.

18.1.2. **Make-II.** Make-II refers to the acquisition equipment / system / platform or their upgrades or their sub-systems / sub-assembly / assemblies / major components, material, ammunition and software, as the case may be, to be designed, developed and manufactured by Indian vendors as defined at Para 23 below, including additional conditions at Sub-Paras 23.1 and 23.2 and meeting stipulated ID and IC requirements. Projects under Make-II, shall be industry-funded and no financial support shall be provided by MoD for prototype development to the DAs. The procedure and norms for Make-II shall be as per Chapter III of DAP 2026.

**18.1.3. Make-III.** Make-III refers to acquisition of equipment / system / platform or their upgrades or their sub-systems / sub-assemblies / assemblies / major components, material, ammunition, software or establishment of their Maintenance, Repair & Overhaul (MRO) facilities, as the case may be, to be manufactured by Indian vendors as defined at Para 23 below, excluding additional conditions at Sub-Paras 23.1 and 23.2 and meeting stipulated IC requirements. The procedure and norms for Make-III shall be as per Chapter III of DAP 2026.

**18.2. Innovation.** The following acquisition categories form part of Innovation:-

**18.2.1. Innovation in Defence Excellence (iDEX).** Innovation through iDEX refers to development and procurement of equipment / system / platform or their upgrades or their sub-systems / sub-assembly / assemblies / major components, material, ammunition and software, as the case may be, requiring low capital investments and high innovation, that are designed, developed and manufactured by Medium, Small and Micro Enterprises (MSMEs) / Start-ups etc. meeting requirement of Indian vendor as defined in Para 23 below, including additional conditions at Sub-Paras 23.1 and 23.2, supported through various schemes of iDEX initiative of the Defence Innovation Organisation under MoD. The procedure and norms shall be as per Chapter IV of DAP 2026.

**18.2.2. Technology Development Fund (TDF) Scheme.** Innovation through the TDF scheme refers to the development of technology and the acquisition of equipment / system / platform or their upgrades or their sub-systems / sub-assembly / assemblies / major components, material, ammunition and software, as the case may be, that are designed, developed and manufactured by Indian vendor especially MSMEs / Start-ups, as defined in Para 23 below, including additional conditions at Sub-Paras 23.1 and 23.2, supported through TDF of DRDO. The procedure and norms shall be as per Chapter IV of DAP 2026.

**18.2.3. Development by Services through Internal Organisations.** This refers to the acquisition of equipment / system / platform or their upgrades or their sub-systems / sub-assembly / assemblies / major components, material, ammunition and software, as the case may be, that are designed, developed and manufactured by the Services through their internal organisations, such as Base Workshops / Dockyards / Base Repair Depots / any service unit or personnel, etc., with or without participation of Private industry. The procedure and norms shall be as per Chapter IV of DAP 2026.

**18.3. Design & Development (D&D).** D&D refers to the acquisition of equipment / system / platform or their upgrades or their sub-systems / sub-assembly / assemblies / major components, material, ammunition and software, as the case may be, that are progressed by DRDO / DPSUs / Central Research Agencies, to be designed, developed and manufactured by an Indian design agency or vendor as defined in Para 23, including additional conditions at Sub-Paras 23.1 and 23.2. The procedure and norms shall be as per Chapter V of DAP 2026.

**18.4.** The Make, Innovation and D&D categories of acquisition could be pursued in isolation, in sequence or in tandem with any of the categories under ‘Buy’ schemes, with a separate heading under ICDP and AAP.

**19. Additional Procedures.** The following acquisition categories form the Additional Procedures: -

**19.1. Long Term Bulk Acquisition (LTBA).** LTBA refers to the acquisition of capital-intensive, Hi-Tech and complex equipment, systems, platforms and ammunition, from Indian

vendors / foreign OEMs over a long term in multiple tranches, with progressive indigenisation and upgrades. The procedure and norms shall be as per Chapter II of DAP 2026.

**19.2. Fast Track Procedure (FTP).** FTP (including Emergency Procurement) refers to urgent procurement of operationally critical equipment / system / platform or their upgrades or their sub-systems / sub-assembly / assemblies / major components, ammunition and software, as the case may be, when standard timelines risk compromising operational readiness. It may be applied during war or peace and during crises that demand immediate military response. The procedure and norms shall be as per Chapter VI of DAP 2026.

**19.3. Low-Cost Capital Acquisition (LCCA).** LCCA refers to the acquisition of equipment / system / platform or their upgrades or their sub-systems / sub-assembly / assemblies / major components, ammunition and software, as the case may be, under Delegated powers in limited numbers for exploitation by the armed forces from Indian vendors as defined in Para 23, excluding additional conditions at Sub-Paras 23.1 and 23.2. The maximum limit for projects under LCCA shall be Rs 75 Crore with an annual cap of Rs 2000 Crore combined for all Services. Bulk procurement will be carried out subsequently if the equipment is found suitable post-exploitation. The procedure and norms shall be as per Chapter VII of DAP 2026.

**19.4. Other Capital Procurement Procedure (OCPP).** OCPP category refers to Procurement / Acquisition of items of capital nature that enhance the utility of existing assets including ROH / overhauls, refits, upgrades, refurbishment, modifications and replacement of unserviceable units/ items of existing platforms/equipment already introduced into service. The procedure and norms shall be as per Chapter VIII of DAP 2026.

**19.5. Strategic Partnership Model (SPM).** Acquisitions under the Strategic Partnership model refer model being implemented to enable participation of private Indian firms in Make in India in defence. The SP is expected to play the role of a System Integrator by building an extensive eco-system comprising development partners, specialised vendors and suppliers, in particular, those from the MSME sector. The norms and procedures of the same are given in Chapter IX of DAP 2026.

**19.6. Leasing.** Leasing refers to an innovative technique for financing equipment / platforms. Leasing provides a means to possess and operate the asset without owning the asset and is useful to substitute huge initial capital outlays with periodic rental payments. Leasing would be permitted in two sub-categories, i.e. Lease (Indian), where Lessor is an Indian entity and is the owner of the asset and Lease (Global). The procedure and norms shall be as per Chapter X of DAP 2026.

**20. Inter Government Agreement (IGA).** In the context of DAP 2026, IGA refers to an agreement between the Government of India and the Government of any friendly foreign country for the procurement of defence equipment, platforms or technologies based on strategic, military or diplomatic considerations. It enables acquisition on a single vendor basis outside standard procurement procedures, governed by mutually agreed terms between governments. IGA may also support co-development, co-production, leasing or long-term product support. The procedure and norms shall be as per Chapter II of DAP 2026.

## Acquisition Category Decision Framework

**21. Categorisation.** The categorisation of acquisition projects is intended to align defence procurements with India's national security objectives, capability enhancement and strategic goals of self-reliance and technological innovation, by prioritising indigenous design, development and manufacturing; promoting technology transfer from foreign entities; supporting Start-ups, MSMEs and

indigenous industries; and ensuring the timely induction of equipment to meet Service requirements. To facilitate this, categorisation shall be done as follows:-

**21.1. Categorisation Matrix.** SHQ shall prepare a Categorisation Matrix based on defining attributes and RFI responses, assessing vendor capabilities across key parameters, including operational feasibility, operational requirement, induction timelines, technology feasibility, Technology Readiness Levels, Manufacturing Readiness Levels, industry capability, indigenous content deliverability, MRO infrastructure, compliance with the Positive Indigenisation List and urgency or criticality of the requirement.

**21.2. Selection and Recommendation of Category by SHQ.** The vendor responses received through the RFI shall be analysed against the operational requirements, induction timelines as per the ICDP and strategic imperatives. SHQ may carry out follow-on interactions with the industry and seek inputs from DRDO, DDP, Quality Assurance (QA) Agencies etc, if required. Based on this analysis, the broad acquisition category shall be identified, whether under Buy, Development, Additional Procedures or a combination thereof. Once the broad acquisition schemes are identified, SHQ shall recommend the preferred acquisition category based on the Categorisation Matrix. The recommendation shall be guided by vendor responses, strategic relevance and the potential of the Indian industry. The order of preference shall be as follows:-

**21.2.1. Buy (Indian-IDDM).** SHQ shall mandatorily recommend Buy (Indian-IDDM) acquisition category if two or more vendors, who meet the requirements of Para 23, including additional Sub Paras of 23.1 and 23.2, are capable of meeting the defining attributes of this category as given in Para 22 below, including indigenous design, indigenous content and Equipment Under Trial (EUT) and delivery timelines. If only one Indian Vendor is eligible for IDDM, SHQ shall recommend Buy (Indian-IDDM) as an ab-initio single vendor case, provided the product offered by the Indian vendor is at technology maturity level of TRL 6 to 9, duly certified by any agency recognised / accredited by the GoI. The onus of establishing the technology maturity levels along with certification, shall rest with the Indian vendor.

**21.2.2. Buy (Indian) and Manufacture in India.** SHQ shall recommend Buy (Indian) and Manufacture in India acquisition category if no vendor meets the requirement at Para 21.2.1. and two or more vendors, who meet the requirements of Para 22, excluding additional Sub-Paras 22.1 and 22.2, are capable of meeting the defining attributes of this category as given in Para 22 below, including indigenous content, EUT and delivery timelines. Depending on the strategic nature of the equipment and desired induction timelines, SHQ shall recommend the Buy and Manufacture quantities.

**21.2.3. Buy (Global) and Manufacture in India.** SHQ shall recommend the Buy (Global) and Manufacture in India acquisition category if only foreign OEMs are capable of meeting the defining attributes of this category as given in Para 22 below, including indigenous content, EUT and delivery timelines. Depending on the strategic nature of the equipment, desired induction timelines and willingness of foreign OEMs, SHQ shall recommend the Buy and Manufacture quantities.

**21.2.4. Buy (Global).** SHQ shall recommend the Buy (Global) acquisition category if only foreign OEMs are capable of meeting the defining attributes of this category as given in Para 22 below, including indigenous content, EUT and delivery timelines.

**21.3. Approval of Acquisition Category.** The categorisation matrix shall be prepared by SHQ and shall be included in the Statement of Case (SoC) for the grant of AoN. In case of any

ambiguity in the category recommended by the SHQ, the same may be deliberated by a collegiate chaired by the concerned JS & AM with the concerned AAS & DG (Acquisition)uisition Technical, Finance Manager and a Major General or equivalent officer from SHQ as members (for Non-Delegated cases) / Major General or equivalent officer at SHQ with representatives of the concerned AAS & DG (Acquisition)uisition Technical and Finance Manager amongst others as members (for Delegated cases). The minutes of such a collegiate, if held, shall be included in the SoC for AoN. The acquisition category for each case shall be approved by the AoN According Authority.

**22. Defining Attributes.** The defining attributes of various acquisition categories are as given below: -

**22.1. Buy (Indian-IDDM).** The acquisition of defence equipment, systems, platforms or their upgrades under this category shall be undertaken if they meet the following criteria: -

**22.1.1. Eligibility.** The equipment, system, platform or their upgrades or their sub-systems, sub-assemblies, assemblies, components, ammunition and software, as the case may be, have been produced by Indian industry through in-house R&D / D&D, 'Make', iDEX or TDF schemes or developed under Paragraph 72 of DPP 2016 / Chapter IV of DAP 2020 and is either already in service with the armed forces or available for use in another sector or produced but not yet in service.

**22.1.2. Technology Maturity.** Offered solutions are at TRL 5 to TRL 9.

**22.1.3. Delivery Capability.** Indian industry can supply with stipulated indigenous design and indigenous content requirements, firstly for trials and secondly for operational use, as per indicated schedule and required quantities.

**22.2. Buy (Indian) and Manufacture in India.** The acquisition of defence equipment, system, platform or their upgrades or their sub-systems, sub-assemblies, assemblies, components, ammunition and software, as the case may be, under this category shall be undertaken only if they meet the following criteria:-

**22.2.1. Production Status.** The equipment/system/platform or upgrade is:

Already in service with Indian Armed Forces with established indigenous production or available in another sector with established indigenous production

Or

Capable of being manufactured, integrated and tested by Indian Industry, as all key technologies are accessible to Indian Industry

Or

Capable of being manufactured, integrated and tested by Indian Industry, with technology absorption by Indian industry, supported by foreign OEMs willing to provide Transfer of Technology (ToT) and Maintenance ToT (MToT).

**22.2.2. Technology Maturity.** The offered solutions are at TRL 8 to TRL 9.

**22.2.3. Delivery Capability.** Indian industry can supply with stipulated indigenous content requirements, firstly for trials and / or for operational use, as per the indicated schedule and required quantities, including graded approaches (Fully Formed, SKD kits, CKD kits, IM kits).

**22.3. Buy (Global) and Manufacture in India.** The acquisition of defence equipment, system, platform or their upgrades or their sub-systems, sub-assemblies, assemblies, components, ammunition and software, as the case may be, under this category shall be undertaken only if they meet the following criteria: -

**22.3.1. Production Status.** The equipment / system / platform or upgrade is :

Available with foreign OEM(s), whether in service in a foreign country or not.

And

The foreign OEM(s) should be willing to set up a subsidiary / JV / ToT to an Indian Production Agency with complete facilities for manufacturing of the entire / part of the equipment and spares / assemblies / sub-assemblies / Maintenance along with Repair and Overhaul (MRO) facility for the entire life cycle support of the equipment.

**22.3.3. Technology Maturity.** Offered solutions are at TRL 8 to TRL 9.

**22.3.4. Delivery Capability.** The equipment/system/platform with the stipulated indigenous content, as per the indicated schedule and in requisite numbers, can be effected by the OEM from the manufacturing facility in India.

**22.4 Buy (Global).** The acquisition of defence equipment, system, platform or their upgrades or their sub-systems, sub-assemblies, assemblies, components, ammunition and software, as the case may be, under this category shall be undertaken only if they meet the following criteria: -

22.4.1. If the requirement of equipment / system / platform is not of a strategic or long-term nature and cannot be fulfilled by any of the categories listed above, the following may be ensured:

22.4.1.1. Buy (Global) on a multi or single-vendor basis.

22.4.1.2. Fast Track Procedure in case of urgent operational requirements.

22.4.2. If the requirement is of a strategic nature and / or of a long-term nature and a single foreign vendor or all foreign vendors of the same country can provide equipment / system / platform, the following may be ensured:-

22.4.2.1. Buy (Global) under Government-to-Government arrangement.

22.4.2.2. In case of multiple vendors, the product may be selected before approaching the foreign Government.

22.4.2.3. Conclude an Inter-Governmental Agreement if one does not already exist, as required.

22.4.2.4. Requirement of ToT/ M-ToT as required / likely to be made available may be factored.

22.4.3. If the requirement is of a strategic nature and / or of a long-term nature and more than one foreign vendor from different countries can provide equipment/system platform; under such circumstances, the following may be ensured:-

- 22.4.3.1. Buy (Global) on a competitive bidding basis.
- 22.4.3.2. Involve the Government of L1 bidder if required.
- 22.4.3.3. Include ToT / MToT as necessary.

22.4.4. The required product is not included in the Positive Indigenisation Lists notified by MoD.

**22.5. Make-I & Make-II.** The acquisition of equipment, system, platform or their upgrades or their sub-systems, sub-assemblies, assemblies, components, material, ammunition and software, as the case may be, under Make-I / Make-II shall be undertaken if they meet the following criteria: -

**22.5.1. Status.** The product required can be produced as all key technologies are available and the Indian industry has or can establish the requisite capability to design, develop, manufacture, test and integrate.

Or

The product required would be designed and developed using technologies which are available to the Indian industry through indigenous or foreign sources; however, access to technology and other production related dependencies should be under the control of Indian entities only.

**22.5.2. Technology Maturity.** The indigenous technology maturity level of the product required is at TRL 1 to TRL 5.

**22.5.3. Induction Timeline.** Adequate time is available for induction of capability.

**22.5.4. Industry Capability.** Indian industry can develop, test and deliver the required product with the stipulated indigenous content and indigenous design requirement, firstly for trials and secondly for operational use as per the indicated schedule and in requisite numbers.

**22.5.5. Make-I.** The following additional attributes shall be applicable for Make-I:-

**22.5.5.1.** The required product is a critical requirement for the Indian Armed Forces.

**22.5.5.2.** The development of the required product entails high risk for the industry, which the industry is not willing to take.

**22.6. Make-III.** The acquisition of equipment, system, platform or their upgrades or their sub-systems, sub-assemblies, assemblies, components, materials, ammunition and software, as the case may be, under Make-III shall be undertaken if they meet the following criteria: -

**22.6.1. Status.** The required product can be produced as all key technologies are accessible to the Indian industry or the Indian industry can absorb the technology from foreign OEMs and create the necessary production, test and integration facilities for the required product and be poised for the up-gradation needed.

**22.6.2. Induction Timeline.** Adequate time is available for induction of capability.

**22.6.3. Industry Capability.** Indian industry can manufacture, test and deliver the required product with the stipulated indigenous content, for operational use as per the indicated schedule and in requisite numbers.

**22.9. Design & Development (D&D).** The acquisition of defence equipment, systems, platforms or their upgrades under D&D shall be undertaken if they meet the following criteria:-

**22.9.1. Status.** The military materials, equipment, systems, platforms or upgrades thereof are a critical requirement for the Indian Armed Forces.

**22.9.2. Industry Capability.** The development of the military materials, equipment, systems, platforms or upgrades thereof entails high risk for the industry, which the industry is not willing to take.

Or

The key technologies for the development of military materials, equipment, systems, platforms or upgrades thereof are not available to the Indian industry or the Indian Industry cannot establish the requisite capability to design, develop, manufacture, test and integrate the system.

**22.9.3. Induction Timeline.** Adequate time is available for induction of capability.

**22.9.4. Development Capability.** DRDO / DPSUs / Central Research Agencies can develop, test and deliver the military materials, equipment, systems, platforms or upgrades thereof with the stipulated indigenous content and indigenous design requirement, firstly for trials and secondly for operational use as per the indicated schedule and in requisite numbers.

**22.9.5. Technology Maturity.** The indigenous technology maturity level of the equipment / system / platform or their upgrades or their sub-systems / sub-assembly / assemblies / major components, military material, as the case may be, are at TRL 1 to TRL 5.

## Vendor Selection and Pre-Qualification Criteria

**23. Definition of Indian Vendor.** Unless specifically provided for in a clause / section / chapter or elsewhere of DAP 2026, an Indian Vendor by whatever nomenclature when referred to means - for defence products requiring industrial license, an Indian entity, which could include incorporation / ownership models as per Companies Act, Partnership Firm, Proprietorship and other types of ownership models including Societies as per relevant laws, complying with, besides other regulations in force and the guidelines / licensing requirements stipulated by the Department for Promotion of Industry and Internal Trade as applicable. For defence products not requiring an industrial license, an Indian entity registered under the relevant Indian laws and complying with all regulations in force applicable to that industry will be classified as an Indian Vendor. The following two additional conditions will apply to the definition for Buy(Indian-IDDM), Make-I, Make-II, Development cum Production Partner in D&D acquisitions and Strategic Partnership Model categories:

**23.1. Ownership by Resident Indian Citizen(s).** Further, a company is considered as 'Owned' by resident Indian citizens if more than fifty percent (50%) of the capital in it is directly or beneficially owned by resident Indian citizens and / or Indian companies, which are ultimately owned and controlled by resident Indian citizens. This implies that the maximum permitted Foreign Direct Investment (FDI) shall be forty-nine per cent (49%). No pyramiding of FDI in Indian holding companies or in Indian entities subscribing to shares or securities of

the Applicant Company or the Strategic Partner shall be permitted. Indirect foreign investment shall be accounted for in counting the forty-nine per cent (49%) FDI.

**23.2. Control by Resident Indian Citizens(s).** ‘Control’, as defined in Companies Act 2013, shall include the right to appoint majority of the directors or to control the management or policy decisions, including by virtue of their shareholding or management rights or shareholders’ agreements or voting agreements.

**24. Indian Vendor Selection / Pre-Qualification.** The guidelines for Indian vendor selection / pre-qualification are given at Paras 11 to 16 of Annexure I of Appendix A to Chapter I of the Handbook on Guidelines and Annexures.

**25. Registration of Vendors.** Registration of vendors with MoD shall be mandatory. MoD shall register and classify vendors based on their financial, technical, domain expertise and past performance. Registration of vendors with MoD shall be necessary for issue of RFPs. Acquisition Wing of MoD shall issue instructions for registration separately.

### **Miscellaneous Issues.**

#### **26. Indigenous Design (ID) Requirements.**

**26.1. Definition of ID.** For the purposes of DAP 2026, ID refers to the ownership of the design of the main equipment, system or platform originally conceived and developed in India by a vendor, design agency or other Indian entity whose ownership and control is held by a resident Indian citizen in accordance with Para 23, including additional requirements at Sub-Paras 23.1 and 23.2. ID qualification requires Indian vendors, design agencies or entities to demonstrate comprehensive ownership and control across distinct but interconnected constituents and must satisfy the following constituents to establish ID credentials:-

**26.1.1. Design Components.** Demonstration of ownership or availability of complete technical artefacts, including design layouts, documents and drawings, detailed circuit diagrams, Gerber files, source codes for the main integration software / firmware, development environments, essential libraries and test qualification reports of the main equipment / system / platform. For equipment, this extends to proprietary hardware documentation and semiconductor integrated circuits layout designs. For platforms and systems, vendors, design agencies or entities must have the ownership of system-level designs and backbone architectures, demonstrate performance simulation capabilities and possess the ability to specify, evaluate and substitute constituent components while adapting designs for obsolescence management.

**26.1.2. Operational Rights.** Possession of rights that guarantee unrestricted capability to manufacture, realise, sell, provide through-life support, modify, upgrade, develop next-generation versions and export (with GoI approval) without encumbrances or dependence on any foreign OEMs.

**26.2. Acquired Intellectual Property (IP).** Cases where Indian companies acquire complete ownership of IP or design rights of the main system / equipment / platform from foreign entities shall be deemed to be indigenously designed and developed, provided all the above requirements are met. Designs merely licensed from foreign third parties do not qualify, except for standard software licenses for operating systems, databases and similar commercial off-the-shelf components.

**26.3. ToT from Indian OEMs / DAs.** Any vendor manufacturing a system, equipment or platform under a licence agreement with ToT from an Indian OEM, design agency or other

Indian entity that owns the design will qualify as ID, provided the vendor demonstrates that the ToT source is the Indian design owner and meets the requirements in Para 26.1 above.

**26.4. Category-wise ID Requirements.** The following acquisition categories of DAP 2026 shall mandatorily require vendors to comply with ID requirements:-

- 26.4.1. All procurements through the Buy (Indian-IDDM) Category.
- 26.4.2. Innovations by industry to include Make-I, Make-II, iDEX and TDF.
- 26.4.3. D&D projects by DRDO / DPSUs / Research Agencies.

**26.5. Reporting for ID.** Indian vendors, design agencies or entities claiming ID are required to furnish an undertaking (format attached at **Appendix B to Chapter I of Handbook on Guidelines & Annexures**) along with relevant documents to support their claim for ID as defined at Para 26.1 above.

**26.6. Verification of ID.** The MoD can exercise its right to conduct verification of ID with reasonable notice, of design reports, drawings, specifications, software documents and codes, Gerber files, CAD models, IP portfolio and technical development, etc, for the contract at any or all stages (tiers) of design, prototyping, manufacturing and assembly. Such verification shall be carried out by the MoD itself or by a Specialist Committee / agency / institution / officer(s) appointed / nominated by the MoD and shall be completed within two years of the signing of the contract. Verification shall be carried out at the premises of the Indian vendor, design agency or entity and documents in any form are not to be sought nor required to be submitted for examination outside such premises. Verification of ID will mandatorily be carried out in cases where incentives or rewards for ID are to be granted.

#### **26.7. Incentives for ID.**

26.7.1. Incentives for ID are only applicable to acquisition categories other than those listed in Para 26.4 above.

26.7.2. If approved by AoN According Authority and included in RFP, vendors shall be eligible for a credit score for L1 determination, of up to 10% for meeting ID requirements of the main system / equipment / platform and up to 2% for meeting ID requirements of each specified sub-systems / LRUs / Components. The cumulative credit score for L1 determination shall not exceed 15%.

26.7.3. Possession of IPRs that establish protection under relevant Indian laws through registered patents, designs, Semiconductor and Integrated Circuit Layout Design (SICLD), copyrights, trademarks, trade secrets and geographical indications, where applicable, shall be mandatory for claiming incentives for ID. The onus of establishing ID, duly supported by requisite documents / certifications, shall rest with the Indian vendor.

#### **26.8. Penalties for Non-Compliance with ID Requirements.**

**26.8.1. Forfeiture of Earnest Money Deposit (EMD).** For acquisition categories where ID is a mandatory requirement, in addition to declaring them non-compliant in the technical evaluation, EMD may be forfeited in case vendors fail to furnish the requisite documents to support their claims for ID.

**26.8.2. Release / Forfeiture of Performance cum Warranty Bank Guarantee (PWBG).** If the contract mandates verification of ID or if such verification is notified

and initiated by the MoD, the PWBG will be released only upon completion of the verification by the MoD or its nominated Specialist Committee, agency, institution or officer(s). The PWBG shall be forfeited if the vendor is unable or fails to prove, as indicated in their response at any post-contract stage, that the design of the main system / equipment / platform is owned by an Indian vendor, design agency or entity within two years of signing the contract.

**26.8.3. Additional Penalties.** In addition to forfeiture of EMD / PWBG, MoD may impose any other penalty as deemed appropriate, if false undertakings / certificates / documents are furnished by the vendor, design agency or entity in support of their claim for ID.

## 27. Indigenous Content (IC) Requirements.

**27.1. Definition of IC.** IC is the domestic value addition in defence procurement, as represented as a percentage of the Calculated Base Contract Price (CBCP) (i.e. the Total Contract Price less taxes, duties and applicable exclusions) of the equipment. IC shall be calculated for each contract by subtracting the value of Calculated Foreign Content (CFC) (i.e. the Foreign Content less applicable exclusions) from the BCP of that equipment / item using the formula given below:-

$$IC\% = \left\{ \frac{CBCP - CFC}{CBCP} \right\} \times 100$$

### 27.2. Constituents of IC.

27.2.1. All direct or indirect costs incurred in Indian Rupees, to include indigenous materials, indigenous software, indigenous research and development / ToT, production overheads, infrastructure overheads, labour, manufacturing, QA, services, warranty, establishment of MRO facilities and profit, shall constitute IC.

27.2.2. Any indigenous raw material, component, subsystem, LRU or software etc., that was exported from India and subsequently imported back as part of foreign goods / systems shall be recognised as IC and the value of such exported indigenous raw material, component, subsystem, LRU or software etc., utilized in imported goods, shall be deducted from FC for calculation of IC, provided proper export certificates, re-import documentation and traceability chain can be furnished by the vendor.

27.2.3. For the calculation of IC, all costs incurred for transportation, insurance, installation, commissioning, training and Annual Maintenance Contract / Comprehensive Maintenance Contract and Buyer Nominated Equipment (BNE) **shall not be included** as IC, as well as the Base Contract Price.

### 27.3. Constituents of FC.

27.3.1. Direct costs (including freight / transportation and insurance) of all materials, components, sub-assemblies, assemblies and products imported into India.

27.3.2. Direct and Indirect costs of all services obtained from non-Indian entities / citizens.

27.3.3. All license fees, royalties, technical fees and other fees / payments of this nature paid out of India, by whatever term / phrase referred to in contracts / agreements made by vendors / sub-vendors.

#### 27.4. Category-Wise IC Requirements.

Ser No	Category	IC Requirement for Prototype / EUT at Trials Stage	Overall IC Requirement by the final stage of the contract
27.4.1.	Buy (Indian-IDDM)	At Least 30 %	At Least 60 %
27.4.2.	Buy (Indian) and Manufacture in India	Nil	At least 60 % for Manufacture portion
27.4.3.	Buy (Global) and Manufacture in India	Nil	At least 60 % for Manufacture portion
27.4.4.	Buy (Global)	Nil	Up to 30 %

#### 27.5. Special Requirements for IC.

27.5.1. The SHQ may recommend a higher IC than that stipulated for the category. In case of niche technology-based equipment, with no or minuscule availability of desired material in the country, the SHQ may recommend a lower IC than that stipulated for the category. The AoN According Authority may approve a higher or lower threshold of IC than those stipulated at Para 27.4 above for various categories. A detailed justification for the same should be included in the SoC for seeking AoN.

27.5.2. For ICT Projects (except Systems projects), the minimum IC requirement shall be at least 10% more than specified above in Para 26.4.

27.5.3. Indian vendors, while participating in Buy (Indian) and Manufacture in India or Buy (Global) and Manufacture in India categories, shall be required to provide 10% lesser IC than that approved by the AoN According Authority, provided they meet the ID requirements specified at Para 26 above.

27.5.4. Minimum 50% of overall IC as stipulated in the RFP / contract (as approved by AoN According Authority) for all categories of procurement cases to be in the form of material / components / software that are manufactured in India. Relaxation, where due justification exists, may be obtained from AoN According Authority on case-to-case basis.

27.5.5. Vendors are required to undertake indigenous production of sub-systems, LRUs, software and fast-moving spares identified by SHQ during the RFI / Preliminary Study and included in the SoC for AoN, Expression of Interest (EOI) / RFP and contract.

27.5.6. Vendors are required to provide Input / Output (I/O) Protocols of devices / LRUs, envisaged to be replaced by indigenous equivalents or interfaced with equipment of the buyer's choice, identified by SHQ during the RFI / Preliminary Study and included in the SoC for AoN, EOI / RFP and contract.

27.5.7. Vendors are required to indigenously carry out Maintenance, Repair, Overhaul (MRO) and calibration of the equipment / platform / system along with associated jigs, fixtures and test setups, during the designed service life of the equipment. Relaxation, where due justification exists, may be obtained from AoN According Authority on case-to-case basis.

27.5.8. A graduated approach for achieving the specified IC is permissible through the contract execution period, subject to meeting minimum IC requirements at the Trials stage. While IC may progressively increase during different phases / stages of contract execution, vendors are required to ensure that the cumulative IC achieved across all deliverables and stages of the contract, when calculated against the total value of CBCP, meets the specified IC requirement.

27.5.9. Vendors are required to submit a comprehensive Indigenisation Plan detailing the phase-wise strategy for achieving the specified IC, cumulative IC progression and methodology for meeting the overall IC target across the complete contract value.

## 27.6. **Reporting Requirements.**

27.6.1. IC shall be mandatorily reported as per **Appendices B & C of Chapter I of the Handbook on Guidelines & Annexures** by the Prime Vendor and all tier vendors who meet either of the under-mentioned conditions, whichever is lower: -

27.6.1.1. BCP of the Tier Vendor exceeds Rs 10 crores;

27.6.1.2. BCP of the Tier Vendor is greater than 5% of the BCP of the Prime Vendor.

*Note: For this computation, the BCP of Tier Vendor should include the price of all contracts of the Tier Vendor relating to the main contract of the Prime Vendor.*

27.6.2. For supplies from the balance tier suppliers or for components / equipment bought through traders / stockists / local agents of foreign suppliers, the FC shall be aggregated in the IC Proforma by the Prime Vendor, under the head ‘Others’ at a flat estimated rate of 90% of the total value of supplies. In case the Prime Vendor desires, he may include import certification for suppliers covered in ‘Others’, over and above the tier suppliers considered in Para 25.6.1 above.

27.6.3 In the event of non-incorporation of the definitions and / or verification requirements laid down in contracts or agreements by vendors with the next tier at any stage (tier) of manufacturing / production / assembly, it shall be presumed that items / services provided by that stage / tier to the next tier have no IC.

27.6.4 In the event of non-certification of IC at any stage (tier) as required herein, it shall be presumed that items / services provided by that stage / tier to the next stage (tier) have no IC.

## 27.7. **Certification Requirements.**

27.7.1. All deliveries, including deliveries in batches / lots, made under contractual obligations shall be accompanied by a certificate of IC achieved for the deliverables of that batch / lot, along with cumulative IC achieved to include all previous deliveries (including deliveries of the current batch / lot) made under the contract. This certificate shall be issued by the ‘Responsible Designated Official’ i.e. the contract Signing Authority, Authorised Signatory etc., of the Prime Vendor and certified by the Statutory Auditor or Cost Auditor of the Company (in case of companies) or by a practising Cost Accountant or practising Chartered Accountant (in respect of suppliers other than companies).

27.7.2. Further, the prototype / equipment offered for trials shall be accompanied by a certificate of IC issued for the prototype / equipment offered for trials, in case the RFP mandates IC for Prototype / EUT at Trials Stage.

27.7.3. The format for certification of IC by the ‘Responsible Designated Official’ and Statutory Auditor / Cost Auditor / certified or licensed Cost Accountant / Chartered Accountant shall be as per **Appendix D to Chapter I of the Handbook on Guidelines & Annexures**.

27.7.4. Deliveries by the final stage of the contract, with cumulative IC achieved across all deliverables and stages of the contract calculated against the total value of CBCP, must conform to the overall IC requirements specified for the contract. The Prime Vendor is required to submit a certificate of overall IC achieved across all deliverables and stages of the contract, along with the last delivery, but not later than one year after the last delivery under the contract, failing which MoD can take any of the steps as per Paras 25.10 to 25.13 below against the Prime Vendor.

**27.8 Verification.** The MoD can exercise its right to conduct verification with reasonable notice of relevant certifications and costs pertaining to imports for the contract at all or any stages (tiers) of manufacturing / production / assembly, starting from the Prime Vendor downwards. The verification could be conducted by the MoD itself and / or by an agency / institution / officer(s) nominated by the MoD, as may be decided by the MoD during the tenure of the contract and completed within one year of the last delivery under the contract. However, financial records will only need to be maintained for the duration as stipulated by the existing Income Tax regulations at the time of signing of contract. Verification of IC will mandatorily be carried out in cases where incentives / reward for a higher IC are to be granted.

**27.9. Incentives for IC.** If approved by AoN According Authority and included in RFP / EOI & contract, vendors shall be eligible for additional rewards as detailed below:-

**27.9.1. Reward for Use of Indigenous Raw Materials.** A reward from 5% to 15% of the supplied material cost shall be applicable in accordance with Para 27.2 of this Chapter for the use of specified indigenous Military Materials.

**27.9.2. Reward for Indigenous Manufacturing of Components.** Reward of up to 1% of BCP for indigenous manufacturing of each identified component, LRU or software, subject to a maximum limit of 10%.

**27.9.3. Reward for Critical Technology Absorption.** Reward of up to 2% for absorption of each identified critical technology, subject to a maximum of 10%.

**27.9.4. Cumulative Rewards.** In case more than one option of the above is exercised for reward, the cumulative reward shall not exceed 10% of the BCP or Rs 400 Crores, whichever is lower. Cumulative rewards exceeding Rs 400 Crores shall be approved by AoN According Authority, if due justification exists.

**27.9.5. Payment of Reward.** The payment of rewards will be made only after verification of the parameters applicable for the reward.

**27.9.6. Repeat Order / Option Clause.** In subsequent cases of repeat order / option clause, the items for which additional rewards has been given in the main procurement have to be maintained and for which further incentives will not be given as they have already been granted in the main procurement.

**27.10. Release of Performance cum Warranty Bank Guarantee (PWBG).**

27.10.1. PWBG shall be released only after the submission of a certificate of meeting the overall IC at the contract level, furnished by the 'Responsible Designated Official', preferably approved by the Executive Board of the Prime Vendor, after completion of all the contractual deliveries, in addition to any other requirements specified elsewhere in the contract.

27.10.2. In case the contract requires mandatory verification of IC by MoD or such verification is notified and initiated by the MoD, the PWBG shall be released only after completing verification of the IC in all relevant deliveries by the MoD or its nominated agency / institution / officer(s).

**27.11. Withholding of Payment.** In case the vendor fails to certify achieving mandatory IC for the project, 5% of BCP will be withheld till :-

27.11.1. Submission of certificate of overall IC for the contract.

27.11.2. Completion of verification of IC in case the contract requires mandatory verification of IC by MoD or such verification is notified and initiated by the MoD.

**27.12. Forfeiture of PWBG & Payments Withheld.** The PWBG and payments withheld shall be forfeited upon failure of the vendor to submit the certificate of overall IC within one year of the last delivery under the contract / failure to achieve the required IC post verification, as applicable.

**27.13. Additional Penalties.** In case mandatory IC is not achieved by a vendor and / or if a false certificate is furnished by a vendor / sub-vendor, other than the forfeiture of the vendor's PWBG and payment withheld as described above, the MoD may impose any other penalty as deemed appropriate.

## 28. Military Materials.

**28.1 Seeking Inputs during RFI.** SHQ shall examine acquisition projects with substantial material components at the RFI stage to assess the feasibility of using indigenous materials and implementing reward mechanisms for the same. If the material is known to be available, an RFI to material manufacturers may be issued and further information may be sought on the following aspects: -

28.1.1 Identification of the main material in case of platforms and details of major input materials in case of equipment/ systems.

28.1.2 Availability in the country and known sources with material designation, standard / code and grade and test standards.

28.1.3 Equivalence of standard / code at paragraph 1.1.2 above with those required.

28.1.4 Vendor's likely plan for sourcing the material(s).

28.1.5 Likely cost of material(s) if sourced from Indian vendors as compared to their import cost.

**28.2. Reward Structure and Incentives.** Based on Preliminary studies and RFI responses, SHQ may include material sourcing methodologies in the SoC when seeking AoN:-

**28.2.1. Available but Underutilised Materials.** For military materials available indigenously but not utilised due to awareness or convenience issues, the following shall be implemented: -

- 28.2.1.1. Define the requirement of use of only indigenous material(s) and / or;
- 28.2.1.2. Provide a reward up to 5% of the cost of the material, subject to a cap of 0.5% of the total order value. In case of more than one material being used, the reward for each material should be in proportion to the relative value and/ or;
- 28.2.1.3. Indicate likely sources as BNE material.

**28.2.2. Cost-Competitive Materials.** For marginally more expensive indigenous military materials, the following shall be implemented: -

- 28.2.2.1. Define the requirement of use of only indigenous material(s) and / or;
- 28.2.2.2. Provide a reward up to 10% of the cost of the material, subject to a maximum ceiling of 0.75% of total order value. In case of more than one material being used, the reward for each material should be in proportion to its relative value.

**28.2.3. Validation-Pending Materials.** For military materials that are not yet validated, rewards reward up to 15% of the cost of the material, subject to a maximum ceiling of 1.0% of total order value. In case of more than one material being used, the reward for each material should be in proportion to its relative value. Additional rewards may be granted by the DAC case-by-case basis, with a total cap at 1% of project cost.

**28.3.** Material validation shall be in accordance with the QA Plans, with the vendor responsible for reward eligibility for use of indigenous materials. MoD may constitute committees to monitor / qualify the materials, where required on case-to-case basis.

**28.4.** Material values from RFI data shall be indicated in the RFP for the calculation of reward. Specific approval of DAC will be required for extending upper caps when indigenous materials provide distinct advantages.

**28.5. Development for Future Needs.** DRDO, R&D establishments, DPSUs, PSUs, platform manufacturers and SHQ may conduct environment scans to identify materials for domestic development through phased development using own R&D resources or Indian industry partnerships, ToT integration in licensed manufacturing projects and Make / iDEX / TDF initiatives. In addition, Indian Material Manufacturers can identify suitable military materials to meet the future requirements and share the details with DPSU / PSU platform manufacturers, Research and Development (R&D) establishments and SHQ for factoring in their developmental plans.

**28.6. Information Dissemination and Coordination.** MoD shall establish mechanisms to obtain material requirement and availability information from all stakeholders (platform manufacturers, material manufacturers, DPSUs, Industry Associations, DRDO, Services, HQ IDS) and provide platforms for periodic stakeholder interaction and dissemination. DDP shall periodically promulgate this list through SRIJAN-DEEP portal for information of all

stakeholders. The list of military materials available from indigenous sources shall be included in the Requests for Proposals (RFPs) issued by MoD / SHQ.

**29. Indigenous Software.** To leverage highly developed indigenous software expertise, maximum equipment should function with indigenous software (certified by a Statutory Auditor that the software was developed within India) for applications, while backend Operating Systems remain OEM-defined. The RFI process shall identify the availability of indigenous software for equipment / system applications and determine whether projects should mandatorily require vendors to use indigenous software for critical components (Fire Control Systems, Radars, Communications, Encryption subsystems) in Buy (Indian-IDDM) and Buy and Manufacture (Indian) cases. When not mandatory, Enhanced Performance Parameters (EPP) with commensurate credit scores shall be defined in SQRs to reward indigenous software capabilities. Vendors supplying software under Buy (Indian-IDDM) or Buy and Manufacture (Indian) categories shall adhere to prevailing national cybersecurity standards and incorporate secure-by-design principles, ensuring a minimum Indigenous Content as stipulated in the respective category, validated through accredited third-party audits.

**30. Engines and Fabrication Plants (Fab).** Aero engines, engines for marine and land systems and engines for RPVs / Drones manufactured in India and semiconductors (including silicon and compound) manufactured in Fabs in India shall be taken up as projects of National importance and will mandatorily be procured for applicable defence equipment as Buyer's Nominated Equipment (BNE) / sub-assemblies. These procurements will not be considered as Single Vendor Cases (SVC).

**31. Nomination of BNE under Development Schemes.** Equipment / system / platform or their upgrades or their sub-systems / sub-assembly / assemblies / major components, military material, etc successfully developed through any category of the development scheme (Make-I, Make-II, Make-III, D&D, iDEX & TDF) shall be nominated as BNE, where applicable.

**32. Independent External Monitors (IEMs).** Complaints arising at any stage of the acquisition process could be examined by a panel of nominated IEMs based on referral by the Acquisition Wing, the MoD / any other Department of the MoD or *Suo Moto* complaints by the vendors / any other agency. The details of the IEMs will be intimated in the RFP. The IEMs would submit their report to the Defence Secretary for a decision. The IEMs will have the following roles and duties:

32.1.1. For ensuring the desired transparency and objectivity in dealing with the complaints arising out of any tendering process, the matter should be examined by the full panel of IEMs jointly as far as possible, who would look into the records, conduct an investigation and submit their joint recommendations to the Acquisition Wing, the MoD.

32.1.2. IEMs should examine the process integrity; they are not expected to concern themselves with fixing the responsibility of officers. Complaints alleging malaise on the part of any officer of the organisation should be looked into by the CVO of the concerned organisation.

32.1.3. The role of IEMs being advisory would not be legally binding and would be restricted to advising on issues raised by an intending bidder regarding any aspect of the tender that allegedly restricts competition or bias towards some bidders.

**33. Subject Matter Experts.** Subject matter experts from the fields of academia, legal, finance or industry associations may be approached at various stages of the acquisition cycle. Details of all such interactions will be highlighted in the respective minutes / reports as applicable at that stage of acquisition.

**34. Issue of Certificates to Prospective Defence Exporters.** To enhance the credibility of Indian Defence products in global markets and instil credibility and confidence amongst foreign buyers, the following certificates will be issued to Indian vendors :-

**34.1. Certificate for 'Fit for Indian Military Use'.** This certificate will be issued to those Indian vendors who have technically qualified in trials carried out as part of the acquisition / procurement process or design and development procedure covered under DAP, inter alia, including iDEX, TDF, Make, D&D, etc. DGQA shall issue this certificate as the designated nodal agency in accordance with the SoP issued by the Department of Defence Production.

**34.2. Certificate for 'Fit as per Vendor Certification'.** This certificate will be issued when their product is tested / trial evaluated against a set of specifications provided by the Indian vendor. These specifications could be framed by the vendor based on its own design or tailored for export purposes. This certificate may be issued even at an intermediate stage of the product development, if required before proceeding with further development. DGQA shall issue this certificate as the designated nodal agency in accordance with the SoP issued by the Department of Defence Production.

**34.3. Certificate of Field Trial Outcome.** In cases where the Indian vendors have offered their product SHQ / Field formations / units in the Armed forces, for field trials without any involvement of any QA agency, they will be issued a Certificate of Field Trial Outcome, after due approval of the competent authority at SHQ, as per the performance parameters achieved during the trials. In cases where QA agencies are involved in the Trials, DGQA shall issue this certificate.

## Applicability of DAP 2026

35. DAP 2026 would be in supersession of DAP 2020 and will come into effect from the date of issue after approval of competent authority. This DAP would remain in force till reviewed.

36. **Applicability of DAP 2026 to Ongoing Cases.** Applicability of provisions of DAP to ongoing cases will be as under:

**36.1. Pre-AoN Stage (Hosting of RFI till Circulation of SoC for External Comments).** SHQ will inform all respondents about the change in the requirement of IC in various categories. All SQR will be classified as per the new format through an internal process by SHQ without the need for any specific approval from SEPCs.

**36.2. AoN Stage (SoC Circulated for External Comments till Prior to Issue of RFP).**

36.2.1. In cases where AoN has not been granted, an addendum to the SoC, as per provisions of DAP 2026, will be circulated by SHQ to all stakeholders and AoN processed under DAP 2026.

36.2.2. In cases where SQR have already been approved, as a one-time measure, AoN may be taken within one year of promulgation of DAP 2026, irrespective of time lapsed.

36.2.3. In cases where AoN has been accorded, RFP will be issued as per DAP 2020.

**36.3. RFP Issued.** All cases, where RFP has been issued, will be progressed as per the provisions of the earlier DPP / DAP under which the AoN has been accorded.

*Note:- Waiver to any of the provisions above at Paras 36.2.1 to 36.2.3 may be obtained by SHQ from AS & DG (Acquisition) on a case-to-case basis.*

**36.4. Make and Innovation Cases.** All Make and Innovation cases (Make-I, Make-II, Make-III, iDEX, TDF and Innovation by Services), where Project Sanction Orders / Design and Development Contract have not been issued, will be migrated to DAP 2026 and AoN will be automatically deemed to have been accorded under the provisions of DAP 2026.

36.5. **D&D Cases.** All D&D cases, where a commercial RFP has not been issued, will be migrated to DAP 2026 and AoN will be automatically deemed to have been accorded under the provisions of DAP 2026.

36.6. All ongoing offset contracts will continue to be governed under the DAP / DPP provisions as applicable at the time of the contract.

37. **Clarifications with respect to DAP.** Acquisition Wing, MoD, in consultation with MoD (Finance), is authorised to issue clarifications concerning clauses and provisions of DAP 2026, required to remove difficulties arising due to interpretation or typographical, referencing and syntax errors. The DAC will be informed of all such clarifications carried out by the Acquisition Wing, MoD, once a year.

38. **Amendments to DAP 2026.** Amendments to DAP 2026 may be initiated by SHQs, DRDO, DDP or other stakeholders. Amendments to DAP shall require approval of the DAC. Amendments to the Handbook on Guidelines and Annexures may be made by the Acquisition Wing, the MoD, in consultation with the MoD (Finance) as required. All amendments shall be notified to relevant stakeholders and updated on the MoD website.

39. **Deviations.** Approval of the Defence Acquisition Council (DAC) is required in case of any deviation from the procedures laid down in DAP 2026.

\*\*\*\*

**CHAPTER II**

**ACQUISITION PROCEDURES FOR**

**CATEGORIES UNDER ‘BUY’ AND**

**‘BUY AND MANUFACTURE’**

**SCHEMES**

## CHAPTER II

### **ACQUISITION PROCEDURES FOR CATEGORIES UNDER 'BUY' AND 'BUY AND MANUFACTURE'**

#### **Introduction**

1. Capital Acquisitions schemes are classified as Buy and Development schemes. However, the final acquisition of the defence products will be undertaken through the acquisition procedures which are laid down in this chapter. This chapter lays out various acquisition procedures that are required to be followed.

#### **Acquisition Procedure**

2. After carrying out the preliminary studies /RFI as defined in Chapter I, the proposals identified under the 'Buy' and 'Buy & Manufacture' will involve the following steps:-

- 2.1. Formulation of Services Qualitative Requirements (SQRs).
- 2.2. Acceptance of Necessity (AoN).
- 2.3. Solicitation of offers through Request For Proposal (RFP).
- 2.4. Opening of Bids and evaluation by Offer Opening Committee (OOC).
- 2.5. Evaluation of Technical offers/ compliances by Technical Evaluation Committee (TEC)/ Board of officers (BOO).
- 2.6. Field Evaluation Trials (FET).
- 2.7. Staff Evaluation (SE).
- 2.8. Oversight by Technical Oversight Committee (TOC) as applicable.
- 2.9. Contract negotiations by Contract Negotiation Committee (CNC).
- 2.10. Oversight by IEMs, as applicable.
- 2.11. Approval of the Competent Financial Authority (CFA).
- 2.12. Award of Contract.
- 2.13. Post-Contract Management.

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

3. **Characteristics of SQRs.** Refer para 13 to 15 of Chapter I of DAP for details. The format of the SQRs is attached at **Appendix A** to Chapter II of Handbook on Guidelines and Annexures.

4. **SQR Formulation.** Directorate concerned in SHQ will concurrently forward the draft SQRs to HQ IDS, DRDO, DDP, Quality Assurance (QA) agency, Directorate of Standardisation and ADG Acquisition Technical. All agencies should provide their comments within three weeks of receiving the draft SQRs, post which 'Nil' comments will be assumed. The comments obtained would be considered by the Staff Equipment Policy Committee (SEPC) before approval of the SQRs. A copy of

the draft SQRs will also be forwarded to the Subject Matter Experts as given at para 6 below along with the stake holders.

**5. Formulation of Joint Service Qualitative Requirements (JSQRs).** In cases involving multi-Service procurement, the Lead Service nominated by HQ IDS will formulate the JSQRs as per the process given at Para 3&4 above. This would be progressed through the Inter-Service Working Group (ISWG) concerned to the Integrated Staff Equipment Policy Committee (ISEPC). Conversion of SQR to JSQRs will not be mandatory in cases where the other Service(s) accept the lead service SQRs, and the procurement case would be progressed on the SQRs of Lead Service. A copy of the draft JSQRs will also be forwarded to the Subject Matter Experts as given at para 6 below along with the stake holders.

**6. Approval of SQRs/JSQRs.**

6.1. SHQ will field draft SQRs (except Shipbuilding, OCPP, FTP, LCCA cases) / JSQRs for approval of the respective Staff Equipment Policy Committees (SEPC) / ISEPC.

6.2. MoD may nominate Subject Matter Experts as member(s) of SEPC/ ISEPC. The SMEs to put up their comments to the Acquisition Wing before the draft SQR is fielded in the SEPC/ ISEPC.

6.3. SHQ may host the SQR (which are unclassified) on MoD and SHQ websites or inform the eligible vendors, within one week of approval of SQR with adequate Information Security measures.

**7. Amendment to SQR Parameters.** Amendments to approved SQRs/ JSQRs post AoN approval, will be processed by SHQ for approval by AoN according authority through SEPC. However, amendments to ergonomic, maintainability parameters and typographical errors may be approved by the SEPC/ ISEPC. It will be ascertained that while amending the SQRs no vendor is likely to be put at a relative disadvantage.

**Acceptance of Necessity (AoN)**

**8. Preparation of Draft SoC.** SHQ will prepare the draft Statement of Case (SoC) to seek AoN as per format and associated guidelines given at **Appendix B of chapter II** of Handbook on Guidelines and Annexures. Based on 'Defining Attributes' given at para 22 of Chapter I of DAP, SHQ shall provide detailed justification in the SoC for recommending a particular Category as per Categorisation frame work at para 20 to 21 of Chapter I. Preparation of the draft SoC can progress concurrently with preparation of SQRs/ JSQRs, SoC for Scaling (if applicable), draft RFP and Trial Methodology (if applicable). The SoC should include IC percentage proposed to be achieved. The draft SoC would be approved by the Head of the respective User Directorate at SHQ. SHQ will preferably field the SoC for AoN within 40 weeks of receipt of RFI responses, which can be extended up to three months with approval of CISC/ VCOAS/ VCNS/ DCAS/ DG ICG and further three months by DG Acquisition. Efforts should be made to initiate joint acquisition proposal of different Services and ICG which shall be coordinated by HQ IDS and SPB as required.

**9. AoN According Authority.** AoN for cases with value up to Rs 300 crores will be accorded by the Services Procurement Board (SPB). AoN for cases with value more than Rs 300 crores and up to Rs 500 crores will be accorded by the Defence Procurement Board (DPB). For cases with value beyond Rs 500 crores, AoN will be accorded by the Defence Acquisition Council (DAC).

**10. Processing of AoN: Non-delegated Cases.** SHQ will forward copies of the draft SoC, along with the draft/ approved SQRs, concurrently to DDP, DRDO, JS & AM, ADG Acquisition Technical, FM and HQ IDS. All addressees will forward their comments within three weeks of receipt of the draft SoC, failing which, 'Concurrence' may be assumed. SHQ to respond to comments within

two weeks of receipt of comments from the stakeholders. If concurrence to SoC along with proposed categorisation is not given by the stakeholders after a second round of observations and replies, or within an overall span of ten weeks, SHQ will plan a collegiate with all stakeholders, chaired by the JS&AM concerned, to conclusively finalise the SoC and the categorisation by the collegiate. Even after the collegiate, in case of non-resolution of the comments, the case shall be processed to the AoN authority highlighting the unresolved issues, if any.

10.1. SHQ will mandatorily submit the finalised SoC, along with the approved SQRs/ JSQRs, minutes of the SoC collegiate (if any) to the DPB Secretariat and draft RFP to ADG Acq Tech. The SoCs to be processed to the Acquisition Wing on regular basis. The agenda and date of DPB meeting will be decided by the Defence Secretary. SoCs approved for inclusion in DPB agenda will be circulated to all DPB members and invitees at least one week prior to the meeting by the DPB Secretariat.

10.2. Cases requiring AoN by DAC will be recommended by DPB, along with categorisation. Secretariat of DAC will circulate the SoCs being fielded to all Members and invitees at least fifteen days prior to the meeting. The cases which are deferred by DAC for re-examination by DPB, are to be re-fielded with fresh comments of stakeholders concerned.

10.3. The DPB and DAC Meetings will be held once every month and two months respectively. Minutes of both DPB and DAC Meetings to be issued within two weeks of the meeting.

11. **Processing of AoN: Delegated Power Cases.** SHQ will forward copies of the draft SoC, along with the draft/ approved SQRs, concurrently to DDP, DRDO, IFA(Capital), ADG Acq Tech and HQ IDS. All addressees will forward their comments within three weeks of receipt of the draft SoC, post which, 'Concurrence' will be assumed. If concurrence of SoC along with proposed categorisation is not obtained from the stakeholders after a second round of observations and replies, or within an overall span of ten weeks, SHQ will plan a collegiate with all stakeholders, chaired by Major General or Equivalent officer at SHQ, to conclusively finalise the SoC and the categorisation by the collegiate. Even after the collegiate, in case of non-resolution of the comments, the case shall be processed to the AoN authority highlighting the unresolved issues in the minutes of the meeting.

11.1. SHQ will mandatorily submit the finalised SoC, along with the approved SQRs / JSQRs and minutes of the SoC collegiate (if any) to the SPB Secretariat and draft RFP to ADG Acq Tech. The SoCs will be processed to HQ IDS on regular basis without waiting for agenda. The agenda and date of SPB meeting will be decided by CISC. SoCs approved for inclusion in SPB agenda will be circulated to all SPB members and invitees at least one week prior to the meeting by the SPB Secretariat.

11.2. SPB Meeting will be held at least once every month. Minutes of SPB Meeting would be issued within two weeks of meeting.

12. **AoN Validity.** AoN for all cases will be valid for twenty four weeks, while for 'Turnkey' projects will be valid for fifty two weeks. The validity of AoN would commence from the date of issue of Minutes of Meeting of the AoN according authority for all Buy cases. AoN would lapse for all cases where the RFP is not issued within the original validity period of AoN. In such cases, if period lapsed beyond validity of AoN is less than thirty-six weeks and there is no AoN revision, such cases will be processed for re-validation by the AoN according authority directly, after stakeholder consultation. In cases where period lapsed beyond validity of AoN is more than fifty-two weeks, fresh AoN will be sought from the AoN according authority. For cases where the original RFP has been issued within the original validity period of AoN and later retracted for any reason, the AoN would continue to remain valid, as long as the original decisions remain unchanged, provided the subsequent RFP is issued within

a time period not exceeding the original validity period of the AoN, with recommencement of the validity period from the date of retraction of original RFP.

**13. Hosting of AoN Details.** SHQ will host the broad details of the projects /procurement (except classified cases) on the MoD and SHQ websites, within one week of issue of minutes of the AoN according authority. Vendors who did not respond to the RFI may express interest for receipt of RFP and submission of bid, within three weeks from the date of publication of details on these websites.

**14. Authority for Foreclosure of AoN.** Foreclosure of AoN will be approved by DG (Acq) for non-delegated cases and CISC/VCOAS/VCNS/DCAS/DG ICG for delegated cases respectively. Approval for foreclosure of AoN would imply approval for retraction of RFP, if issued. The respective AoN authority is to be informed of any AoN foreclosure in the next meeting conducted after the foreclosure.

### **Specific Provisions for AoN**

**15. Cases for Import of Equipment.** Approval of DAC is mandatory for cases involving import of defence equipment, irrespective of the value. Such cases of import, will be accompanied either with an SoC for alternate indigenous product development/ procurement, or will seek waiver from the DAC. SHQ will ensure that no weapon / platform figuring on the Positive Indigenisation Lists, notified by MoD, is proposed for import. These equipment can be procured under the Buy (Indian - IDDM), Buy Indian and Manufacture in India (only if Buy quantities are zero) and Buy Global and Manufacture in India (only if Buy quantities are zero) categories of procurement.

**16. Cases Reserved for MSMEs.** Cases with AoN value up to Rs 100 crores will be reserved for MSMEs, provided there are at least two or more MSMEs eligible to participate in the category and the same will be endorsed as special approvals in the AoN. The same will also be included in the RFP.

**17. Trials Abroad.** In cases where the trials are planned abroad, approval of DAC is to be sought at the time of seeking AoN. In cases where negotiations are envisaged, approval would also be obtained for an Empowered Committee as approved by DG Acq or CISC / VCOAS / VCNS / DCAS / DGICG for Non-Delegated and Delegated cases respectively to accompany the Trial Team abroad.

**18. Trials Before Issue of RFP.** In Buy Indian IDDM cases after the issue of TPCR, and where SHQ have finalised SQRs and shared with vendors, if any vendor intends to field his equipment for trials for the equipment listed in it, the SHQ may conduct the trials after the approval of Vice Chiefs / DGICG / CISC, provided the equipment offered by the vendor(s) technically meets the SQR. In case the equipment of two or more vendors is found fit in the trials the case shall be processed for AON as LTE with Trial compliant vendors. No new vendors shall be included post issue of AoN. SQRs finalised for trials shall not be amended / changed till accord of AoN.

**19. Trial Duration and Split in Stages.** SHQ may seek AoN for additional time for conduct of trials, beyond the standard period of twenty four weeks. The requirement of two stage trials (splitting of trials) also be sought as a special approval (refer para 19 to 22 of **Appendix E of Chapter II of Handbook of Guidelines and Annexures**).

**20. Compensation of Successful Trial.** SHQ may also seek specific approval of the AoN according authority for compensation of cost of Trials to the vendors who qualify in the GS Evaluation. Vendor will be compensated for successful qualification in Trials, upto 10 % of per unit cost of L1 or Rs 10 cr, whichever is lesser. The Equipment under Trial of such vendors shall be returned to them. Relevant guidelines for the same will be issued by the Acquisition Wing in consultation with MoD Fin.

21. **Simulation Based Trials.** Simulation based trials will be given priority where possible, which will be based on the RFI responses. However, ensuring level playing field, in such cases, the requirement of the simulation based trials shall be included in the SoC while seeking the AoN and the scope will be included in the RFP.

22. **Selection of Mode of QA.** SHQ will also include the Mode of QA ie First Party, Second Party or Third Party based on recommendations of internal Board of Officers, as per details given at **Appendix E of Chapter II of Handbook of Guidelines and Annexures.**

23. **Indigenous Content.** The AoN according authority may accord approval for higher or lower threshold of IC than those stipulated for various categories, on a case to case basis, as per para 27 of **Chapter I of DAP.** The SHQ in specific cases can incentivise the IC for selection of L1 vendor as referred in para 27 of **Chapter I of DAP.**

24. **Repeat Order.** In order to enhance standardisation, reduce the inventory cost and reduce the training effort; SHQ may seek to procure equipment procured through a successfully concluded contract, by following their respective regular procurement process, by itself/ sister Service/ Border Roads Organisation/ DPSUs/ PSUs/ ARC/ NTRO/ Central Armed Police Forces/ any other Law Enforcement agency through a Repeat Order, in case the SQRs are acceptable to the SHQ. The SHQ can obtain AoN for Repeat Orders after the date of commencement of initial delivery and within five years of the date of completion of last delivery of the equipment procured under the First Contract. SHQ will progress the case based on the SQRs of this First Contract. If upgrades in SQRs are envisaged and the vendor confirms ability to deliver equipment with the upgraded SQRs, SHQ may progress the case with the upgraded SQRs approved by the SEPC. No FET would be conducted in Repeat Order cases and only a commercial RFP will be issued. However, SHQ may seek in the AoN for conduct of Limited Validation Trials for cases involving upgrades in SQRs. Repeat Order cases will not be construed as Single Vendor Cases. For repeat orders beyond 100% of cumulative quantity of all the contracts including repeat order(s), the AoN would be granted by DPB for AoN amount up to Rs 500 cr and by DAC for cases beyond Rs 500 cr.

25. **Splitting Source of Supply.** SHQ will enumerate the requirement for splitting of quantities amongst vendors, if considered necessary. In such cases, specific approval will be taken in AoN for ratio of splitting the supply between (first lowest bidder) L1 and (second lowest bidder) L2 vendors, provided L2 vendor accepts the price, and terms and conditions quoted by/negotiated with the L1 vendor. In case the L2 refuses to accept the same, the next qualified vendor (one only), L3 and so on, would be given an opportunity to match the L1 price, and terms and conditions. Overall, the contract will be concluded with only two vendors (as approved in the AoN). This clause will be pre-disclosed in the RFP.

26. **Ab-initio Single Vendor Cases.** SHQ may consider progressing of ab-initio Single Vendor case for equipment manufactured by only one vendor. However, the following cases will not be considered as Single Vendor cases.

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

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

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

27. **Buy Indian and Manufacture in India Category.** When the SHQ would seek AoN under **Buy Indian and Manufacture in India Category**, SHQ, may specify in the SoC, the technologies required to be absorbed by the Indian vendor, as per categorisation given at **Paragraph 21 of Chapter I**. Specific provisions for this Category are placed at **Appendix C of Chapter II of Handbook on Guidelines and Annexures**.

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

28. **Solicitation of Offers.** Solicitation of offers will be as per 'Single Stage - Two Bid System'. In cases where no TEC and FET are envisaged, approval to issue Commercial RFP would be solicited as part of approval in the AoN.

29. **Layout of RFP.** RFP shall clearly bring out the requirements of the deliverables, timelines of delivery and payment schedule. The RFP would follow a standard format comprising of Covering Letter, General Requirements, Technical Requirements, Commercial requirements, and Bid Evaluation & Acceptance Criteria. Guidelines for RFP formulation are placed at **Appendix D to Chapter II of Handbook on Guidelines & Annexures**. A standardised RFP format is placed as **Schedule I to Chapter II of Handbook on Guidelines & Annexures**. The RFP for Ship building cases as part of Chapter XII will be aligned to the Guidelines as mentioned in the Chapter XII. The RFP in cases of IGA will be modified to suit the terms of the agreement.

30. **RFP Vetting and Issue.** The procedure for RFP vetting and issuance will be as follows: -

30.1. **Preparation of Draft RFP and Vendor Selection.** SHQ will prepare draft RFP, concurrent to preparation of draft SoC, in consultation with User, Procurement and Maintenance Directorates besides QA agencies, DRDO, vendors/ Industrial bodies, SHQs concerned for Joint cases. All issues identified after vetting of draft RFP at SHQ will be included in the draft SoC. The recommended list of vendors for issue of RFP will be formulated by SHQ during formulation of RFP and the same shall be vetted and finalised during the collegiate.

30.2. **Comments on Draft RFP.** Concurrent to submission of the finalised SoC to SPB/DPB Secretariat, copy of draft RFP will be forwarded by SHQ to ADG Acq Tech, JS & AM and FM for Non-Delegated cases, to ADG Acquisition Tech and IFA (Capital) for Delegated cases. Observations by these addressees, if any, will be intimated to the SHQ within three weeks. In case of multi-service procurement, the lead SHQ will also forward the draft RFP to the SHQ concerned.

30.3. **Collegiate Vetting and Approval.** Collegiate vetting of draft RFP will commence after SPB/ DPB meeting for Non-Delegated/ delegated cases by a RFP Vetting Collegiate comprising of JS & AM, ADG Acq Tech, FM, Advisor Cost, representatives of SHQ, QA agency, maintenance agency in Non-Delegated cases, and representatives of SHQ, ADG Acquisition Tech, Director Cost, QA agency, maintenance agency and IFA(Capital) in Delegated cases. Approval of the draft RFP along with finalisation of Vendor list will be done by the Collegiate. SHQ will process the finalised draft RFP along with the minutes of the collegiate meetings through ADG Acquisition Tech for obtaining approval of DG (Acquisition) for Non-Delegated cases and CISC/ VCOAS/ VCNS/ DCAS/ DG ICG for Delegated cases.

**30.4. Issue of RFP.** All RFPs will be issued by ADG Acquisition Tech within six weeks of issue of the Minutes of Meeting of the DAC/DPB/SPB.

**31. Pre Bid Queries and Bid Submission.** Vendors will be given twelve weeks to submit bids, except for SVC/Repeat Order cases where it will be limited to eight weeks. SHQ may seek specific approval from the AoN according authority for enhanced period of Bid Submission, on case-to-case basis. User directorate in SHQ will conduct Pre-bid meeting(s) of all the vendors to address the queries related to the RFP. Representatives of PA for ToT/ MToT matters, representative of QA agency, representatives of JS & AM, ADG Acquisition Tech and FM (for non-delegated cases)/ ADG Acq Tech and IFA (Capital) (for Delegated power cases) would also participate in the Pre-bid meeting (s).

31.1. The clarifications to Pre-bid queries would be processed by SHQ and forwarded to all vendors by ADG Acquisition Tech within three weeks (two weeks for SVC/Repeat Order cases) of conduct of pre-bid meeting(s).

31.2. For Non-Delegated cases, clarifications on Pre-bid queries of vendors to be processed by SHQ and draft replies to be shared with JS & AM, ADG Acquisition Tech and FM if any, prior to forwarding to all vendors. ADG Acquisition Tech to issue the replies to all vendors. Inputs on clarifications would be provided by the stakeholders to SHQ within one week of receipt, post which, 'Nil' comments will be assumed.

**32. Amendment to RFP.** Amendments to RFP (less SQRs), within the scope of AoN will be approved by DG(Acquisition) for Non-Delegated cases and CISC/VCOAS/VCNS/DCAS/DGICG for Delegated cases respectively. The amendments to the RFP are to be recommended by the same collegiate as defined for RFP vetting, having deliberated and ascertained that the change(s) does not put any vendor at a disadvantage. On approval, these amendment(s) will be issued to all vendors to whom RFP has been issued, by ADG Acquisition Tech.

**33. Extension of Time for Submission of Bids.** Vendor(s) may request for extension of time for submission of bids, with justification, to the RFP issuing authority and SHQ at least two weeks prior to bid submission date. For Delegated cases, SHQ may approve extension of bid submission date. For Non- Delegated cases, extension up to eight weeks would be approved by SHQ. Approval of further extension would be by DG (Acquisition), through ADG Acquisition Technical.

**34. Authority for Retraction of RFP.** Retraction of RFPs will be approved on file by the DG (Acquisition) and CISC/VCOAS/VCNS/DCAS/DGICG for Non-Delegated and Delegated cases respectively. SHQ will process the retraction through ADG Acquisition Tech. Validity of the AoN would recommence from the date of retraction of RFP.

## Offer Opening Committee (OOC)

**35. Bid Submission.** Bids will be submitted to ADG Acquisition Tech/ SHQ within the notified date and time, for Non-Delegated cases/ Delegated cases respectively. Bids received after scheduled date and time for submission of offers and unsolicited offers, will not be accepted.

**36. Pre Contract Integrity Pact (PCIP) and Earnest Money Deposit (EMD).** All vendors will be required to submit a PCIP for all procurement schemes above Rs 20 crores and EMD for all schemes above Rs 150 crores, along with their bids. Earnest Money Deposit will act as security for PCIP till signing of contract. Formats of the PCIP and EMD are given **Schedule I to Chapter II of Handbook on Guidelines & Annexures**. Post signing of contract, PCIP will be covered by PWBG till completion of the contract. DPSUs are not required to submit PCIP and EMD when nominated as ab-initio Single Vendor. They shall however enter in to a PCIP, on the same lines, with their sub-vendors individually (except in case these are DPSUs) in case the estimated value of each sub-contract(s) exceeds Rs 20

crores. DPSUs will submit PCIP, EMD & all BGs as applicable, while participating in multi-vendor cases with private vendors.

**37. Offer Opening.** The bids received will be opened on the notified date and time by the OOC, in the presence of the bidders or their authorised representatives. The OOC will be chaired by ADG Acquisition Tech/ SHQ for Non-Delegated and Delegated cases respectively. The OOC for Non Delegated cases will also comprise of members from JS & AM, SHQ (User Directorate, Procurement Directorate, Maintenance Directorate & Post Contract Management Directorate) and FM and for delegated cases from SHQ (User Directorate Procurement Directorate, Maintenance Directorate & Post Contract Management Directorate) and IFA (Capital). Offers which are delayed, do not conform to the prescribed procedure for submission of offers or are not accompanied with all requisite documents as per RFP or those received from unsolicited vendors will not be accepted. The OOC will carry out the following activities:

- 37.1. Open the bids received in the presence of authorised representatives of the bidders.
- 37.2. Forward the Technical Bids/ compliances to SHQ for evaluation by a Technical Evaluation Committee (TEC)/ Board of Officers (BOO).
- 37.3. Forward unopened sealed commercial offers to the JS & AM/ Major General equivalent Officer at SHQ for Non-Delegated/ Delegated cases respectively.
- 37.4. Examine the PCIPs and EMDs received from the vendors, in case discrepancy is observed, OOC will info the vendor for rectification and forward the corrected PCIP/ EMD to JS & AM/ SHQ for safe custody.

#### **Technical Evaluation Committee (TEC)/ Board of Officers (BOO)**

38. SHQ would constitute a TEC, BOO for Techno-Commercial RFP cases and Commercial RFP cases respectively, prior to the date of Bid submission, for evaluation of the technical offers/ compliances received from OOC. TEC/ BOO will include representatives of the User Directorate, Procurement Directorate, Maintenance Directorate, QA agency, EMI/EMC evaluation agency and FM (for Non Delegated cases)/ IFA(capital) (for Delegated cases) as per requirement and approval of SHQ. In addition, cases where ToT is involved, TEC may also include representatives of PA nominated by AoN according authority for absorption of ToT/ DRDO (in cases involving ToT or Indigenous Design).

#### **39. Evaluation of Technical Offer/ Compliance.**

39.1. Technical Evaluation will be conducted in two stages. TEC, during Stage-I, will examine the compliance of the vendors to 'Criteria for Vendor Selection' given at **Appendix P to Schedule I to Chapter II of Handbook on Guidelines & Annexures**. TEC, during Stage II, will examine the technical offers of only the Stage-I qualified vendors. TEC will examine the extent of variations/differences, in the characteristics of the equipment offered by various Stage-I qualified vendors with reference to the SQRs, and prepare a 'Compliance Statement'. TEC will also examine compliance of vendors to provisions as listed in RFP. Non-compliance of vendors to any of the required provisions would lead to rejection of the bid. Cases where ToT for maintenance infrastructure to an Indian entity is sought, the TEC will examine the joint compliance of the OEM and the Indian entity for establishing the maintenance infrastructure as sought in the RFP. In cases where an OEM bids, along with other vendors supplying the same product as that of the OEM, only the bid of the OEM will be accepted.

39.2. In cases where only a Commercial RFP has been issued, the BOO will confirm the Technical Compliance by the vendor based on the RFP.

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

- 40.1. To ensure fair play, an opportunity to revise minor technical details should be accorded to all vendors in equal measure.
- 40.2. No extra time to be given to any vendor to upgrade their product; except in case of Essential Parameters-B.
- 40.3. No dilution of SQR is carried out.
- 40.4. Original commercial quote submitted earlier cannot be revised by the vendor.

**41. Approval of TEC / BOO Report.**

41.1. SHQ would conclude TEC report within eight weeks of receipt of the Technical Offers. Approval of TEC report will be obtained in two weeks within SHQ when all the vendors are found compliant. However, in case any of the vendors is found Non-compliant, the TEC report will be approved by DG Acquisition and CISC/VCOAS/VCNS/DCAS/DGICG for non-delegated and delegated cases respectively. For these non-delegated cases, the approval will be sought through ADG Acq Tech. Approval of TEC report will be sought only after acceptance of PCIP & EMD by JS&AM/ Major General or equivalent Officer at SHQ.

41.2. The BOO for technical compliance will be approved within SHQ in two weeks and the same will be informed to the Chairman CNC.

**42. Informing Vendors of Results of TEC.** The RFP issuing authority will intimate to all participating vendors about the status of their Technical Offers post approval of TEC Report along with the reasons for their non-compliances.

**43. Single Vendor Situation.** In multi-vendor cases, a single vendor situation may emerge during bid submission or post technical evaluation by TEC. The procurement process may be continued as planned, provided the vendor agrees not to revise the commercial bid during the remaining part of the acquisition process. SHQ will examine reasons for this single vendor situation and record the same in their TEC report. In case SHQ concludes that any change in SQRs would not meet the operational requirements of the Services; or any change in other conditions of the RFP is unlikely to increase the vendor base, or it may inordinately delay the procurement, SHQ would progress the case for obtaining approval of the DPB for non-delegated cases, and SPB for delegated cases respectively. In such situation, efforts should be made to complete the acquisition process before expiry of original validity of commercial bid. Situations where bids submitted by multiple Indian Vendors under 'Buy Indian and Manufacture in India' category indicate a collaboration with a single foreign vendor are not to be considered as Single Vendor Situations.

**Field Evaluation Trials (FET)**

**44. Conduct of FET.** SHQ will carry out FET for equipment of all TEC compliant vendors, on the basis of Trial Methodology given in the RFP. Wherever feasible, the entire trials would be conducted simultaneously in order to save time. SHQ may consider conduct of Trials in two stages as approved in the AoN. In that case, Stage-I will involve conduct of only User Trials and limited technical trials which are mandatory. Stage-II will involve conduct of remaining Technical trials, MET and EMI/ EMC trials on the equipment of the L1/ L2 vendor(s), post signing of contract. Adequate pieces of the equipment would be sought through the RFP to allow concurrent trials. SHQ will strive to undertake maximum tests through simulation/ certification/ lab test. Parameters evaluated at TEC

stage, based on Certificate of Conformance rendered by accredited agencies, may not be included in the FET. The trials will be undertaken either on No cost No commitment(NCNC) or Compensation basis as approved by AoN according authority. For such compensation cases, SHQ may compensate the cost of Trials to only those vendors whose equipment has been found compliant in the Staff evaluation post trials as given at para 20 above. In such cases, the details and modalities for the same will be included in the RFP. Guidelines with regards to FET are attached at **Appendix E to Chapter II of Handbook on Guidelines and Annexures**.

**45. Non Applicability of FET.** FET may not be applicable for procurement cases where there is no prototype available for conduct of Trials, as is the case in acquisition / construction of Ships, Submarines, Yard Craft, Tugs, Ferry Craft and Barges (only for capacity cleared yards), simulators being built for the first time and equipment procured through GeM, Commercially Off-The-Shelf (COTS) equipment meeting requisite IS/BIS or equivalent certifications may be accepted on the basis of vendor certification without conduct of technical trials, EMI-EMC and MET as may be required , or in cases where specific approval has been sought in the AoN. However, Delivery Acceptance Trials for these may be carried out.

**46. Trial Directive.** SHQ, in consultation with TEC compliant vendors, will finalise and issue the Trial Directive, in conformity with the Trial Methodology given in the RFP, within two weeks post approval of TEC report. Trial Directive would include submission date for Equipment Under Trial (EUT), 'Compliance cum Responsibility Matrix', location, trial schedule, number of units of EUT, Parameters/ tests acceptable by certification through accredited labs, reimbursement of trial cost and details of nominated Trial team.

**47. Trial Nodes.** The Services will establish dedicated centralised trial nodes based on terrain, as applicable. The nodes will be manned by a dedicated core team including representatives of User, QA agency, maintenance agency, etc.

**48. Composite Trial Team.** The Composite Trial Team will be headed by the Office-in-Charge of Trial node with members from the core team, supplemented by representatives for EMI/ EMC evaluation agency and other required representatives based on the equipment being trial evaluated. Representative from the others Services will also be co-opted in case of multi-Service procurement. For trials of equipment involving ToT, representative of Production Agency (PA)/ Development-cum-Production Partner (DcPP), may be included as an Associate Member. A similar Composite Trial Team will be deputed in cases of Global procurement to undertake trials abroad. In cases where negotiations are envisaged along with trials abroad for which approval has been obtained from DAC, constitution of an Empowered Committee would be approved by DG(Acq). The Empowered Committee would comprise of JS&AM, ADG Acquisition Tech and FM (for non-delegated cases)/ Major General or Equivalent officer from SHQ and IFA(Capital) (for delegated cases).

#### **49. Submission of Equipment Under Trial (EUT).**

**49.1 Submission Time.** The Trial Directive will provide the timeline for EUT submission. Ordinarily, the timeline would be limited to eight weeks from issue of the Trial Directive. Extension of time for submission of EUT by vendors would be discouraged. Vendor(s) failing to produce equipment by due date may be given an extension of up to four weeks, with approval of the PSO concerned at SHQ, and additional extension of up to four weeks may be approved by the CISC/VCOAS/VCNS/DCAS/DGICG. Vendors, who fail to produce the EUT even after providing eight weeks of extension would be asked to explain reasons for the same and in case these are found satisfactory by SHQ, case for granting further extension beyond eight weeks would be processed by SHQ for approval of DG (Acquisition). In case if one of the vendors has agreed for submission of EUT, extension of time for submission of EUT by other vendors would be limited to only one extension for a maximum

up to twenty-four weeks. In case even after this extension other vendors do not submit their EUTs, the case would be progressed even if it leads to a Resultant Single Vendor Situation. EUT not fielded at the start of trials would not be considered at a later point of time.

**49.2. Penalty for Delay in Submission of EUT.** In all Buy cases where one of the vendor is ready for timely submission of the EUT, as decided by the SHQ in the Trial Directive/ RFP, the other vendors who require additional time/ delay the EUT submission will be penalised by partial encashment of the EMD. A penalty at the rate of 5% of the EMD per week maximum up to 50% of the EMD will be levied.

**50. Joint Trials.** Single OEM equipment being fielded by multiple Indian vendors may have joint trials if two or more Indian vendors so desire. Indian vendors who agree to field the equipment jointly may do so after providing an undertaking that they will accept the trial results.

**51. Validation at Vendor Premises Abroad.** It may emerge during the process of trials in India that certain validations need to be carried out abroad at the vendor premises owing to export restrictions, security related issues, availability of testing infrastructure/ platforms or such like reasons. SHQ will seek permission for conduct of such validations to be carried out abroad from the DG (Acquisition) for non-delegated cases and CISC/VCOAS/VCNS/DCAS/DGICG for delegated cases.

**52. Trials Oversight Committee.** In order to ensure timely progress of trials, a Trials Oversight Committee for each Service, headed by a Brigadier/ equivalent officer (including retired) and having members including serving/retired officers, subject matter experts as required, will be nominated by the DG Acquisition. This committee will submit its findings/ report from time to time to the DG Acquisition through the concerned ADG Acquisition Tech.

**53. Trial Report.** Trial Reports submitted by all evaluating agencies must give unambiguous Compliance / Non-Compliance to RFP parameters evaluated by that Agency. It will be ensured that comments and recommendations are restricted to RFP parameters only. The Trial Reports will be submitted directly to SHQ with a copy to Trials Oversight Committee within two weeks of Trial completion by the Officer-in-Charge of Composite Trial Team. For cases, where compensation of Trial Cost is to be paid to the trial successful vendors, the same will be done based on provisions of the RFP. The methodology for calculation of compensation of the cost will be issued separately by Acquisition Wing.

**54. Confirmatory Trials.** On completion of all trials, when no equipment has fully met all the RFP parameters, but there is reason to believe, that vendors would be able to quickly overcome the drawbacks noticed, confirmatory trials may be conducted by the SHQ. In multi-vendor cases, confirmatory trials will be conducted with the approval of PSO concerned at SHQ. However, in Single Vendor cases, the OIC Composite Trials will be authorised to order confirmatory trials. A separate Trial Directive will be issued for conduct of confirmatory trials which must be specific about the Trial Schedule and what needs to be checked. Vendors may be permitted to take the equipment to their premises for repairs / modifications, prior to fielding it in the confirmatory trials. Vendors could also be permitted to field a new piece of equipment for confirmatory trials within a stipulated time, on case to case basis. In cases where modification undertaken by the vendor affects results of other parameters, these affected parameters will also need to be re-evaluated.

**55. Trial Observers.** Representative of the ADG Acquisition Tech concerned and members of the Trial Oversight Committee may also attend the FET as observers.

**56. Timelines.** The Trial Methodology should ensure that FET is completed within standard time period of 24 weeks (additional twelve weeks for winter trials) from the date of submission of EUT. In case of delay, SHQ will inform the under mentioned authorities as follows: -

- 56.1. DG (Acquisition) (for non-delegated cases) - for slippage beyond twenty-four weeks.
- 56.2. CISC/VCOAS/VCNS/DCAS/DGICG (for delegated cases) - for slippage beyond twenty-four weeks.
- 56.3. DPB(Non delegated) and SPB (delegated) for slippage beyond fifty-two weeks.

### **Staff Evaluation (SE)**

57. The SE by SHQ will analyse the FET Report submitted by the Trial team and shortlist the equipment recommended for introduction into Service. The SE will be approved at SHQ within four weeks after completion of trials in all cases, except where any vendor(s) is found non-compliant or cases involving ToT or cases with additional reward for higher IC. In such cases, approval will be sought from DG (Acquisition) for non-delegated cases and CISC/VCOAS/VCNS/DCAS/DGICG for delegated cases respectively. SHQ will process the SE through respective ADG Acquisition Technical. Cases where bids have been submitted by more than one bidder and the SE shortlists only one equipment, would not be considered as a single vendor case. For cases where one of the vendors has agreed for submission of EUT and remaining vendors are unable to submit EUT within the stipulated time, leading to the case being progressed as Resultant Single Vendor Situation SE will be approved by the next higher authority. In case no vendor meets the SQRs in the FET, then the case would be foreclosed and RFP retracted. The ADG Acquisition Technical/ SHQ would intimate all participating vendors about their respective status (with reasons for non-compliances) post approval of Staff Evaluation for non-delegated/ delegated cases respectively.

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

58. The DG (Acquisition) may constitute a TOC for acquisition cases in excess of Rs 300 crores and for any other case recommended by the Defence Secretary/DPB/DAC. TOC, when constituted, must provide expert oversight over the technical evaluation process. TOC would be resorted to in multivendor cases where a complaint has been received and not for Single Vendor Cases and cases where only DPSU(s) are participating.

**58.1. Composition.** The TOC will comprise of a Chairman nominated by the lead SHQ of the rank of Major General/equivalent and one member each from two sister services other than the lead agency of the rank of Brigadier/equivalent. Members nominated should have adequate seniority and experience and should not have been involved with that acquisition case, in any capacity in the past. Office of ADG Acquisition Tech of the Acquisition Wing will provide the secretarial support to the TOC.

**58.2. Task.** The TOC will be tasked to verify whether prescribed procedure has been followed in the procurement case. The TOC will also review and bring out the status of a grievance or complaint, if any existing at this stage, pertaining to acquisition case and give its observations and recommendations, based on a majority decision, within 30 days, which may be extended by a maximum period of 30 days, with the approval of the DG(Acquisition). The TOC report will be submitted to the Defence Secretary for approval through the DG (Acquisition).

**58.3. Action by IEM.** In case of complaints, cases may be referred to the nominated Independent Expert Monitors (IEMs) by the Acquisition Wing/any other department of the MoD or initiated suo-moto by the vendors/any other agency. Post analysis, the IEMs report will be submitted to the Acquisition Wing. All reports opined by the IEMs as vexatious or frivolous or lacking cogent evidence will be put up for acceptance of the Defence Secretary. IEM Reports which ascertain genuineness of the complaint and recommend that cognisance of the complaint/action be taken, the same will be forwarded to the Raksha Mantri for acceptance.

## Contract Negotiation Committee (CNC)

59. **Constitution.** The standard composition of the CNC is as indicated at **Appendix F to Chapter II of Handbook on Guidelines & Annexures**. Any change in the composition of the CNC may be effected with the approval of DG (Acquisition) and CISC/ VCOAS/ VCNS/ DCAS/ DGICG for non-delegated/ delegated cases respectively. The CNC will be constituted within one week of bid submission. However, in cases with only Commercial RFPs, it will be constituted within one week of issue of RFP. CNCs in Non Delegated cases will be chaired by the JS&AM, while that in delegated cases upto Rs 150 crores will be chaired by a Brigadier/ equivalent officer of the SHQ, and cases above Rs 150 crores to 300 crores by a Major General / equivalent officer of the SHQ.

60. **Benchmark Models Committee (BMC).** BMC will comprise of representatives from SHQ and will be chaired by Advisor (Cost)/Director (Cost) for non-delegated cases/ delegated cases respectively. BMC to commence benchmarking on bid submission for concurrent actions.

61. **Costing Committee (CC).** A Costing Committee (CC) may be constituted by Acquisition Wing for cases where equipment is being procured from DPSU/ PSU/ JV formed based on IGA, in a Single Vendor Case or when nominated as BNE. The Costing Committee would be chaired by the Advisor Cost/ Director Cost for Non-Delegated and Delegated cases and include representatives of User Directorate of SHQ, Procurement Directorate, MoD Fin/ IFA Capital, QA Agency, Maintenance Agency and other members as required. Costing committee will be constituted along with CNC, if required. The Costing committee will forward the pricing of the DPSU equipment to the Chairman concerned of the CNC (at MoD/ SHQ). The pricing shall have validity of three years from its date of promulgation and such price may be adopted by the CNC. The Costing committee may be tasked to carry out fixation of reasonable price for basic version of the product being procured. It will be incumbent upon the JV to share its costing data with the Costing Committee, as and when requested. In this case, the CC will submit its report to the DG (Acquisition) and the CNC will establish reasonability of the overall cost. CC report would be finalised within six weeks of its constitution.

62. **Benchmarking.** CNC will deliberate on the recommendations of the Benchmark Models Committee (including additional inputs from other sources as deemed necessary) and finalise the Benchmark price , before opening the commercial offer. In cases where Benchmarking could not be completed by the Bench Marking Committee , the entire benchmarking activity will be undertaken by the CNC itself.

63. **Previously Contracted Cases.** Cases in which contracts have earlier been signed and benchmark prices are available, the CNC would arrive at the reasonable price, taking into consideration the escalation/foreign exchange variation factor. The endeavour should be to conclude the CNC at the earliest. For certain category of items, where orders have been placed in the past, there could be downward trend of prices since the last contract. It would thus be necessary for the CNC to verify that there has been no downward trend since the last purchase.

64. **Revision of Commercial Bid.** Usually, commercial bids would be sought with a validity for eighteen months from the last date of bid submission. In cases where PVC is not applicable, if the validity of the commercial bids submitted by vendors expire before acceptance of staff evaluation, vendors would be given an option to either extend the validity of the commercial bid for a specified period (the period to be decided in consultation with SHQ) or to submit fresh commercial proposals (except in resultant/ single vendor cases). In case the vendors desire to submit fresh commercial proposal, their old proposals would be returned unopened to them by the respective JS&AM/ SHQ. If in case vendor does not exercise either of the options prior to expiry of bid, the bid will lapse and stand rejected and the vendor will not be a part of the ongoing procurement process. Post approval of staff evaluation, the vendor will be only allowed to extend the validity of the commercial bid.

**65. Opening of Commercial Bids.** The sealed commercial bids of only the compliant vendors will be opened by the CNC at a predetermined date and time, previously intimated to these vendors. Such vendors or their authorised representatives will be permitted to be present during the opening of the commercial bids. The bids of the compliant vendors shall be read out to all members present and signed by all members of the CNC.

**66. Return of Commercial Bids.** For cases where the RFP is retracted after submission of the bids or a vendor is rejected at TEC/Staff Evaluation stage or a vendor unilaterally withdraws before opening of Commercial bid from the acquisition process with sufficient reason as accepted by SHQ, commercial offers along with EMD and PCIP, as submitted, would be returned unopened to such vendors by the JS & AM /SHQ. PCIP & EMD will be returned to such vendor provided, that the vendor gives an undertaking that he neither does not have any complaint nor intends to make any complaint in future. On declaration of L1 vendor, the other vendors are at liberty to withdraw their EMDs. However, the attention of vendors may be drawn to Para 69 and 70 below regarding negotiation with L2 vendors. The EMDs of such vendors will be returned within six weeks of application for withdrawal of EMD.

**67. Preparation of Compliance Statement.** The CNC will prepare a ‘Compliance Statement’ incorporating the commercial terms offered in the RFP and those sought by the vendor(s), analysis of the discordance and the impact of the same. A similar statement would be prepared in regard to deviations noticed in the delivery schedules, performance-cum- warranty/ guarantee provisions, acceptance criteria, Engineering Support Package (ESP), Life Cycle Support etc.

**68. Comparative Statement of Tenders (CST) and Declaration of L1 Vendor.** The CNC would prepare a CST for evaluating the offers and determine the lowest acceptable offer (L1 Vendor). Declaration of the L1 Vendor will be done by the CNC at a predetermined date and time, previously intimated to applicable vendors.

#### **69. Price Negotiations.**

**69.1. Negotiation with L1 Vendor.** Price negotiations would not be carried out with the L1 vendor once the reasonability of the price quoted by the vendor is established, ie the price of the vendor is found to be within the benchmarked price.

**69.2. Negotiation with Other than L1 Vendor(s).** If the bidder, whose bid has been found to be the lowest evaluated bid withdraws or whose bid has been accepted, fails to sign the procurement contract as may be required, or fails to provide the security as may be required for the performance of the contract or otherwise withdraws from the procurement process, the Procuring Entity shall cancel the procurement process. However, the Procuring Entity, on being satisfied that it is not a case of cartelisation and the integrity of the procurement process has been maintained, may, for cogent reasons to be recorded in writing, offer the next successful bidder an opportunity to match the financial bid/ negotiated price and terms and conditions of the first successful bidder (L1). If the offer is accepted, the Procuring Entity will award the contract to the next successful bidder at the financial bid/ negotiated price and terms and conditions of the first successful bidder (L1), subject to reasonability of the price bid being established by the CNC.

**70. Negotiations in Cases of Splitting of Source of Supply.** In cases, where specific approval has been taken in the AoN to have more than one source of supply, ratio of splitting the supply will be pre disclosed in the RFP and negotiations will be done with the L1 vendor. Once the negotiations have been concluded with L1 vendor, negotiations will be done with the next successful vendor (only one) L2,L3 etc, provided the next vendor agrees to accept the price and terms and conditions quoted by/negotiated with the L1 vendor. It will be ensured that the overall approval number of vendors and the ratio of slitting the supply will be as per the AoN. In case no subsequent successful vendors agree

to match the price and terms and conditions of the L1 vendor, the contract will be signed with the L1 vendor for the complete quantities.

**71. Cases Involving Buyer Nominated Equipment (BNE).** In cases where BNE is being procured from a common single source, whether DPSU or private vendor, the commercial bid will clearly indicate the cost of BNE as quoted by DPSU/ private vendor, with documentary proof. The scope of BNE cost indicated shall include the basic cost of the Main Equipment and OEM Training, Training Aggregates, Documentation, SMT/STE, Freight and MRLS as applicable/as indicated in the RFP, which are exclusively sourced from the nominated vendor (OEM). L1 in such cases will be determined after deducting the cost of the DPSU/ private vendor supplied BNE, from the total cost quoted by the vendor. However, payment will be made to the vendor after adding the actual cost of BNE, at the time of purchase from DPSU/ private vendor, to the L1 cost determined as mentioned above; the cost of equipment supplied by DPSU/private vendor will be considered minus GST and other taxes and duties. This provision is applicable only in cases where the BNE has to be procured from a common single source, whether DPSU or private vendor and BNE rate in such cases would also be separately negotiated with the nominated BNE vendor. If the number of single vendor BNE items is large, the RFP Collegiate may restrict the list of items to be excluded from L1 determination, based on the total cost of each item and its impact on L1 determination and included in the RFP accordingly.

**72. Offer of Latest Specifications at CNC Stage.** In cases involving long gestation time, the L1 vendor may offer latest specifications for obsolescence management of the equipment at no additional cost, at the CNC stage. The CNC will be empowered to negotiate and recommend acceptance of the same to the CFA provided all parameters are met. Limited Validation Trials of the equipment may be carried out in these cases by the SHQ on the FoPM, before grant of Bulk Production Clearance.

**73. Maintenance ToT Contract.** In case 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.

**74. Annual Maintenance Contract (AMC)/ Comprehensive Maintenance Contract (CMC)/Life Cycle Support Contract (LCSC)/ Performance Based Logistics (PBL).** The CNC would also negotiate the terms of AMC/CMC/LCSC/PBL along with the Main Contract, where applicable. For LCSC, CNC would finalise the following with the L1 vendor:-

- 74.1. Assured supply of information on product/technological improvement, modifications and upgrades.
- 74.2. Obsolescence management and life time purchases.
- 74.3. An illustrated spares price catalogue with base price and pricing mechanism for long term.
- 74.4. LCSC would be signed along with the Main Contract and would clearly stipulate the obligations of vendor towards provisioning Life Cycle Support for the equipment.

**75. Acceptance Test Procedure (ATP).** ATP for the equipment of L1 vendor finalised during the Technical Trials will be submitted during the process of the CNC and included in the draft contract. Details of QA agency of the Buyer {First Party (SHQ)/ Second Party (DGQA/DGAQA/DGNAI/MSQAA)/ Third Party Inspection (TPI)}, as applicable for PDI will also be finalised in the ATP. In case FET is not applicable, the ATP will be finalised during the CNC. In case Validation Trial on FOPM equipment is envisaged after signing of Contract, ATP may be finalised during validation trials of FOPM. Provision for same to be incorporated in the contract.

**76. CNC Report.** The CNC will submit the Report within eight weeks for Indian and twelve weeks for Global negotiations from date of opening of commercial bids. Delays will be reported to DG (Acquisition) for non-delegated cases and CISC/VCOAS/VCNS/DCAS/DGICG for delegated cases respectively. The CNC will document the selection of vendor using a formal written recommendation report addressed to the relevant approving authority. All CNC members should sign the recommendation report. Any dissenting view, including the reasons for the same, should also be documented. The CNC Report should include among others:-

- 76.1. A brief background to the requirement.
- 76.2. Composition of the CNC.
- 76.3. An explanation of the commercial evaluation process, selection criteria and commercial evaluation matrices, if used.
- 76.4. Brief description of different phases of the commercial negotiation process.
- 76.5. Draft Contract Document.
- 76.6. A summary of the recommendations.

### **Award of Contract**

**77. Draft Contract.** The Standard Contract Document (SCD) at **Appendix A of Chapter XII of Handbook on Guidelines and Annexures** indicates the general conditions of contract that would be the guiding all capital acquisitions. The date of signing of the contract would be the effective date of contract for all acquisitions, unless the contract specifies otherwise. The proposed Standard Clauses need not be applicable to IGA procurements. The L1 vendor will submit the Draft Contract (based on the SCD) to the CNC for vetting by all the stakeholders. The CNC will finalise the Draft Contract before seeking CFA approval.

**78. CFA Note.** The CFA Note will be processed by JS & AM for non-delegated cases and SHQ for delegated cases, in order to obtain expenditure sanction and CFA approval.

- 78.1. The CFA Note will be initiated within two weeks of finalisation of the CNC Report.
- 78.2. In cases where CNC, constituted based on AoN cost, negotiates a contract price of higher/lower delegated powers, the CFA Note will be submitted to the applicable CFA (as per total contract price) for approval.
- 78.3. In cases where CCS is the CFA, a Draft Cabinet Note (DCN) would be additionally prepared and moved along with the CFA Note.

**79. CFA Approval.** The Cabinet Committee on Security (CCS) has approved delegation of financial powers to sanction Capital Acquisition proposals covered in the Services Capital Annual Acquisition Plans vide MoD ID No. F. No.470/Dir (Acq)/07 dated 12 September 2007 and last updated vide MoD ID 20(11)/2015- D(GS-IV) dated 19 February 2019, as follows:-

- 79.1. Upto Rs 300 crores - CISC, VCOAS, VCNS, DCAS and DG ICG
- 79.2. Above Rs 300 crores and upto Rs 500 crores - Defence Secretary.
- 79.3. Above Rs 500 crores and upto Rs 2,000 crores - Raksha Mantri.
- 79.4. Above Rs 2,000 crores and upto Rs 3,000 crores - Finance Minister.

79.5. Beyond Rs 3,000 crores - CCS.

80. **Contract Signing.** The contract(s) will be signed by the JS & AM or by an officer authorised by the PSO at the SHQ for Non-Delegated and delegated cases respectively, within two weeks of approval being obtained from the CFA. The SHQ rep from maintenance/sustenance agency will sign the Life Cycle Support Contract along with the main contract.

81. **Delivery Schedule.** The date of commencement of delivery schedule would be reckoned from the date of release of Advance payment by the Buyer to the Seller, provided the Seller submits the requisite documents for release of advance payment by the Buyer within 45 days of signing of contract.

81.1. In the event of the Seller not submitting the said documents within 45 days of signing of contract, the period between the 45th day and actual submission of documents will be excluded from the actual date of advance payment to arrive at the delivery date.

81.2. In case, no advance is to be paid, the date for reckoning date of delivery would be the date of signing of contract.

81.3. In cases where in Advance payment is to be released after successful validation of First Off Production Model (FOPM), date of accord of Bulk Production Clearance will be the date for reckoning date of delivery.

### **Post-Contract Management**

82. Post Contract Management involves ensuring compliance with the terms and conditions of contract, managing contractual amendments, quality assurance, timely payment and deliveries, and resolving claims and disputes. While responsibility for contract administration and management would be that of the SHQ concerned, post contract monitoring would be conducted by the Acquisition Wing. All issues related to Post Contract Management will be governed as per **Chapter XII of DAP 2026**.

83. **Option Clause.** Where only part quantity of an equipment is being procured, SHQ will built-in provision for an 'Option Clause' in the main contract to procure additional equipment, spares, facilities or services, till last delivery of the main equipment, as per the cost, terms and conditions set out in the original contract. Such cases would be included in the SoC, at the time of seeking AoN for the initial procurement. All terms and conditions of the original contract will apply to the case in which Option Clause is being exercised. Price Variation Clause, FERV etc, if applicable and included in the original Contract, will also be applicable for Option Clause Contract. For arriving at prices payable, the Price Variation will be applied on the Base Contract price of the original Contract with the month and year of Effective date of Contract (TC) as Base Level Indices. All cases shall include a specific analysis of feasibility of exercising Option Clause. MoD (Fin) shall assess long-term financial implications of exercising Option Clause in each case.

84. In case of missile procurement the option to procure missiles in two forms, one in ready to fire configuration and partially ready to fire may be included the quantity of each will be specified in the SoC

### **Oversight by IEMs**

85. Acquisition Wing will seek oversight by IEMs in case of complaints, based on the recommendation by Defence Secretary/DPB/DAC for multivendor cases (not applicable when only DPSUs are participating). The IEMs report will be submitted to the Acquisition Wing within thirty days. The period for report submission can be extended up to a maximum of thirty days with the approval of DG (Acquisition). SHQ will provide the Secretarial support to the IEMs and ensure availability of all inputs from Acquisition Wing, MoD (Fin) and DDP. All reports opined by the IEMs

as vexatious or frivolous or lacking cogent evidence will be put up for acceptance of the Defence Secretary. IEM Reports which ascertain genuineness of the complaint and recommend that cognisance of the complaint/action be taken, the same will be forwarded to the Defence Secretary for acceptance. ADG Acquisition Tech will intimate the vendors upon acceptance of the IEM report.

### **Firms Debarred/ Put on Hold/ Suspended from Doing Business with MoD**

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

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

87. Whenever a change in vendor name occurs during any stage of procurement process (from submission of RFI till execution of complete contract) due to any reason such as change in business strategy, merger/ acquisition or any other reason resulting in losing its original legal identity, guidelines/procedure as given at **Appendix H to Chapter II of Handbook on Guidelines & Annexures**, are to be followed. JS & AM will inform all concerned organisations of MoD regarding the change of name of vendor.

### **Acquisition of ICT/ Software Intensive Products**

88. Acquisition of Information & Communication Technology (ICT)/ Software Intensive products differ considerably from the regular acquisition projects. The software and hardware elements of these projects usually require periodic up-gradations and intense obsolescence management to maintain tactical dominance. To provide an efficient and agile acquisition mechanism for acquisition and up-gradation of such products, certain provisions are incorporated additionally, to be read in conjunction with provisions of this Chapter.

89. ICT/ Software Intensive Products includes Software intensive ICT solutions including Artificial Intelligence solutions running on commercial hardware and/ or modified commercial hardware and/ or military grade hardware and netware as required, with significant collective software content amounting to more than 50% by estimated value. In addition, the software shall be the major development outcome of the project. Justification to this effect for consideration as ICT project shall be included in the SoC for consideration by AoN according authority. The ICT programmes can be any of the following types:-

89.1. Development of standalone bespoke software.

89.2. Independent ICT systems involving development of software, testing and deployment of the software on the hardware environment either separately provisioned by the buyer or already existing with the buyer or provisioned by the bidder as part of the contract along with the software.

89.3. Turnkey projects involving development of software, provisioning of hardware and other associated infrastructure and commissioning the system as a standalone system or integration with other systems as a system of systems.

89.4. Cyber systems including auditing systems and services.

89.5. Artificial intelligence projects that has AI output as the main deliverable.

89.6. Quantum Computing, Supercomputing, Big Data Analytics or any major recognised developing advancement in the field of computing.

90. Long-term maintenance of the above programmes through AMC/ ATS/ CMC etc may be taken up along with the respective acquisition projects. In addition to the above, enhancements to ICT products in use by way of upgrade and/or augmentation of features/ capabilities and/or development of a next version of the application software that cannot be taken up through OCPP under Chapter VIII may also be progressed under these provisions. Entire flow of activities in ICT solution acquisition has been defined at **Appendix H to Chapter II of Handbook on Guidelines & Annexures**. A flowchart depicting the broad activities involved in the acquisition of ICT products is placed at **Annexure I to Appendix H to Chapter II of Handbook on Guidelines and Annexures**.

### **Acquisition through GeM**

91. SHQs will mandatorily procure equipment available on GeM through GeM portal. The SQRs for equipment to be procured through GeM to be aligned with the technical specifications of the equipment available on GeM. Vendors desirous of offering their products to Defence Services will mandatorily register on Government e-Marketplace (GeM) portal. To enable confidentiality, GeM authority would be required to create a separate pull down tab for defence products, access to which would be restricted (MoD, SHQs, ICG, MHA). The procedure to be followed would be as defined by the Standard Operating Procedure (SOP) issued by the Ministry of Commerce and Industry for undertaking acquisitions on the GeM portal. Any variation from this SOP deemed essential to cater for Capital Procurement by MoD, will be taken up by the Acquisition Wing, MoD with Ministry of Commerce and Industry. Until the capital procurement related amendments are made by GeM authorities the existing SoP on GeM to be followed. The tender in GeM procurement cases will be uploaded by nominated rep in SHQ.

### **Turnkey Projects**

92. These are cases where the project involves supply, installation and commissioning of varied machines/ equipment for establishing specialised maintenance/ information technology/ communication/ storage/ overhauling facilities (with or without infrastructure) at one or more locations in the country. Such projects including up-gradation/ modernisation of existing assets may be carried out on Turnkey Basis and may also include setting up of requisite specialised technical infrastructure. The scope of such projects is large and varied involving number of activities; hence there is a requirement of identifying a single agency capable of completing the project on a Turnkey basis. SOP for undertaking Turnkey Projects promulgated vide MoD ID No. 3(65)/D(Acq)/14 dated 17 October 2014 is placed as **Appendix J to Chapter II of Handbook on Guidelines and Annexures**.

### **Long Term Bulk Acquisition**

93. High tech and capital intensive equipment/ weapon systems which are complex system of systems and are required by the Services on a long term basis, with regular upgrades can be procured by this procedure.

94. **Scope.** The features of this procurement are as follows:-

94.1. Procurement in multiple tranches.

94.2. First AoN for procurement needs to mention the complete requirement of the quantities by the Services and the quantities that are being planned to be procured in the first tranche. AoNs for subsequent tranches to specify, the part quantity being planned to be procured for the instant tranche, out of the total quantity approved in the first AoN.

94.3. The Procurement to be based on SQRs which can be upgraded tranche wise.

94.4. **Trials.** Complete FET will be undertaken during the first tranche of procurement and only limited validation trials may be undertaken for the subsequent tranches of procurement based on the upgraded SQRs.

94.5. The IC can also be increased progressively tranche wise from the first tranche procurement onwards.

94.6. In the first tranche of procurement, vendors (L1 and L2) will be finalised based on competitive selection as a regular capital procurement case as in this chapter, with the split in quantities as approved in the AoN. During the second and subsequent tranches of procurement only these two vendors who were L1 and L2 in the procurement process of the first tranche will participate in the procurement process. However, only commercial bids will be sought from the vendors in the subsequent tranches. The subsequent tranches of procurement may be progressed based on upgraded SQRs with Limited Validation Trials for these upgrades.

95. **Process.** The procurement process will be same as a regular capital procurement as in this chapter with following exceptions: -

95.1. The RFI will be undertaken only once before the processing of the AoN.

95.2. The SQRs will be formulated for the first tranche of procurement, and can be upgraded for each subsequent tranche. The upgrade to be processed as in para 6 of Ch II.

95.3. A complete FET will be undertaken only for the first tranche and only LVT may be undertaken for the subsequent tranches in case of upgrades in SQR.

95.4. Only two vendors will be selected in the first tranche of procurement and contract placed on L1 & L2 with splitting of quantities.

95.5. In the subsequent procurements only commercial bids will be sought from the two vendors.

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

96. It may be proposed to procure equipment from foreign countries on geo-strategic considerations. These considerations may determine the choice of a specific platform or equipment on single vendor basis. Such procurements would not classically follow the Standard Procurement Procedure and the Standard Contract Document, but would be based on mutually agreed provisions between the Governments of both the countries. The procurements in such cases may be based on technical specifications and testing procedures of the OEM itself. Such procurements will be carried out based on an Inter-Governmental Agreement (IGA) after clearance from CFA, and would be progressed with the approval of AoN according authority. The broad procedure for concluding of an IGA will be as under: -

96.1. Approval of broad framework related to the proposed IGA, along with AoN, by the DAC.

96.2. Negotiations with the foreign Government agency/OEM by a Committee comprising of representatives of the Acquisition Wing, SHQ concerned, Defence (Finance) and the nominated domestic manufacturer, if any, to determine draft terms of the IGA; to include estimated price, availability, indigenisation plan etc.

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

96.4 **Waiver of Trials.** The justification for waiver of trials for equipment procured in Buy Global cases through IGA may be included in the SoC.

97. In case of Single Vendor procurements, if an IGA exists between GoI and that country regarding specific contractual clauses, then the terms and conditions of such agreement (FMS/ SCOC, etc) would supersede the corresponding standard clauses of DAP. Such cases could be progressed with approval of the AoN according authority.

98. JS & AM /SHQ for non-delegated/delegated cases are authorised to issue the RFP/LoR/Memorandum/LoI and sign the Contract/LoA, as applicable. The following cases would fall under the purview of this provision:-

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

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

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

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

100. **Co-development.** There may be cases where it is proposed to co-develop a product/equipment offering transformative/unique/niche technology; or a futuristic equipment /platform with a foreign country; or where co-development is likely to benefit ongoing indigenous projects in India. Such cases will be progressed under an IGA/specific Project Agreement, after clearance from the AoN according authority based on the estimated cost of the project.

101. **Co-production.** Similarly, there may be cases where it is proposed to work with a foreign entity to co-produce equipment/assemblies/sub-assemblies/spares for defence usage in India. Co-production opportunity may be progressed in any of the following cases with approval of the AoN according authority based on the ultimate estimated cost of the project:-

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

101.2. The platform/equipment is of unique nature, not available or not being offered by other nations, and/or

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

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

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

### **Monitoring Mechanisms**

**102. Review of Adherence To Timelines.** Time frame for completion of steps involved in procurement of equipment by the Services is given at **Appendix K to Chapter II of Handbook on Guidelines and Annexures**. Vice Chiefs/DG (Acquisition)/ Defence Secretary/ will review cases involving delay of more than twelve weeks/ twenty-four weeks/ one year respectively, at all the steps of the acquisition process. The details are as per **Appendix L to Chapter II of Handbook on Guidelines and Annexures**.

\*\*\*\*\*

## **CHAPTER III**

# **PROCEDURE FOR PROCUREMENT UNDER ‘MAKE’ CATEGORY**

## CHAPTER III

### PROCEDURE FOR PROCUREMENT UNDER ‘MAKE’ CATEGORY

#### **Introduction**

1. R&D and innovation remain important cornerstones of India’s defence production strategy. The emerging dynamism of the Indian industry needs to be harnessed to build domestic capabilities for designing, developing and manufacturing state-of-the-art defence equipment. This strength needs to be leveraged to catapult India to the next level of frontier defence technologies, both for domestic use as well as to foster exports. The ‘Make’ category outlined in this chapter attempts to further build on these initiatives and provide a focused, structured and significant thrust to the development of defence design and production capabilities in the country. The ‘Make’ category comprises Make-I, Make-II and Make-III sub categories.

#### **‘Make’ Sub-Categories**

2. **Make-I (Government Funded).**

2.1. Make-I sub-category, as defined at Para 18.1.1 of Chapter I of DAP 2026, refers to the acquisition of equipment / system / platform or their upgrades or their sub-systems / sub-assembly / assemblies / major components, material, ammunition and software, as the case may be, to be designed, developed and manufactured by Indian vendors as defined at Para 23 of Chapter I of DAP 2026, including additional conditions at Sub-Paras 23.1 and 23.2. Meeting stipulated Indigenous Design (ID) and Indigenous Content (IC) requirements.

2.2. For Projects under the Make-I sub-category, the MoD will provide financial support up to **70%** of the prototype development cost or a maximum of Rs 400 crores per Development Agency (DA). However, the percentage or upper limit of financial support to be provided may exceed the above on a case to case basis, if approved by the AoN according authority. Further, Acquisition wing may also issue a list of platforms / systems / equipment for which 100% Government funding shall be provided to promote growth of indigenous defence ecosystem. Funding would be released in a phased manner based on the progress of the scheme, as per the terms agreed in the PSO. The defining attributes of projects under the Make-I sub-category are as per Para 22.5 of Chapter I of DAP 2026.

2.3. **Graduation of iDEX / TDF Projects to Make-I.** If an iDEX / TDF project has the potential for next-level development, in such a case, SHQ may propose a Make-I project as a graduated iDEX / TDF project. In such projects, the relevant successful iDEX winners / TDF DAs will be directly issued the RFP for solicitation of a commercial offer for proto-type development and procurement phase; however, DA selection process post RFP shall remain the same.

3. **Make-II (Industry Funded).** Make-II sub-category, as defined at Para 18.1.2 of Chapter I of DAP 2026, refers to the acquisition of equipment / system / platform or their upgrades or their sub-systems / sub-assembly / assemblies / major components, material, ammunition and software, as the case may be, to be designed, developed and manufactured by Indian vendors as defined at Para 23 of Chapter I of DAP 2026, including additional conditions at Sub-Paras 23.1 and 23.2 and meeting stipulated ID and IC requirements. Projects under Make-II shall be industry-funded and financial support shall not be provided by MoD for prototype development to the DAs. The defining attributes of projects under the Make-II sub-category are as per Para 22.5 of Chapter I of DAP 2026.

4. **Make-III.** Make-III sub-category, as defined at Para 18.1.3 of Chapter I of DAP 2026, refers to acquisition of equipment / system / platform or their upgrades or their sub-systems / sub-assembly /

assemblies / major components, material, ammunition, software or establishment of their MRO facilities, as the case may be, to be manufactured by Indian vendors as defined at Para 23 of Chapter I of DAP 2026, excluding additional conditions at Sub-Paras 23.1 and 23.2 and meeting stipulated IC requirements, as import substitution of weapon systems / equipment held in the inventory of the Services. Projects under Make-III shall be industry-funded and financial support shall not be provided by MoD for prototype development to the DAs. Indian firms may manufacture these either in collaboration or with ToT from foreign OEMs. In this category, an Indian vendor can enter into a JV with OEM. The defining attributes of projects under the Make-III sub-category are as per Para 22.6 of Chapter I of DAP 2026.

5. Successful development under Make-I and Make-II would result in acquisition from successful Development Agency(ies), through the 'Buy (Indian-IDDM)' category. Schemes under Make-III will be procured under the Buy (Indian) and Manufacture in India category.

6. **Spiral Development Approach.** Projects that require a spiral developmental approach based on the niche technologies need to be identified during the Feasibility Study and the PSQRs for all stages of spiral development, along with tentative MoQ, should be recommended by the SHQ / PFT. The same shall be part of the Expression of Interest (EoI), subject to approval by the AoN according authority. The modalities for progressing a spiral development project are as follows:-

6.1. The aspect and scope of Spiral Development, subject to successful completion of the first stage, shall be included in the EoI, along with PSQRs and MOQ for spiral development.

6.2. Post successful completion of Trials (FET / SSCT) and SQR finalisation, the SoC for AoN for the spiral development shall be initiated without seeking fresh Approval in Principle (AIP), if the envisaged capability through spiral development is relevant at that time.

6.3. The Development Agencies, which successfully pass the FET / SSCT of the first stage of development, shall qualify to be the development agencies for Spiral Development.

6.4. SHQ shall endeavour to select at least two DAs for prototype development in all spiral development cases. However, spiral development shall be progressed ahead even if a single DA qualifies. In case none of the development agencies of the first stage qualify or participate in the spiral development, the project shall be fielded as a fresh Make proposal and an AIP by Make Collegiate shall be obtained.

### **Development Agency (DA) Pre-Qualification Criteria**

7. DAs must hold a valid defence Industrial License (IL) before or at the time of opening of commercial bids in response to RFP (revised commercial offer in case of Make-I), failing which their bids may be rejected. In case of any Association of Persons / Consortium participating in 'Make' projects, the lead member should be in possession of the industrial license along with a stake of at least 26% in the consortium. The DA prequalification criteria for Make-I shall be as per Paragraphs 11 to 15 of Annexure I to Appendix A to Chapter I of Handbook on Guidelines and Annexures. However, the following exceptions / additional conditions shall be applicable to Make-II and Make-III sub-categories:-

7.1. For projects having cost of procurement phase less than Rs. 100 Crore per year based on delivery schedule at the time of seeking AoN, there will be no commercial and financial criteria.

7.2. For all cases having cost of procurement cost more than Rs. 100 Crore per year based on delivery schedule at the time of seeking AoN, the entity should have:-

7.2.1. Average annual turnover of the applicant company for the last three financial years ending 31st March of the previous financial year, should not be less than 5% of the estimated cost of the project.

7.2.2. Net worth of the entities ending 31st March of the previous financial year should be “Positive”.

7.3. In case of wholly owned subsidiary / subsidiary of a company, the strengths of its holding company may be taken into account for the financial criteria, if the holding company provides the ‘Holding Company Guarantee’ as per the format prescribed at Annexure-I of Appendix D of Chapter III of Handbook on Guidelines and Annexures.

7.4. Other Technical criteria will be determined by SHQ based on the project requirement in consultation with DDP and DRDO as applicable. These could include, inter alia, the facilities necessary for development, fabrication or assembly of the product and design and manufacturing capabilities such as design simulators / software, tempering and machining, specialised welding technology, high-end control systems, etc., (as applicable).

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

7.6. **MSME / Start-ups.** The technical gates for MSMEs / **Start-ups** will be decided on a case-to-case basis by SHQ, contingent upon the complexity of the project. Financial relaxations for MSMEs / Start-ups shall be as per Para 14 & 15 of Annexure I to Appendix A of Chapter I of Handbook on Guidelines and Annexures.

8. **Incentives for MSMEs.** Projects under the Make categories, with procurement not exceeding Rs **100** Crore per year, based on the delivery schedule at the time of seeking AoN will be earmarked for MSMEs. However, if at least two MSMEs do not express interest in a Make programme earmarked for them, the same shall be opened up for all.

9. **Development by Association of Persons / Consortium.** In case of development by an AoP/ consortium, EoI / RFP shall be issued to the ‘Lead Member’ who will submit an undertaking to supply the required quantities under the procurement phase with life cycle support for the product. Foreign vendors may be a part of a consortium participating in the ‘Make-I & Make-II’ Projects, provided complete design and IPRs are held by the Indian vendor as per Para 23, including additional conditions of Paras 23.1 and 23.2 of Chapter I of DAP 2026.

### **Planning, Evaluation and Acceptance of Necessity in Make Projects**

10. The acquisition process under the three Make Categories mentioned in Paragraphs 2 to 4 above would involve the following common procedural activities, elucidated in succeeding paragraphs.

#### **11. Advance Planning and Consultations.**

11.1. **Identification of Projects and Consultations with Industry.** Post the RFI response analysis / Preliminary Studies as per Paras 7 to 12 of Chapter I of DAP 2026 in consultation with the industry, SHQ shall identify potential projects to be undertaken under the Make Category in accordance with the defining attributes given in Para 22 of Chapter I of DAP 2026. Further details are as per Para 2.1 of Appendix A of Chapter III of the Handbook on Guidelines and Annexures.

11.2. **Approval-In-Principle (AIP) of Make Projects.** Potential projects identified under Make by SHQ shall be deliberated for granting initial AIP by the ‘Make’ Collegiate, headed by

the Secretary (DP), which shall accord an initial AIP for 'Make' Category. Further details are as per Para 2.2 of Appendix A of Chapter III of the Handbook on Guidelines and Annexures.

**11.3. Suo-moto Proposals.** Industry can also forward Suo-Moto proposals under Make-II and Make-III. SHQ shall inform the industry about Suo-Moto proposals that have been accepted for accord of AIP and those not accepted for further pursuance. Further details for processing Suo Moto proposals are as per Para 2.3 of Appendix A of Chapter III of the Handbook on Guidelines and Annexures.

**12. Project Facilitation Team (PFT).** SHQ shall form a PFT for each make project as per the details given in Para 3 of Appendix A of Chapter III of the Handbook on Guidelines and Annexures, to carry out the activities given in Appendix A of Chapter III of the Handbook on Guidelines and Annexures. The composition of the PFT shall be included in the SoC for AoN.

**13. Feasibility Studies.** The feasibility study carried out by SHQ / PFT in consultation with the industry should include details of the Feasibility Study as given in Para 5 of Appendix A of Chapter III of the Handbook on Guidelines and Annexures. The Feasibility Study Report shall be deliberated for granting specific AIP by the 'Make' Collegiate, headed by the Secretary (DP), for classification as Make-I, Make-II or Make-III sub categories. After AIP of Make projects, the details of AIP of all cases, except classified cases, will be uploaded on the MoD / SHQ website. Any vendor evincing interest within three weeks of uploading shall also be assessed for capability and shall be considered a probable vendor.

**14. Preliminary Services Qualitative Requirements.** SHQ, in consultation with other stakeholders concerned, would formulate the PSQRs, specifying essential and desirable parameters as per Para 14 of Chapter I of DAP 2026. The additional aspects with respect to the formulation of PSQRs are as per Para 4 of Appendix A of Chapter III of the Handbook on Guidelines and Annexures.

## 15. Accord of AoN.

**15.1.** SHQ shall prepare the SoC and seek AoN in accordance with the procedures outlined in Chapter II of DAP 2026. The additional aspects for formulating the SoC are given in Para 5 of Appendix A of Chapter III of the Handbook on Guidelines and Annexures.

**15.2. Multiple Technological / Source Solutions.** For Make cases involving large quantities and where multiple technological / source solutions are available and acceptable, SHQ may seek approval of AoN according authority for dividing specified quantities (in the appropriate ratio) between two vendors with lowest bids (referred to as L1 & L2), who have successfully developed the prototype / product, on the condition that the second (L2) vendor accepts the price and terms & conditions quoted by the L1 vendor. In case the L2 vendor refuses to meet the price or the terms & conditions of the L1 vendor, either the L3 and subsequent vendors could be offered the same option to match the L1 price and terms & conditions or the entire order could be placed with the L1 vendor in case no eligible vendor agrees to terms and conditions of L1. This provision would need to be included in the SoC seeking AoN and if approved, in the EoI / PSO / RFP, as applicable. In case Multiple Technological Solutions are not acceptable, the other successful vendor(s) will be issued a certificate indicating that their product has been successfully trial evaluated, to facilitate vendors to explore other markets.

**15.3. Pre-Contract Integrity Pact (PCIP).** For Make and Innovation, Pre-Contract Integrity Pact (PCIP), as per Chapter II of DAP 2026, shall apply mutatis mutandis to the procurement phase of 'Make' projects. Depending upon the sensitivity / secrecy of the information related to the Project, participating vendors may be asked to sign a Non-Disclosure Agreement at the time of sharing the QRs / other sensitive information for certain projects, as deemed necessary by SHQ.

**15.4. Validity of AoN.** In case of 'Make-I' sub-category, the AoN will be valid for one year from the date of accord of AoN, whereas for Make-II and Make-III sub-categories, the AoN will be valid for six months from the date of accord of AoN. In case where EoI, as described in succeeding paragraphs, is not issued within the stipulated period, SHQ shall seek revalidation of AoN with due justification. For cases where the original EoI has been issued within the stipulated period and later retracted for any reason, the AoN would continue to remain valid, as long as the original decision and categorisation (sub-category) remain unchanged and the subsequent EoI is issued within six months from the date of retraction of the original EoI.

**15.5. Progress Monitoring.** The progress of the 'Make' phase would be monitored by the PFT under the overall guidance of the respective Innovation & Indigenisation Organisation. PFT, through the respective 'Innovation & Indigenisation Organisation', will also apprise the progress of the project to the Collegiate Committee headed by the Secretary (DP) every six months.

**15.6. ID Requirements.** In Make-I and Make-II projects, DAs are required to fulfil ID requirements as given in Para 26 of Chapter I of DAP 2026. DAs shall submit an undertaking for ID as per Appendix B to Chapter I of Handbook on Guidelines and Annexures, along with the commercial offers (revised commercial offer for Make-I), failing which MoD may initiate actions in accordance with Para 26.8 of Chapter I of DAP 2026.

**15.7. IC Requirements.** IC requirements shall be fulfilled by the DAs in accordance with Para 27 of Chapter I of DAP 2026. Once the PSQRs are converted to SQRs, the DA shall submit the IC certificate for prototypes developed as per **Appendix D of Chapter I of the Handbook on Guidelines and Annexures**. On completion of deliveries, the DA(s) with whom the contract has been signed shall submit the IC certificate for the project in accordance with Para 27.7 of Chapter I of DAP 2026. MoD may initiate actions in accordance with Para 27.10 to 27.13 of Chapter I of DAP 2026, in case the DAs fail to meet the IC requirements.

**15.8. Classified Projects under Make.** If required, SHQ shall categorise the project as Secret / Confidential before initiating the proposal for AIP, in cases where the capabilities envisaged to be developed under the project are of a very critical nature and need to be maintained secret / confidential for strategic benefits for the country. Any deviation from the prescribed procedure for secret / confidential projects shall be approved by the AoN according authority.

**15.9.** Post the accord of AoN, the 'Follow-on' procedures would vary for each category and are therefore highlighted separately in succeeding paragraphs.

## ‘MAKE-I’

**16.** Under the 'Make-I' category, post the AoN, the development & procurement process would involve the procedures as elucidated in succeeding paragraphs.

**17. Preparation of Project Definition Document by PFT.** The PFT will prepare the Project Definition Document in accordance with the sample format in Appendix C to Chapter III of the Handbook on Guidelines and Annexures. The Project Definition Document shall be approved by the competent authority at the SHQ.

**18. Expression of Interest.** The EoI, along with the Project Definition Document and the format of the DPR, will be issued together to the selected DAs by SHQ. The response to the EoI and the DPR will be submitted by all DAs to SHQ. The modalities of EoI, DPR and shortlisting of DAs are given below:-

**18.1. Issue of EoI and Evaluation.** Post the Feasibility Study, SHQ shall identify vendors with the assistance of the PFT for the issue of EoI. Vendors who are issued an EoI shall have the choice to respond either in their individual capacity as EoI recipients or as an AoP (i.e. consortium), through an AoP Agreement led by an EoI recipient. The sample format for EoI is at Appendix D of Chapter III of the Handbook on Guidelines and Annexures. Additional details for formulation and processing the EoI are given in Para 6 of Appendix A of Chapter III of the Handbook on Guidelines and Annexures.

**18.2. Detailed Project Report (DPRs).** The DPRs, as per the sample format at **Appendix E** of Chapter III of the Handbook on Guidelines and Annexures, will be submitted by the DAs to SHQ for their examination with the EoI responses. The DPR will clearly include the list of trials and items / facilities / consumables, which will be provided free of cost during trials. It will also specify the number of times free tests will be carried out. The liability against any collateral damages / third party, to the extent permitted under the Indian Insurance Act, occurring during the course of trials, should be covered through insurance by the respective DA(s). The cost of such insurance cover may be included in the project under DPR. Submission and acceptance of DPR as per the format will be a Qualification Criteria for the opening of commercial bids for selection of DAs. For this purpose, PSQRs and relevant extracts from the PDD will be shared by the SHQ with the short-listed DAs. DA(s) may collaborate with any company, academic and /or research institutions having the required technologies for the development of the project. DA(s) would be required to disclose the details of such collaborations in DPR. The PFT / SHQ, in consultation with DDP, will evaluate the DPR for the viability of the project.

**18.3. Short listing of Development Agencies (DAs).** Post evaluation of EoI responses and DPR, PFT will forward a list of shortlisted Indian DAs who are capable of undertaking design and development of the equipment to the CISC / VCOAS / VCNS / DCAS / DG ICG (for projects with Government funding for prototype development up to Rs. 200 Cr) / Secretary DP (for projects with Government funding for prototype development of more than Rs. 200 Cr) for approval. If only one DA is shortlisted post evaluation of EoI responses and DPR, the case shall not be considered a single vendor case and shall be progressed without the requirement of waiver from AoN according authority.

## 19. Issue of Commercial RFP.

**19.1.** A commercial RFP will be issued to the shortlisted DAs by Acquisition Wing for solicitation of a commercial offer for Prototype Costing and a commercial offer for the procurement phase. The RFP will be formulated and processed for approval in accordance with relevant aspects of Chapter II of DAP 2026. The RFP will also highlight the clause regarding submission of revised commercial offers for the procurement phase after the finalisation of SQRs. The quantity in the procurement phase should not be less than the MOQ indicated in AoN.

**19.2.** Shortlisted DAs shall be required to submit their commercial offer for the development of Prototype(s) and commercial offer of the Procurement Phase based on the quantities as given in the RFP. The commercial offers for prototype development and the procurement phase will be submitted in separate envelopes.

**19.3.** The sealed commercial offers of the shortlisted vendors will be opened by the Commercial Offer Opening Committee (COOC) with composition akin to Contract Negotiations Committee chaired by Major General equivalent of SHQ / respective JS & AM, as given in Chapter II of DAP 2026, constituted by SHQ for Delegated cases / Acquisition Wing for Non-Delegated cases, at a predetermined date and time under intimation to vendors, permitting such vendors or their authorised representatives to be present during the offer

opening committee. The COOC shall open the commercial bids and check for the correctness of PCIPs / EMD. The opened bids, along with PCIPs and EMDs, shall be forwarded to the PFT for evaluation of the commercial bids. Post recording of compliances, the PFT shall forward the PCIP and EMD to the office of the JS & AM/ SHQ concerned.

19.4. The PFT shall evaluate the commercial bids and prepare a 'Compliance Statement' incorporating the commercial terms offered in the RFP. As the DAs have already been shortlisted for design, development and manufacturing capability during the feasibility study, EoI response and DPR analysis, PFT shall not consider the compliances to PSQRs / Operational Characteristics and Features included in the RFP as a qualification criterion.

19.5 The PFT shall prepare a Comparative Statement of Tenders (CST) for the selection of the Development Agencies (DAs). The PFT will consider a weightage of 30% for the per unit prototype cost in the commercial offer bid for the prototype development phase and a weightage of 70% for the per unit production cost in the procurement phase for the selection of DAs.

20. **Selection of Development Agencies (DAs).** The PFT, in consultation with Acquisition Wing, shall recommend the selection of maximum of two DAs from the shortlisted panel, based on the commercial offers of the DAs for approval of the competent authority. The final selection of DAs for cases with prototype development cost up to Rs. 200 crores shall be approved by the CISC / VCOAS / VCNS / DCAS / DGICG and the selection of DAs for cases with prototype development cost above Rs. 200 crores shall be approved by the Defence Production Board.

21. **Approval of Competent Financial Authority (CFA) for Development.** For Make-I projects, the DDP will obtain financial sanction for project development, based on prototype development costs. The delegation of financial powers for Government funding required for development of prototype(s) in a Make-I project, inclusive of all DAs, is as follows:-

Ser No	CFA	Financial Limit (in Rs)
21.1.	CISC / VCOAS / VCNS / DCAS / DG ICG	Up to 50 Crores
21.2.	Secretary (DP)	50-250 Crores
21.3.	Raksha Mantri	250-400 Crores
21.4.	Finance Minister	400-500 Crores
21.5.	Cabinet Committee on Security	Above 500 Crores

**Note:** - The above table is for cumulative cost of required number of prototypes for all DAs. Amendments to financial powers for Government funding required for development of prototype(s) in Make-I projects, as notified from time to time, shall be promulgated by Acquisition Wing, MoD.

22. **Funding for Projects under Make-I Category.**

22.1. 70% (or as approved by the AoN according authority) of the lowest prototype development cost offered in the commercial bids of the selected DAs will decide the extent of government funding. A maximum variation of 15% in funding may be allowed for the other selected DAs. However, the funding shall not exceed Rs 400 Crore per DA / as approved by the AoN according authority.

22.2. For all projects where MoD is required to fund part of the prototype development cost, an advance of 20% of the agreed share of the prototype development cost will be paid against a bank guarantee for the equivalent amount.

22.3. Balance payment will be paid on completion of the stipulated stages / milestones. On completion of every stage against the milestones detailed in the DPR, DAs will submit claims for reimbursement to PFT. While submitting reimbursement claims, the Chief Executive Officer / a suitable nominee, along with an authorised auditor / licensed Chartered Accountant, will certify the incurred expenditure linked to a particular development stage. Based on the recommendations of PFT, SHQ will reimburse the development cost within eight weeks which may extend up to another four weeks in exceptional cases. The advance will be adjusted proportionately in subsequent payments as per the payment terms prescribed in PSO and bank guarantees will be proportionately and automatically reduced until full extinction.

22.4 Funds for development projects approved under this procedure shall be borne under the Account Head 'Make Procedure-Prototype Development Account' operated by the respective SHQ. The prototype development cost to be borne by the MoD will be decided based on the final cost-share agreed to by the selected DAs (Refer Appendix F of Chapter III of the Handbook on Guidelines and Annexures) in the PSO.

### 23. **Project Sanction Order.**

23.1. The PFT shall formulate the draft PSO in accordance with the format given in Appendix G of Chapter III of the Handbook on Guidelines and Annexures. The draft PSO shall be approved by the Secretary (DP) and post approval, the PFT will issue the PSO to all selected DAs for the development of the prototype.

23.2. The development of the prototypes by DAs shall be monitored by the PFT for compliance with PSQRs, timelines and development milestones, in accordance with the development stages as given in **Appendix G** of Chapter III of the Handbook on Guidelines and Annexures.

23.3. The PFT, in conjunction with SHQ, shall carry out a Confirmation of Prototype Development (CoPD) on the developed prototype to assess the readiness of the prototype for Field Evaluation Trials (FET). On completion of the CoPD, the PSQRs will be converted to SQRs.

23.4. The PSO issued to all DAs shall be deemed as terminated once the Revised Commercial Offer is solicited from successful DAs.

24. **Time Overrun for Development of Prototype.** The approval of extension of timelines for prototype development for any 'Make-I' project up to 25% of the timelines agreed upon in the approved DPR and specified in the PSO may be accorded by CISC / VCOAS / VCNS / DCAS / DG ICG based on the recommendations of the PFT. For extension of time beyond 25%, the matter would be referred to Defence Production Board.

25. **Revised Commercial Offer.** The Revised Commercial bids on finalised SQRs will be solicited from the DAs by Acquisition Wing before the conduct of Field Evaluation Trials. Any increase in revised commercial bids from the earlier commercial bid will be duly justified by the selected DAs.

### 26. **Field Evaluation Trials (FET) and Staff Evaluation.**

26.1. FET would be carried out on developed prototypes as given in applicable paragraphs of Chapter II of DAP 2026. At this stage, no changes should be suggested that require redesigning of the system / subsystem or technology upgrade. Such suggestions would be considered and implemented in subsequent phases of development of follow-on models if required.

26.2. In the performance evaluation stage of the design and development, as given in Appendix H of Chapter III of the Handbook on Guidelines and Annexures, DAs may carry out technical and limited field trials of the developed prototype, under the supervision / monitoring of the PFT. It should be ensured that such tests and trials done at this stage, under the supervision / monitoring of the PFT, should not be repeated during FET, unless necessary, due to modifications of components or integration issues that affect the performance of the prototype.

26.3. A Staff Evaluation will be carried out as given in Chapter II of DAP 2026. Once the Staff Evaluation report is accepted and the final instalment under the prototype development phase, as per DPR, has been released, no more funds will be released from 'Make Procedure - Prototype Development Account'. Post Staff Evaluation, DAs shall be intimated of the status of compliance through the ADG Acquisition Technical concerned.

26.4. As prototype development is government funded, no compensation for successful trials on the prototype shall be made to DAs who qualify in the Staff Evaluation.

27. **Benchmarking by Benchmark Models Committee.** The benchmarking will be carried out as given in Chapter II. The Benchmark Model Committee will also consider the commercial bid submitted by vendors before the development of prototypes for benchmarking.

28. **Commercial Negotiations by CNC and Award of Contract.** CNC shall be carried out as per the provisions of Chapter II of DAP 2026. Additional guidelines on benchmarking and CNC for Make projects are given in Para 7 of Appendix A of Chapter III of the Handbook on Guidelines and Annexures. Post CNC, the contract will be awarded with the approval of CFA as per the delegation of Financial Powers.

### **Other Aspects of Make-I**

29. **Access to Books of Accounts.** The DAs who have been issued a PSO shall maintain separate books of accounts with an independent bank account for the project sanctioned under the Make-I subcategory of prototype development. MoD or its authorised representative(s) shall have unfettered rights to access these books of account of DAs.

30. **Intellectual Property Rights (IPRs).** IPRs in the 'Make-I' projects shall vest as described in Appendix J of Chapter III of the Handbook on Guidelines and Annexures.

### **31. Disposal of Tangible Assets Created in Make-I Projects.**

31.1. The ownership of all tangible assets and the developed prototypes under the Make-I category shall vest with the MoD. These may be passed on to the DAs at depreciated value as per the extant guidelines of the Government of India.

31.2. In case of foreclosed Make-I sub-category of projects, the tangible assets thus created may be disposed of as per the extant government guidelines. Expenditure incurred on intangible assets as defined in the relevant Indian Accounting Standards will be written off with the approval of the competent authority.

32. **Timelines.** Typical expected timelines for undertaking 'Make-I' Projects are contained in **Appendix K** to Chapter III of the Handbook on Guidelines and Annexures.

## ‘MAKE-II’

33. **Shortlisting of Vendors Based on Feasibility Study.** Post the Feasibility study, SHQ, assisted by the PFT shall identify vendors as tentative DAs, for issue of EoI.

34. After the accord of AoN, the development & procurement process under the Make-II subcategory would involve the procedures as elucidated in succeeding paragraphs.

35. **Issue of EoI.** SHQ, duly assisted by PFT, shall issue 'EoI' to shortlisted vendors. EoI for Make-II projects could be on similar lines as EoI of Make-I (less requirement of DPR) and as decided in the feasibility study or by SHQ. However, if PFT has not shortlisted a minimum of three vendors, the EoI shall be uploaded on the SRIJAN-DEEP portal of DDP, MoD and SHQ websites. Responses to EoI shall be evaluated by SHQ, duly assisted by PFT, as per the criteria given in EoI for shortlisting companies as Development Agencies (DAs). The shortlisted DAs shall be approved by CISC / VCOAS / VCNS / DCAS / DG ICG. The sample format for EoI is at Appendix D of Chapter III of the Handbook on Guidelines and Annexures. Additional details for formulation and processing the EoI are given in Para 6 of Appendix A of Chapter III of the Handbook on Guidelines and Annexures.

36. **Evaluation of EoI Responses.** Responses to the EoI will be evaluated by SHQ with PFT's assistance, as per the criteria outlined in the EoI. Shortlisted companies will be designated as Development Agencies (DAs). The project shall be progressed even if only one respondent is found eligible and will not be considered as a single vendor situation.

37. **Issue of PSO.** Post evaluation of EoI responses, SHQ shall formulate the draft PSO as per the suggested format given in Appendix G to Chapter III of the Handbook on Guidelines and Annexures and obtain sanction for prototype development with 'Nil' financial implications from CISC/ VCOAS / VCNS / DCAS / DG ICG and issue the PSO to all the shortlisted DAs for the commencement of development of prototypes. The quantities indicated in the PSO for the Procurement phase shall be as per the MoQ approved by the AoN according authority and cannot be reduced at any future stage, once the PSO has been issued. The PSO issued to all DAs shall be deemed as terminated once the Commercial RFP is issued to successful DAs.

38. **Development of Prototype.** The shortlisted DAs, on receipt of the PSO, shall develop the prototypes. The development of the prototypes by DAs shall be monitored by the PFT. After the issuance of PSO, PFT will act as the primary interface between the SHQ and the industry during the design and development stage to ensure matching of product requirement units / prototype specification with the PSQRs / User Requirements. After the prototype has been developed, the PFT would carry out CoPD to confirm compliance with PSQR. Post CoPD, PSQRs will be converted to SQRs based on the recommendations of PFT.

39. **Time Overrun for Development of Prototype.** Based on the complexity of the equipment, AoN according authority may approve extended timelines for prototype development at the time of the AoN. Any extension of timelines, as approved by the AoN according authority and included in the PSO for prototype development, may be accorded by CISC / VCOAS / VCNS / DCAS / DG ICG based on the recommendations of PFT. In case only a single DA has offered the prototype within the timelines stipulated in the PSO, not more than two extensions will be accorded to other DAs and thereafter the case shall be progressed as a resultant Single Vendor Case. In such cases, total extension for development in the project should not exceed 50% of the development period stipulated in the PSO.

### 40. **Issue of Commercial RFP.**

40.1. A commercial RFP for solicitation of commercial offers for the procurement phase will be formulated and processed for approval in accordance with relevant provisions of Chapter II of DAP 2026. The RFP shall capture all relevant aspects of the PSO issued to the DAs.

Commercial RFP for the procurement phase shall be issued by the Acquisition Wing (for Non-Delegated cases) / concerned SHQ (for Delegated cases) to all DAs who have successfully developed the prototype and cleared the Confirmation of Prototype Development.

40.2. The offers of the shortlisted vendors will be opened by the Offer Opening Committee (OOC), comprising member representatives from all concerned stakeholders, constituted by SHQ (Delegated cases) / Acquisition Wing (Non-Delegated cases) at a predetermined date and time under intimation to vendors, permitting such vendors or their authorised representatives to be present during the offer opening committee. The OOC shall open the technical compliances and check for the correctness of PCIPs / EMD submitted by the DAs.

40.3. The technical compliance, along with PCIPs and EMDs, shall be forwarded to the PFT for evaluation of the bids. Post recording of compliances, the PFT shall forward the PCIP and EMD to the office of the concerned JS & AM / SHQ. The sealed commercial bids of the DAs shall be forwarded to the concerned JS & AM / SHQ for custody till commencement of CNC.

#### 41. **Single Stage Composite Trials (SSCT).**

41.1 SHQ, assisted by the PFT, shall formulate a Trial Directive in consultation with the DAs. The Trial Directive shall be issued to the DAs before commencement of the SSCT. After submission of commercial offers by DAs, the PFT with the requisite empowered members would carry out the SSCT of the developed prototype(s). Make-II projects, where the prototype of only a single firm has cleared the SSCT, would be progressed as single vendor cases and approval of AoN according authority shall not be required.

41.2. The SSCT Report will be accepted by SHQ in case all DAs are compliant. In case any DA is non-compliant, the SSCT report shall be accepted by AS & DG (Acquisition) (for Non-Delegated cases) or CISC / VCOAS / VCNS / DCAS / DG ICG (for Delegated cases). No further trials shall be conducted during the procurement phase.

42.3. Compensation for successful participation in SSCT shall be as per Para 19 of Chapter II of DAP 2026.

#### 42. **Commercial Negotiations by CNC.** The CNC will carry out all processes from the opening of commercial bids till the conclusion of the contract, as per the provisions of Chapter II of DAP 2026. Additional guidelines on benchmarking and CNC for Make projects are given in Para 7 of Appendix A of Chapter III of the Handbook on Guidelines and Annexures.

#### 43. **Award of Contract.** Post CNC, the contract will be awarded with the approval of CFA as per the delegation of Financial Powers.

### **OTHER ASPECTS OF MAKE-II.**

#### 44. **Intellectual Property Rights (IPRs).** DA shall retain title or ownership and all other rights in intellectual property generated during the development of the project. However, the Government shall have 'March-in rights' under which the Government can ask the contractor to grant or may itself grant a license for, inter alia, the following reasons: -

44.1. Where health and safety requirements so require the Government to act in the public interest;

44.2. For National Security Reasons;

44.3. To meet requirements for public use not reasonably satisfied by the contractor;

44.4. For failure of the contractor to substantially manufacture the products embodying the subject invention in India;

44.5. For failure of the contractor to comply with any of the requirements laid down under these guidelines.

45. Suggested timelines for undertaking 'Make-II' Projects are given in **Appendix L** of Chapter III of the Handbook on Guidelines and Annexures.

### MAKE-III

46. The procedure to be followed after the accord of AoN will be akin to Make-II, except for the following: -

46.1. **SQRs.** Since QRs may be known, production may be taken up based on SQRs / Technical specifications instead of PSQRs.

46.2. **Feasibility Study.** The feasibility study would focus on ascertaining prospective Indian Companies that can potentially enter into JV with any foreign company for indigenous manufacture of the product.

46.3. **AoN.** SoC would also highlight the prospective Indian Companies to whom the RFP will be issued. AoN shall be sought as per relevant provisions of Chapter II.

46.4. **Issue of RFP.** After the accord of AoN, Techno-Commercial RFP will be issued as per provisions of Chapter II of DAP 2026. RFP would bring out aspects of IC Verification, Indigenisation Plan, First-Off Production Model (FoPM) milestones and FoPM Validation Trials. The technical offers submitted by vendors in response to RFP shall be evaluated by a TEC constituted by SHQ for compliance with SQR / Technical Specifications and RFP Parameters.

46.5. **Limited Validation Trial (LVT).** SHQ may conduct a LVT on the prototypes of vendors who are compliant in the TEC. Vendors will be asked to field the desired number of units of the equipment/ weapon system for FET as per dates in the Trial Directive promulgated by SHQ. Staff Evaluation report based on Limited Validation Trials will be accepted at the SHQ in case all vendors are compliant in the LVT and by AS & DG (Acquisition) / CISC / VCOAS / VCNS / DCAS / DG ICG, as per Non-Delegated / Delegated cases, in case any vendor is non-compliant. Staff Evaluation may also recommend FoPM trials, if required. Compensation for successful participation in LVT shall be as per Para 19 of Chapter II of DAP 2026.

46.6. **Commercial Negotiations.** Commercial offers of vendors compliant in the Staff Evaluation post LVT shall be evaluated by a Contract Negotiation Committee (CNC) for L1 determination and commercial negotiations shall be carried out as per the provisions of Chapter II of DAP 2026. The contract will be awarded post approval of the CFA.

46.7. **FoPM Trials.** In case Staff Evaluation report has recommended FoPM trials, SHQ, assisted by PFT, shall conduct trials on the FoPM equipment. FoPM trials shall address only parameters considered essential by SHQ. Bulk Production Clearance (BPC) shall be issued to the DA post successful validation of FoPM Validation Trials by SHQ and the date of reckoning of the contract shall be the date of issue of the BPC.

47. Suggested timelines for undertaking 'Make-III' Projects are contained in **Appendix M** of Chapter III of the Handbook on Guidelines and Annexures.

## MISCELLANEOUS ASPECTS

48. For Make projects, SHQ may also engage consultants / Subject Matter Experts if necessary. Specific Approval for hiring consultants for post AoN activities like preparation of EoI / DPR, evaluation of EoI responses, preparation of RFP and PSO, project monitoring, data analysis, etc., is to be sought while seeking AoN for the project and the expenditure shall be included in the project cost.

49. **Foreclosure Criteria.** To ensure that development timelines do not inordinately deny the Services of critical capability, the SoC would also include 'Foreclosure Criteria' {provision for Service to seek foreclosure of the project in case the project does not progress in accordance with predicted development timelines or if the equipment under development is overtaken by the emergence of better technology(ies), etc}. Foreclosure clause would be exercised only with the approval of AoN according authority.

**49.1. Development Phase - Make-I.** In case the project does not proceed according to the predetermined milestones and as agreed in the DPR and / or if there are undue time and cost overruns or failure of the prototype(s) on staff evaluation or on account of any other reasons, the 'Make-I' project may be foreclosed in respect of the DA(s) concerned and proposal for foreclosure will be approved by the authority who had accorded AoN on the recommendation of PFT, through Defence Production Board. Foreclosure criteria will be spelt out in the PSO. In case the Government decides to foreclose any Make-I project, total expenditure made by the DAs on the prototype development till foreclosure, should be assessed and total expenditure (MoD share + DA share) till that stage should be reimbursed to the DA, subject to an upper limit of Rs. 400 crores or as approved by AoN according authority. If excess funds have been paid to the DA(s), the same shall be recovered. However, if the project is foreclosed due to reasons attributed to DA, only MoD share up to that stage should be assessed and accordingly reimbursed to the DA(s) within a period of three months. The total amount paid to the DA(s) shall be written off with the approval of the competent authority.

**49.2. Development Phase - Make-II and Make-III.** No Foreclosure of the Project will be done after the issue of the PSO, other than for reasons of default / non-adherence to the PSO by Vendors. During the prototype development stage, DAs who are found non-responsive and non-serious by the PFTs after the elapse of 50% of the initial prototype development period, PSOs issued to these DAs would be terminated with the approval of CISC / VCOAS / VCNS / DCAS / DG ICG.

**49.3.** In procurement phase, foreclosure criteria shall be as per relevant provisions given in Chapter II of DAP 2026.

**50. Subsequent Procurements.** If SHQ requires the same product or services in future, then for the next five years from the date of award of the procurement contract, it shall be procured from the DA(s) (or his / their legal successors) who have successfully developed / supplied the said product.

51. The provisions of procurement not explicitly defined in this chapter shall be governed by the relevant provisions given in Chapter II of DAP 2026.

52. Any clarification or difficulty arising during execution of development phase shall be referred to the Secretary (DP), who would either take a decision or refer the case to the DAC.

**CHAPTER IV**

**PROCEDURE FOR 'INNOVATION'  
CATEGORIES**

## CHAPTER IV

### ACQUISITION OF PRODUCTS DEVELOPED UNDER INNOVATIONS FOR DEFENCE EXCELLENCE / TECHNOLOGY DEVELOPMENT FUND

#### **Introduction**

1. MoD has set up Innovations for Defence Excellence (iDEX) initiative under the Defence Innovation Organisation (DIO) and Technology Development Fund (TDF) under DRDO to use a multi-pronged approach and reach out / engage a large pool of innovators / technocrats / professionals / academicians including amongst the smaller enterprises, start-ups and MSMEs, to foster innovation in a coherent, strategized and integrated manner. SHQs also undertake Innovations through their internal R&D organisations. This chapter covers the acquisition of technologies and products developed under iDEX / TDF / Innovations by Services.

2. Procurement through Innovative solutions could be undertaken through the following programmes: -

2.1 **iDEX.** Projects of Start-ups, MSMEs etc. with high innovation would be pursued under the iDEX category. Details of the programme and grants through Defence India Start-up Challenge (DISC), Support for Prototype and Research Kickstart (SPARK), Acing Development of Innovative Technologies with iDEX (ADITI) and other such frameworks would be uploaded on the iDEX website <https://idex.gov.in/> from time to time. The procurement of the final product will be processed under the Buy (Indian-IDDM) category.

2.2 **TDF Scheme.** Projects supported through TDF of DRDO for leveraging the domestic capabilities available with Indian industries, especially MSMEs and Start-ups. The details of projects pursued under the TDF Scheme of DRDO and grants can be accessed at website <https://tdf.drdo.gov.in/>. The procurement will be made under the 'Buy (Indian-IDDM)' Category.

2.3 **Innovations by Services through Internal Organisations.** These would include projects where prototype development of equipment / system will be processed by the Services through their internal R&D organisations, such as Army Base Workshops (ABWs) / Naval Dockyards (NDs) / Base Repair Depots (BRDs) / Innovation & Indigenisation Organisation (IIO) / Design Agency / any service organisation, unit or personnel. The procurement will be made under the 'Buy (Indian-IDDM)' Category.

#### **Development of Prototypes**

3. **iDEX.** A Project Facilitation Team (PFT) will be nominated by the SHQs for each iDEX case. PFT will act as the primary interface between the SHQ and the industry during the design and development stage. After the prototype has been developed, the PFT would carry out Confirmation of Prototype Development before it is offered for Single Stage Composite Trials (SSCT). The development procedure under iDEX shall be as per the extant guidelines and Standard Operating Procedures for TDF, promulgated by DIO.

4. **TDF.** A Project Monitoring and Mentoring Group (PMMG) shall be constituted by the Technical Committee (TC) under DRDO. For each requirement of SHQ under the TDF scheme, the SHQ will nominate a Nodal Officer who will be a member of the PMMG and act as the primary link between the SHQ and industry during the design and development stage. The PMMG shall be responsible for technical oversight, evaluation and guidance throughout the project development cycle. The PMMG would also carry readiness review of the prototype before it is offered for SSCT. The

development procedure under TDF shall be as per the extant guidelines and Standard Operating Procedures for TDF, promulgated by DRDO.

## **Procurement Process for Products Developed Through iDEX / TDF Projects**

### **5. Minimum Pilot Order Quantity.**

5.1. When a prototype is developed by iDEX winner / TDF DA, it is mandatory to purchase the Minimum Pilot Order Quantity (MPQ) (as per extant iDEX / TDF guidelines). MPQ refers to the minimum quantity assured for procurement from iDEX winners / TDF DAs post completion of successful Single Stage Composite Trials (SSCT), subject to meeting requirements of the Commercial RFP.

5.2. As projects under TDF are for indigenization as well as futuristic development, MPQ requirement shall be applicable for indigenization projects leading to products, which can be directly used by Services after SSCT and subsequent procurement process as given in this Chapter. For other projects under Futuristic technology development, which lead to technology that has matured but is not ready as a product to be inducted, MPQ shall not be required.

5.3. Quantity vetting and scaling are dispensed with for MPQ procurement.

5.4. SHQs should preferably set the MPQ at an adequate level to result in orders at least 10 times the initial grant amount (or as per extant iDEX / TDF guidelines).

### **6. PSQR Formulation.** On confirmation of prototype readiness by the PFT / PMMG, the specifications of the challenge / Project Definition Statement (PDS) / Project Definition Document (PDD) launched under iDEX / TDF will be converted into PSQRs which shall be approved by competent authority at SHQ.

### **7. Conduct of SSCT.**

7.1. PFT / PMMG shall conduct SSCT of the developed prototypes to evaluate them against the PSQRs. SSCT shall only include aspects related to functional performance, essential and mission-critical Quality Assurance (QA) as recommended by the PFT / PMMG. Evaluation of any additional documents or certifications may be done at the RFP or subsequent stages. In case the prototype of any iDEX winner / TDF DA is unable to clear the SSCT in the first instance, the PFT / PMMG may allow up to two more chances for trials to the iDEX winner / TDF DA before declaring them non-compliant.

7.2. Projects where the prototype of only a single iDEX Winner / TDF DA has cleared the trials, would not be considered a single vendor situation and shall be progressed.

7.3. Since software projects are distinct, they shall undergo trials focused on operational functionality, cybersecurity and integration. Lab-based validation and limited field deployment with “Deploy as Developed” methodology will replace traditional trials, with iterative improvements allowed post-trial.

7.4. In many cases, despite the best efforts, a developed prototype does not meet the 100% PSQRs. For such prototypes not meeting 100% PSQRs, procurement of quantities may be carried out with the approval of the CFA. SHQs will decide the applicability of each stage on a case-to-case basis. Procurement quantity / size at any stage shall not be restricted by previous order quantity, as it is not to be considered as a Repeat order. The stages are as given below: -

Stages	Compliance with PSQR	Outcome & Remarks
Stage 1	Up to 70%	Fit for the procurement of quantity (up to 20% of MPQ) for field exploitation in case of unavailable critical technology
Stage 2	70 to 90 % compliance	Fit for partial MPQ Procurement & Field Exploitation (at least 20% of MPQ to be procured at this stage)
Stage 3	100% Compliant	The product is likely to be fit for MPQ procurement

8. **Conversion of PSQR to SQR.** Based on PSQRs and the results of the SSCT, the PSQRs will be converted to SQRs if found acceptable based on SSCT results and shall be ratified by SEPC / ISEPC.

9. **Initial Warranty, AMC and Service Life.** The general conditions of AMC and Service Life shall be defined by the nodal agencies / SHQ, based on the practical situation, on a case-to-case basis.

#### 10. **Benchmarking.**

10.1. Benchmarking will be carried out by the Benchmark Models Committee (BMC) to support commercial evaluation. In cases where the import cost is available, the BMC may accept higher cost of benchmarking, to encourage self-reliance.

10.2. The BMC shall also take into account that iDEX winners / TDF DAs may employ common and shared resources to develop a prototype and therefore, would have to deploy a robust manufacturing system. Hence, the Bill of Materials (BOM) of the prototype cannot be the sole factor to decide the cost of production, as the cost of production may be significantly influenced by the cost of the production infrastructure set up by the developer.

10.3. Intellectual capability of iDEX winners / TDF DAs shall be compensated as Innovation Advantage Factor (IF) based on risk categorisation by the BMC, as per iDEX / TDF Risk Categorisation Guidelines produced in the BMC by the Defence Innovation Organisation. The broad guidelines for Innovation Advantage Factor in benchmarking are given in Appendix A of Chapter IV of the Handbook on Guidelines & Annexures. The benchmarking guidelines provided herein would be applicable to all iDEX / TDF cases where an RFP has not been issued till the promulgation of this DAP.

11. **Acceptance of Necessity (AoN).** In iDEX / TDF cases, based on the SSCT report, AoN shall be accorded by the competent authority, as per provisions of Chapter 2 of DAP 2026. However, the AoN may be obtained on PSQRs, in case the conversion of PSQR to SQR has not been carried out. AoN shall be valid for a period of one year from the date of approval. The SoC for AoN shall not be circulated for comments from other agencies.

#### 12. **Issue of Request for Proposal.**

12.1. A Commercial Request for Proposal (RFP) for the procurement phase will be issued by the PFT / PMMG to iDEX winners / TDF DAs who have successfully developed the prototype and cleared the SSCT.

12.2. The RFP shall capture all relevant aspects of the agreement for Project Development issued to the iDEX winners / TDF DAs. The quantities in the procurement phase cannot be reduced from the MPQ quantities indicated in AoN.

12.3. The commercial offers of the iDEX winners / TDF DAs will be opened by the PFT / PMMG at a predetermined date and time under intimation to vendors, permitting such vendors or their authorised representatives to be present during the offer opening committee. The PFT / PMMG shall open the technical compliances and check for the correctness of PCIPs / EMD submitted by the DAs. The technical compliance, along with PCIPs and EMDs, if applicable, shall be evaluated by the PFT / PMMG.

13. **Contract Negotiations Committee (CNC).** The cost negotiation and contract vetting shall be undertaken by the CNC. For Delegated cases, CNC will comprise five members, chaired by the designated authority at the appropriate level, with representatives of the user directorate (Member-Secretary), technical directorate, IFA and Director (Cost). For Non-Delegated cases, the constitution of the CNC shall be as per the provisions for the CNC given in Chapter II of DAP 2026.

14. **Award of Contract.** Based on the CNC report and with the approval of CFA, the contract will be awarded to the selected iDEX winner(s) / TDF DA(s). The procurement process shall culminate in the award of a contract, preferably within 20 weeks of the prototype's successful clearance of the SSCT. The milestones and payment terms in the procurement contract, along with the post-contract management procedure, will be as per Appendix B of Chapter IV of the Handbook on Guidelines & Annexures.

15. **Joint Procurement.** Joint purchase would be permissible by any agency (Services / ICG / DPSU / BRO / DRDO etc) for a product or service being developed under iDEX / TDF at the behest of one Service at any stage of development and procurement.

16. **Process Flowchart and Timelines.** iDEX / TDF flowchart and suggested timelines are as per are given in Appendix C of Chapter IV of the Handbook on Guidelines & Annexures.

### **Future Scope for iDEX/TDF Projects**

17. **Cross-Nodal Agency Procurement.** If any Service (including ICG) intends to procure a product / service developed under iDEX / TDF by other Nodal Agencies (Services / ICG / DPSU / BRO / DRDO etc.), it should preferably rely on the SSCT conducted by the concerned Nodal Agency / SHQ. However, SSCT may be conducted if required by SHQ to progress the procurement procedure described above.

18. **Subsequent Procurements.** If the concerned Service requires the same product or services in future, then for the next 5 years from the date of award of procurement contract, it may be purchased from the same iDEX Winner / TDF DA (or his legal successors). However, the total cost of purchase in this stipulated period shall not be more than ten times the value of the initial purchase. In older cases where MPQ has not been defined, procurement up to Rs 500 crores may be carried out. Milestones and payment terms in the procurement contract, along with post-contract management procedure, will be as per normal procedure applicable. If the purchase goes beyond this value, then it will not be mandatory for the Service to purchase from the same vendor. If other Services are also purchasing the same product, then the criteria of total value of mandatory purchase, as prescribed, would be applicable to the combined purchase value of all Services.

19. **Spiral Development and Procurement.** For products or services developed under iDEX / TDF that meet SQRs fully or partially, the successful iDEX winners / TDF DAs shall, wherever possible, be selected as DAs for spiral development to nurture the ecosystem and enable phased

improvements. This spiral development may be executed as fresh iDEX / TDF proposals or Make-I projects initiated by SHQ. Under Make-I, the vendor will be directly chosen as one of the DAs.

**20. Classified Projects Under iDEX / TDF.** If required, SHQ shall categorise the project as Secret / Confidential before initiating the proposal in cases where the capabilities envisaged to be developed under the project are of a very critical nature and need to be maintained secret / confidential for strategic benefits for the country. Any deviation from the prescribed procedure for secret / confidential projects shall be approved by the AoN according authority.

### **Indigenous Development by Services through Internal Organizations**

**21.** Procurement through Innovative solutions could be undertaken by Indigenous Development by Services through Internal Organisations. These would include projects where prototype development of equipment / system will be processed by the Services through their internal R&D Organisations, such as ABWs, NDs, BRDs, IIO, Design Agency, any service organisation, unit or personnel.

### **22. Products Developed and Manufactured by ABWs, NDs and BRDs etc.**

22.1. Products developed and manufactured by ABWs, NDs, BRDs, etc., for in-house requirements may be procured by the Services from these agencies under the “Buy (Indian-IDDM)” category, subject to approval by the Services Procurement Board. Waivers for scaling and circulation of the Statement of Case (SoC) shall be granted in accordance with the iDEX procedure.

22.2. The total cost of the proposed quantity of each item required by the Service Headquarters (SHQ) under this procurement shall remain within the delegated financial powers of CISC / VCOAS / VCNS / VCAS / DG ICG. Costing of such proposals shall be vetted by the Integrated Financial Advisor (IFA) in coordination with the respective Services.

22.3. SHQs may conduct user trials for evaluating the developed product without issuing an RFP. Procurement shall be executed by placing indents upon the concerned ABWs, NDs, BRDs, etc.

### **23. Products Developed by IIO, Design Agency or Service Organisation, Unit or Personnel.**

23.1. **Patent Rights.** Innovations achieved within the Services by IIOs. Design Agencies, Service Units or Service Personnel shall entitle the concerned personnel or organisation to file and hold the associated patents.

23.2. **Up-Scaling and Production.** Such innovations may be up-scaled and manufactured by ABWs, NDs, Air Force BRDs, etc., in case adequate manufacturing capability exists within these organisations. Evaluation of developed prototypes and placing of indents for procurement post IFA concurrence shall be in accordance with Para 22 above.

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

23.3.1. ToT for in-service innovations may be extended to private industries, selected through a competitive bidding process from a broad vendor base, for the purpose of upscaling and productionising such innovations for procurement by the Services. In cases where the competitive bidding process results in the selection of a single vendor, ToT shall be extended to that vendor and shall not be considered as a single-vendor situation.

23.3.2. Products for which the ToT has been extended to private industry shall be procured under the ‘Buy (Indian-IDDM)’ category, within the delegated financial

powers of the CISC / VCOAS / VCNS / VCAS / DG ICG, subject to approval of the Services Procurement Board. Procurement shall be executed through contracts signed with the L1 bidder(s) selected through competitive bidding.

#### **Miscellaneous Aspects**

24. The provisions and terms of procurement not explicitly defined in this chapter shall be governed by the relevant provisions given in Chapter II of the DAP 2026

\*\*\*\*\*

DRAFT DAP 2026

2026

CHAPTER V

**PROCEDURE FOR  
ACQUISITION OF SYSTEMS  
DESIGNED AND DEVELOPED  
BY DRDO/ DPSU/ CENTRAL  
GOVERNMENT RESEARCH  
ORGANISATIONS**

## CHAPTER V

### **PROCEDURE FOR ACQUISITION OF SYSTEMS DESIGNED AND DEVELOPED BY DRDO/DPSU/CENTRAL GOVERNMENT RESEARCH ORGANISATIONS**

#### **Introduction**

1. This chapter outlines the procedure for the acquisition and induction of systems designed and developed by Defence Research and Development Organisation (DRDO)/DPSU/ other Central Government Research Organisations.
2. The chapter describes the step-by-step process for the development of systems from inception to induction by the services, including life cycle support, as per the flow chart provided in **Appendix A** of Chapter V of Handbook on Guidelines & Annexures. The technology levels in Defence Systems in the country have reached global standards in a number of areas, however, in some areas we may need to follow a Spiral Development Model for indigenous capability building while keeping operational requirements of services in mind.

#### **Development and Acquisition Process**

3. On the basis of Operational Requirements (ORs) / Integrated Capability Development Plan (ICDP), SHQ shall identify the equipment/platforms for Design and Development (D&D) by DRDO/DPSU/Central Government Research organisations for subsequent development and procurement. A feasibility study for the project would be carried out by DRDO/DPSU/ Research organisation along with the concerned SHQ. Funds for development and prototype manufacturing cost would be allocated during AON and a distribution ratio of cost sharing between the Research organisation and the concerned SHQ may be specified in the SoC for AoN. All such cases would be categorised as 'Buy (Indian-IDDM)' for subsequent procurement. Development cum Production Partner(s) (DcPP(s)) would be selected by the DRDO/Research Establishment in a competitive manner as described in **Appendix B** of Chapter V of Handbook on Guidelines & Annexures, whereas in case of DPSU, the entire D&D and subsequent production may be undertaken by themselves. For limited quantity production, DRDO/ Research Organisation may carry out the entire D&D and subsequent production with specific approval of the AoN according authority. In the absence of competition, a DcPP may be nominated by approval of the AoN according Authority.

4. To allow necessary flexibility and faster induction, the acquisition may be carried out based on version based SQRs. The commercial RFPs for procurement by Services in D&D cases may be issued based on SQRs. However, in case where Spiral Development (multi tranche procurement) is acceptable by the SHQ, commercial RFPs may be issued post development trials. These validated/ achieved PSQRs may be formalised and converted as SQR Versions-I, II, III, and so forth after staff evaluation. Based on the recommendations of JPMT and approval of respective Vice Chief / CISC, the commercial RFP in such cases will be issued by ADG Acquisition Tech. For procurement of equipment based on higher version SQRs, approval of DPB shall be obtained.

5. The Acquisition process for the systems Designed and Developed by DRDO/DPSU/Central Research Organisation would involve the following functions:-

- 5.1. Initiation of D&D case by SHQ based on a PSQR to include accord of Acceptance of Necessity (AoN).
- 5.2. Design and Development.
- 5.3. Identification and selection of DcPP(s) by DRDO/Research Organisation on competitive basis (as described in **Appendix B** of Chapter V of Handbook on Guidelines &

Annexures). In case of DPSU, identification and selection of DcPP(s) is not required as the production is undertaken by themselves.

5.4. Detailed Design Review (DDR) by DRDO/DPSU/ Research Organisation along with SHQ representatives.

5.5. Critical Design Review (CDR) by DRDO/ DPSU/ Research Organisation and SHQ.

5.6. Issue of Trial Directives by SHQ.

5.7. Realisation of Prototypes by DcPP(s).

5.8. PSQR Validation Trials, based on Trial Directive, by SHQ nominated Trial Team.

5.9. Staff Evaluation.

5.10. Conversion of PSQRs into SQRs.

5.11. Issue of Commercial Request for Proposal (RFP) based on SQRs to DcPP(s) selected on competitive Basis.

5.12. Commercial negotiations by Contract Negotiation Committee (CNC).

5.13. Approval of the Competent Financial Authority (CFA).

5.14. Award of contract.

5.15. Contract Administration and Post-Contract Management.

6. **Spiral Development (Multi Tranche Procurement).** In cases where Spiral Development is mutually agreed by the SHQ, DA and subject matter expert, and approved by AoN according authority, the PSQRs shall be formulated for the multi tranche procurement as PSQR-I, PSQR-II, PSQR-III, and so on which can be reviewed based on the progress of case, with each tranche of procurement, reflecting progressive capability enhancement. In such cases, based on the outcome of developmental trials conducted during the Design & Development phase, the SHQ may carry out staff evaluation and convert the achieved PSQR as SQR-I and the Commercial RFP may be issued to the DcPP(s) for the approved MOQ, on the recommendation of the Joint Project Monitoring Team (JPMT) and with the approval of the respective Vice Chief/ CISC. Further development of the equipment to continue based on the PSQR-II and so on.

#### **Initiation of D&D Case by SHQ**

7. PSQRs will be formulated by SHQ in consultation with DRDO/ Research Organisations specifying essential and desirable parameters. The applicability of Spiral Development would also be considered during the PSQR formulation. PSQR Version-I, PSQR version-II (as applicable) need to be identified preferably at PSQR formulation stage.

8. Along with the PSQRs, a trial matrix to quantify and verify each PSQR parameter should be finalized.

9. The Statement of Case (SoC) would be initiated by the concerned SHQ in consultation with DRDO/DPSU/Research Organisation and circulated to all stakeholders concerned, for comments.

10. The SoC for seeking AoN shall include the Feasibility Study report, PSQRs, MOQ and a Trial Matrix. The Feasibility Study report undertaken by DRDO /Research Organisation, with

requisite inputs of SHQ will jointly define MOQ and recommend the number of DcPP (s) (Minimum two).

11. The SoC for seeking AoN will, inter-alia, highlight the following:

11.1. Recommended level of Indigenous Content (IC).

11.2. Minimum Order Quantity (MOQ) which can be exclusively committed, in view of the financial viability of the identified project within the specified development timeline. There would be no requirement of scaling and quantity vetting at AoN stage, but the basis of working out of MOQ will be included in the SoC. In case, SHQ have opted for multi-stage PSQRs for Spiral Development, SoC shall separately list out tentative MOQ for each stage.

11.3. If the prototype is not developed within the agreed timeline, SHQ may acquire the weapon/ equipment/ platform through other procurement categories/ procedures with approval of AoN according authority. This provision may be included ab-initio in the SoC.

11.4. Envisaged development timelines for prototype and availability of platform for conduct of trials to be part of SoC. In case the prototype is not developed within required timeline, the case may be reviewed by the Apex Board for foreclosure.

11.5. Estimated development cost of project.

11.6. Estimated production cost of orders for consequent procurement under Buy (Indian-IDDM) category.

11.7. Provision of multiple DcPP(s) (Minimum two) and division of ordered quantity among successful DcPP(s), where applicable. In case of multiple DcPP(s), their respective prototypes would be trial evaluated during PSQR validation phase, as applicable.

12. After incorporating the comments of stakeholders on the SoC, SHQ shall file the case in SPB/DPB/DAC, as applicable, for accord of AoN.

13. In the absence of competition, when the DcPP(s) are nominated by DRDO/Research Organisations, with the approval the AoN according Authority, the case shall not be considered as a Single Vendor Case (SVC). Similarly, if the D&D is by DRDO/DPSU/ Research Organisations without any DcPP, it would not be treated as SVC.

14. **Validity of AoN.** Validity of AoN for D&D projects by DRDO/DPSU/Research Organisations will be six months from the date of conversion of PSQR to SQR by relevant SEPC.

## Design and Development

15. Design and Development would be undertaken as per the existing procedure of DRDO/DPSU/Research Organisations. Funds for development and prototype manufacturing cost would be allocated during grant of AoN for DPSU/Central Research Organisations other than DRDO. In case of DRDO, the respective existing internal procedures may be followed. The major activities to be carried out during D&D are described in the following paragraphs.

## Selection of Development cum Production Partner (s)

16. The feasibility study will recommend the number of DcPP(s) to be selected based on the quantities required, complexities of the technology, risk mitigation, expertise available within the Indian industry etc. DcPP will be selected as per definition of Indian Vendor given at Paragraph 23 including additional conditions given at Para 23.1 and 23.2 of Chapter-I. There should be minimum two

DcPPs, one from PSU/DPSU and one from private industry. In case no DPSU is available, then both DcPPs may be from private industry and vice versa. Whenever a single DcPP is to be selected, it will be justified in the SoC fielded to the AoN according authority and included in the specific approvals sought. DRDO/ Central Government Research Organisations may consider that, upon selection of the DcPP(s), in cases involving development of sub systems through Tier-I vendors, not less than two Tier-I vendors per sub system are associated with each procurement project.

17. DcPP(s) will be selected during the initial stages of development as per DRDO/Research Organisations in consultation with SHQs and MoD (Acquisition wing) through competitive mode as per procedures described at Appendix B of Chapter V of Handbook on Guidelines & Annexures. If it results into a single DcPP during the development phase, the same will not be treated as a Single Vendor Case. In case of limited quantities, criticality of timelines and non-viability of independent production by industry, production can be undertaken by the DRDO/ Research Establishment with approval of AoN according authority. However, a suitable maintenance agency is to be identified by the DRDO/Research Establishment as per its internal procedures to provide Life Cycle Support for the equipment. If the production is undertaken by any DRDO/Research Establishment, it will be based on Indent/Project Sanction Order and thus the costing will be as per internal procedures of the concerned Research Establishment and budget for limited quantity produced will be as per procedures of Capital Acquisition. Further, if production is being undertaken by DPSU, costing may be done by a Costing Committee constituted by DDP.

18. For future procurements within a period of five years from the date of initial contract with the DcPP(s), which are beyond the MOQ or constitute repeat orders, the contract shall be placed with the DcPP(s) already selected by DRDO/ Central Government Research Organisation at the same price with due escalation, with the approval of AoN according authority. DRDO may identify additional industries through Transfer of Technology (ToT), as required for future procurements.

## **Review and Monitoring**

19. The Detailed Design Review (DDR) and Critical Design Review (CDR) would be conducted jointly by the Design Agency and the SHQ through the Project Management Team(PMT). Guidelines/SoP for this would be issued by the Dept of Def Production (DDP)/ DRDO taking into account strict adherence to time bound capability development for the Services, adherence to PSQRs, avoidance of dilution of performance parameters and accountability.

20. **Joint Project Monitoring Team (JPMT).** The Designated D&D Agency will constitute a Joint Project Monitoring Team which will be chaired by a Major General / Brigadier rank equivalent officer from the concerned SHQ and co-chaired by a Project Director/ Deputy Project Director of the Nodal Lab of the Research Establishment. JPMT will have representatives from Design Agency, MoD (Acquisition), designated QA Agency, representatives from Maintenance Branch of the concerned SHQs, as required and other experts if considered necessary including Domain experts. The suggested constitution and role of JPMT is described in Appendix C of Chapter V of Handbook on Guidelines & Annexures.

21. **Project Site Coordination Team (PSCT).** In addition to JPMT, the SHQ will affiliate a PSCT to the project as a subset of JPMT. Based on the cost and complexity of the project, a dedicated PSCT will be constituted to be co-located with the project. The PSCT will comprise of associated officer representative of User Directorate from SHQ with requisite support staff including a Quality Assurance specialist, if required. The officer representative of PSCT would attend all meetings of JPMT. The PSCT will function in close coordination with the JPMT with respect to monitoring, assisting in availability of Service resources in terms of ranges, platforms or earmarking of specific units/sub-units of Services. The PSCT will also address day-to-day user requirements and seek directions from SHQ on complex issues. It will give periodic updates to JPMT and SHQ. The role of PSCT is described in Appendix C of Chapter V of Handbook on Guidelines & Annexures.

22. **Apex Level Review.** The Apex Level Review will be carried out by Apex Board for the DRDO/ Research Organisations and by BRMC for DPSU, as applicable,

22.1. **Apex Board.** Bi-annual Review and Monitoring of all AoN accorded projects of DRDO/ Research Organisations will be carried out by the Apex Board Chaired by Secretary DD R&D and Chairman DRDO and Co-Chaired by concerned Vice Chief/CISC. The constitution of Apex Board will also include Secretary (Defence Finance), DG(Acquisition), QA representative, as members or their nominated representatives, as applicable.

22.2. **Bi-Annual Review and Monitoring Committee (BRMC).** Bi-annual Review and Monitoring of all AoN accorded projects of DPSU will be carried out by BRMC chaired by Secretary (DP) and Co-chaired by concerned Vice Chiefs/CISC, Secretary (Defence Finance), DG (Acquisition) and QA representative, besides any member that may be included at the discretion of the Committee.

22.3. JPMTs will render progress report during the Apex Board meeting as applicable and may recommend 'Way Forward' for issues that comes up during the execution of project or recommend foreclosure, if necessitated. Accordingly, the SHQ may field the case before AoN according authority. A six- monthly update of all such projects would be given by DRDO / Research Organisations to DPB. The constitution, terms of reference and frequency of meetings of Apex board are covered at Appendix D of Chapter V of Handbook on Guidelines & Annexures.

### **Issue of Trial Directive**

23. Trial Directive will be issued by SHQ in consultation with JPMT and PMT after completion of the Critical Design Review (CDR).

24. The Trial Directive will be formulated by the SHQ in consultation with Design Agency. The trial directive must specify the fundamental points to be addressed for validating the 'Essential' parameters, along with EMI/EMC, Maintenance and Quality requirements. Trial Directive will be issued on the basis of Trial Methodology and Test Matrix. Certain members of PMT will be included in the Trial Team constituted by SHQ. Certificates of Conformance (CoC) submitted by Design Agency, duly recommended by JPMT, will be taken into account while formulating the Trial Directive.

### **Realisation of Prototype**

25. Prototype shall be realized by the DcPP(s) in case of design by DRDO/ Research Organisations or by the concerned Research Organisations themselves, in case no DcPP is engaged by them or by DPSU themselves, if case designed by DPSU.

26. **Prototype Development Stage.** Design Agency, in consultation with PMT would initially carry out in-house/ internal testing & evaluation to validate the performance of the sub-systems/ sub-assemblies against the PSQR parameters. During this stage, if some parameters of sub-systems/sub-assemblies are evaluated as per Quality Testing (QT) & Acceptance Testing (AT) or through accredited test labs/physical trials aligned with Trial Directive, SHQ/ the designated QA agency, as applicable, will accept the Certificate of Conformance (CoC) for such parameters submitted by the Design Agency during the Trials stage and the same shall be reflected in the Trial Directive. **Trials & Evaluation**

27. The multi stage trials of UATT/FET would be integrated into single stage progressive trials in order to ensure timely procurement subject to the DPSU/DcPP(s) realizing the prototype for PSQR Validation Trials (PVT) with absorption of technology. In case, development has been undertaken prior to accord of AoN by DRDO, then PVT would be conducted on Design Agency prototypes to

freeze PSQRs to SQRs. Subsequently, DRDO may identify suitable DcPP for production of the system. SHQ may conduct Trials on DcPP produced prototype.

**28. PSQR Validation Trials.** PSQR Validation Trials shall be conducted by SHQ & Design Agency in consultation with JPMT and PMT to enable their conversion to SQRs. The trials will be conducted as per approved Trial Directive and within specified timelines. SHQ will formulate the SOP for conduct of PSQR Validation Trials and share the same with DRDO/ Research Organisation.

29. In case the PSQR Validation Trials conducted on the final integrated prototypes produced by the DPSU/DcPP(s) are successful, no further Field Evaluation Trials are necessary. In case of prototype not achieving PSQRs fully, SHQ may consider Spiral Development, if acceptable, and convert achieved PSQRs to SQRs for only a Limited Series Production. Such spiral development is to be approved by Apex Board and informed to AoN according authority. However, in case prototype does not meet critical parameters as acceptable to SHQ, the JPMT may recommend for either continuation of development or foreclosure of the project to Apex Board.

30. The draft ATP will also be formulated during the trials by the DcPP, design agency, user rep from SHQ and QA rep of SHQ.

31. In this regard, also refer to Paragraphs 44, 46 and Appendix 'H' of Chapter II of DAP 2020 regarding acceptance of vendor certification, certifications from accredited labs, simulated tests etc which may be especially applied for conditions/parameters not related to primary employment of the equipment.

32. The following documents should be made available to Trial Agencies, at the start of PSQR Validation Trials: -

- 32.1 Requisite technical documentation.
- 32.2. Draft maintenance manuals.
- 32.3 List of components/ parts (for Maintainability Evaluation Trials).
- 32.4 List of Certificates of Conformance (CoC) and certifications from accredited labs, if any for both operational and technical parameters.

### **Staff Evaluation**

33. Staff Evaluation report based on PSQR Validation Trials will be accepted at the SHQ by the CISC/VCOAS/VCNS/DCAS/DG ICG.

34. Staff Evaluation may also recommend 'Limited Validation Trials' (LVT)/First Off Production Model (FOPM) trials, if required. Both LVT and FOPM trials shall address only parameters considered essential by SHQ. In cases where DcPP was not involved in the D&D process, Staff Evaluation may recommend Field Evaluation Trials of prototypes to be manufactured by the DcPP. The evaluation report will then be processed for acceptance by the CISC / VCOAS / VCNS / DCAS / DG ICG.

### **Conversion of PSQRs into SQRs**

35. After successful completion of PSQR Validation Trials, PSQRs shall be converted into SQRs and approved by the relevant SEPC, within eight weeks of approval of Staff evaluation.

### **Issue of Commercial Request for Proposal (RFP)**

36. Commercial RFP would be issued on conversion of PSQRs to SQRs.

37. RFP, besides seeking commercial inputs, will also seek costing details for Life Cycle Support. Acceptance Test Procedure (ATP) will be jointly finalised by Design Agency, SHQ, the designated QA Agency and DcPP concurrent to the trials and included in the commercial RFP. Certification of IC content will be submitted by the DcPP as per Appendix C of Chapter I of Handbook on Guidelines & Annexures.

### **Commercial Negotiations**

38. To expedite the acquisition process; all activities including benchmarking, less opening of commercial bid, may be undertaken post successful completion of trials, prior to acceptance of Staff Evaluation. Representative of the DRDO/DPSU/ Research organisation involved in the D&D of the project shall be included in the Benchmarking Model Committee.

39. In case where procurement is undertaken from DPSU(s), on recommendation of Contract Negotiation Committee, a Costing Committee will be constituted by DDP to carry out pricing of the equipment.

40. **Post Contract Management.** Post the approval of the CFA, contract for supply of equipment/platform shall be awarded to DcPP. Post contract management will be as per Chapter XII of DAP 2026.

\*\*\*

**CHAPTER VI**

**FAST TRACK PROCEDURE**

## CHAPTER VI

### FAST TRACK PROCEDURE

1. The aim of the Fast Track Procedure (FTP), outlined in the succeeding paragraphs, is to ensure expeditious procurement of emerging / fast changing technologies and critical requirements of the Armed Forces, foreseen as imminent during peacetime as well as during war, to maintain or improve the war-fighting capability of the Armed Forces. FTP may be invoked for situations that emerge with minimal or without warning, which require the Armed Forces to respond urgently.

#### **Scope**

2. The FTP shall encompass outright purchase under the 'Buy' scheme, leasing agreements or Inter Governmental Agreements. Such acquisitions are applicable for both indigenous sources and ex-import. Procurement proposals in which Field Evaluation Trials (FET) are envisaged will not be progressed under the purview of FTP.

3. FTP would be restricted to such equipment as would be available within the specified time-frames and therefore, long lead items such as major weapon systems should be avoided. The items proposed should preferably be such that are already in Service or have been trial evaluated, or are in service with foreign defence forces or are available widely in the indigenous / global market for ready procurement. The acquisition under FTP can be categorised as follows: -

**3.1 Procurement of Equipment Already Inducted into Service.** For equipment already inducted into service, it may be necessary to go back to the OEM for procurement of additional equipment / major-assemblies/ sub-assemblies / SMTs / STE, Maintenance Support or integration of BNE / BFE, as no other supplier may be in a position to meet these requirements. Such acquisitions would not be construed as single vendor cases and no waiver will be required. However, when procuring spares etc., from OEMs of subassemblies, the original / extended warranties by OEM of the main equipment must remain valid. Confirmation should be obtained, that the proposed vendor is in a position to supply the required quantities in the proposed time frame. Such cases may cover the following:-

3.1.1. Additional quantities of an ongoing contract.

3.1.2. **Invoking 'Option Clause'.** In case the quantities required are in excess of the 'Option Clause' of the contract up to a maximum of 100% of the previous contract, the same would need to be approved by the AoN According Authority.

3.1.3. **Repeat Orders for Previous Contracts.** Quantities could be more than 100% of the original contract.

3.1.4. Case where the previous supplier is not able to supply the entire quantity of the required item, procurement may be made from other known vendors whose equipment has been trial evaluated and found acceptable for introduction into Service.

3.2 Procurement of new equipment not in service, but meeting the desired requirements of the SHQ.

3.3 Procurement of weapon systems / platforms, which are / were in service in a foreign country and available for transfer/lease or sale (ex-stock or fresh production).

3.4 Procurement of Technical Intelligence (TECHINT) Equipment / Systems.

3.5 Procurement of Equipment with short development / technology cycles. A list of such equipment to be procured through FTP shall be promulgated by the Acquisition Wing, MoD.

3.6. To the extent possible, all parts, payloads, MRLS, and associated equipment of a platform / system should be included in the single proposal. These should not be split across multiple proposals to remain within delegated powers, as such division may cause delays, uneconomical procurement, or risk of obsolescence.

### **FTP Planning Process and Acceptance of Necessity (AoN)**

4. **Minimum Order Quantity (MOQ) Procurement.** SHQs shall identify critical capability requirements in operational preparedness and equipment, based on strategic imperatives and operational analysis. These requirements must inter alia include the items required, their numbers, mode of procurement, broad ORs / SQRs desired which meet the operational needs of the Service concerned and the time-frame within which they need to be inducted. SHQ shall refer these critical requirements to HQ IDS for Joint Services requirements. Quantity vetting by MoD (Finance) and the requirement of scaling will be dispensed with. Procurement will be carried out based on Minimum Order Quantity (MOQ) justified and recommended by HQ IDS / SHQ.

5. **Approval in Principle (AIP) by Service Chiefs.** SHQ shall obtain AIP from the respective Service Chiefs for the FTP proposals. The AIP by Service Chiefs shall be included with the Statement of Case (SoC). Post the AIP by Service Chiefs, HQ IDS / SHQ may share the recommended FTP schemes with vendors to provide early visibility for vendors to undertake preparations for accelerated manufacturing / production.

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

6.1. **Statement of Case (SoC).** SHQ will prepare a SoC for obtaining AoN, and share the same with stakeholders for comments. Concurrence of stakeholders to the SoC shall be deemed if comments of any of the stakeholders are not provided within two weeks of date of circulating the SoC. A collegiate headed by the respective JS & AMs / nominated officer at SHQ for non-delegated / delegated powers, if required, may be held to finalise the SoC before fielding for AoN. Draft RFP shall be shared with concerned JS&AM, ADG Acq Tech and FM along with the draft SoC. The format of SoC for FTP is given in Appendix A of Chapter VI of the Handbook on Guidelines and Annexures.

6.2. **Accord of AoN.** The AoN shall be accorded by SPB / DPB / DAC as per the delegation of powers given in Para 8 of Chapter II of DAP, if the proposal is listed in Part E of the AAP. In case the proposal is not listed in the AAP, DPB shall accord AoN for proposals up to Rs 500 Crores and by DAC for proposals above Rs 500 Crores.

6.3. **Validity of AoN.** AoN will be valid for two (02) months from the date of issue of Minutes of Meeting of the SPB/ DPB / DAC and will lapse if the RFP / LoR is not issued within this validity period. Hosting of broad details of the AON on MoD and SHQ websites, as given in Para 12 of Chapter II, shall be dispensed with.

7. **AoN for Ex-Import Procurement.** Any import of equipment, irrespective of the value, will require the explicit approval of the DAC. In such cases, the requirement of SoC for alternate product development / procurement from indigenous resources shall be dispensed with.

8. **AoN for Procurement of Technical Intelligence (TECHINT) Equipment/ Systems.** Procurement of TECHINT equipment/systems will follow the FTP route. Procurement of equipment / systems with estimated cost of Single System more than Rs 15 crores and Multiple Systems more than Rs 30 crores, will be approved by the Technical Coordination Group at the National Security Council Secretariat, as per guidelines promulgated by the Cabinet Committee on Security dated 13 October

2016, and as amended from time to time. AoN for the same will be granted by AoN according authority as per delegated powers. Procurements below these estimated costs will be accorded AoN by the delegated CFA in consultation with the Integrated Financial Advisor as per Standard Operating Procedure (SOP) promulgated by SHQ.

**9. AoN for Procurement of Equipment with Short Development / Technology Cycles.** Procurement of equipment / systems with short development / technology cycles included in the list promulgated by Acquisition Wing will follow the FTP route and AoN shall be obtained as per Paras 6 and 7 above.

**10. Splitting Source of Supply.** In cases where it is decided in advance to have up to three sources of supply to facilitate expeditious procurement, specific approval for the ratio of splitting the supply between L1, L2 and L3 vendors will be taken in the AoN. Splitting of the supply will only be done provided L2 and L3 vendors are ready to accept the price and terms and conditions quoted by/negotiated with the L1 vendor, and the same will be pre-disclosed in the RFP.

### **Procurement of Equipment Already Inducted into Service**

**11.** To prevent non-proliferation of the existing inventory, the MoD (Acquisition) / SHQ will first invite a commercial offer from the vendor(s) who has supplied the equipment earlier and negotiate the price based on the Last Purchase Price (LPP). In case the vendor who has supplied the equipment earlier is unable to supply the required quantities, the MoD (Acquisition) / SHQ will invite all vendors whose equipment has 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. Apportionment of quantity would be as per the earlier L2, L3, in that order.

### **Procurement of New Equipment**

**12. SQR / ORs.** For procurement of new equipment, SHQ shall formulate SQRs, or ORs that meet the operational needs. ORs could be approved by the appropriate authority at Service HQs and may be without endorsement by the SEPC. The SQRs/ ORs, which meet the operational needs, would be forwarded along with the SoC for the accord of AoN.

**13. Request for Proposal (RFP).** RFP will be processed by the SHQ shall be issued by the concerned ADG Acq Tech to identified vendors. Solicitation of offers will be as per the 'Single Stage-Two Bid System'. Vendors will be given up to four weeks to submit bids. RFPs will be approved by AS & DG (Acquisition)/ CISC/ VCOAS / VCNS / DCAS / DG ICG as per non-delegated / delegated powers. The RFP document under FTP would be as per Schedule I to Chapter II with relevant modifications / amendments.

### **14. Pre-Bid Queries and Bid Submission.**

**14.1.** A Pre-Bid meeting shall be conducted by the SHQ on a specified date and time (within one week of the issue of the RFP) to address and clarify queries by bidders. Typographical corrections, if required, shall be approved by AS & DG (Acquisition)/ CISC/ Vice Chiefs/ DG ICG as per non delegated / delegated powers. All other corrections / amendments shall be approved by the AoN According Authority. Concerned ADG Acq Tech shall issue such amendments to vendors along with clarifications / replies to Pre-Bid Queries. If the issue of clarifications / replies to Pre-Bid queries is delayed, the SHQ may extend the bid submission deadline by up to two weeks, so as to provide vendors with two weeks to submit bids after the issue of clarifications / amendments to Pre-Bid Queries. Any extension beyond two weeks shall be approved by DG (Acquisition) / CISC / VCOAS / VCNS / DCAS / DG ICG, as per non-delegated / delegated cases.

14.2. Extensions for bid submission on requests from vendors will not normally be provided if two or more vendors have not requested an extension. Requests from vendors must reach the SHQ at least one week before the deadline. SHQ may extend the bid submission by up to two weeks if due justification exists. Any further extension will require approval from AS & DG (Acquisition) / CISC / VCOAS / VCNS / DCAS / DG ICG, as per the applicability of non-delegated / delegated power cases.

15. **Offer Opening.** The technical bids received will be opened by an Offer Opening Committee (OOC) on the notified date & time in the RFP, as per relevant provisions of Chapter II. Bidders or their authorised representatives may attend this meeting if so desired. The technical bids shall be forwarded to SHQ for technical evaluation and the unopened sealed commercial offers will be forwarded to JS & AM / SHQ for safe custody till the commencement of CNC.

16. **Technical Evaluation Committee (TEC).**

16.1. A TEC constituted by SHQ, will examine the extent of variations/ differences, if any, in the technical characteristics of the equipment offered by various vendors with reference to the SQRs / ORs and prepare a compliance statement, short listing the equipment acceptable for procurement. Indian Ambassadors / Defence Attaches (DAs) in their respective countries may be approached for confirmation of the information furnished by the vendors regarding the item being 'In Service' in foreign Defence Forces / foreign Law Enforcement Agencies. The TEC would include such information received from Ambassadors / DAs in their technical compliance statement.

16.2. The TEC Report shall be accepted by the SHQ if all vendors are found compliant. In case any vendor(s) are found non-compliant at the technical evaluation stage, approval of DG (Acquisition) / CISC/ VCOAS / VCNS / DCAS / DGICG as per non-delegated / delegated powers will be obtained. The outcome of the technical evaluation shall be intimated to the bidders as per relevant provisions of Chapter II.

16.3. In case only one vendor qualifies post TEC, the case shall not be considered as single vendor situation and shall be progressed without the requirement of seeking approval of AoN according authority.

17. **Benchmarking.** Benchmarking would be carried out within a week of acceptance of TEC Report, by a Benchmark Models Committee headed by the Advisor (Cost) / Director (Cost) for non-delegated and delegated cases respectively, and representatives of concerned SHQ Directorates. SHQ will provide information to Advisor (Cost) / Director (Cost) about acceptance of the TEC Report along with details of representatives of SHQ Directorates nominated as members of the concerned Benchmark Models Committee. The recommendations of the Benchmark Models Committee may be accepted as such / deliberated upon by the CNC. Till then, the benchmark models and costing data prepared by the Benchmark Models Committee will be kept in a sealed cover with the Chairman of the CNC as applicable.

18. **Demonstration / Limited Validation Trials (LVT).**

18.1. Although there would be no requirement of any trial evaluation of the identified equipment, an Empowered Committee may be authorised to witness demonstrations / evaluate the equipment as required, at the premises of vendors or any other location as decided.

18.2. The Empowered Committee may be authorised by AoN According Authority to negotiate and conclude contracts in the shortest possible time and would have adequate representations from different wings of the MoD / SHQs to ensure that requisite expertise and authority for procurement action is available. The Empowered Committee Report will be

accepted by AS & DG (Acquisition) / authorised PSO in the SHQ for the non-delegated / delegated powers respectively.

18.3. In case the Empowered Committee is not empowered to negotiate and conclude the contract, CNC may be constituted on receipt of the report of such Empowered Committee.

18.4. No FET and Staff Evaluation shall be conducted. However, in case the SHQ requires Limited Validation Trials (LVT), the same may be conducted if approved by the AoN According Authority.

19. **Contract Negotiations.** Contract negotiations would be conducted by the CNC as per the provisions given out in Chapter II.

20. **Oversight Committee.** An oversight committee may be constituted by Defence Secretary / CISC / VCOAS / VCNS / VCAS / DG ICG as per non-delegated / delegated powers, on need basis, to check the correctness of the process, review and bring out the status of grievances or complaints in the case and bring out deviations if any. The Committee shall submit the report, within two weeks of its constitution, to the Defence Secretary / CISC / VCOAS / VCNS / VCAS / DG ICG as per non-delegated / delegated powers for acceptance. Details of Oversight Committee are as follows :-

20.1. **Non-Delegated Cases.** The oversight committee, will be chaired by an Additional Secretary level officer of the Department of Defence (DoD) with members; i.e. one Major General / equivalent officer from Services (other than lead agency) and one representative of MoD (Finance) nominated by Secretary (Defence Finance) / Financial Advisor (Defence Services).

20.2. **Delegated Cases.** The oversight committee, will be chaired by a Major General / equivalent officer with members; i.e. one Brigadier / equivalent officer from Services (other than lead agency) and IFA Capital.

21. **CFA Approval and Contract Conclusion.** CFA approval shall be granted in accordance with delegated powers as per Chapter I of DAP 2020. The contract will be signed with L1 vendor(s) post CFA approval. In case it takes more than six months from the date of the accord of AoN to conclude the contract, the proposal / case would be referred to the AoN According Authority for appropriate directions. The contract will be signed by the respective JS & AMs / nominated officer at SHQ as per non-delegated / delegated power, respectively. Provisions regarding Contract conclusion will be as per the provisions given out in Chapter II. In addition, the contract should specify the date by which the vendor would have to submit BGs, as well as the date by which MoD would have to open the Letters of Credit. The Standard Contract Document, as per appendix A of Chapter XII of the Handbook on Guidelines and Annexures, would provide the guidelines for acquisitions under FTP. Any deviations to the standard contractual clauses would be accorded by the CFA, based on recommendations of the CNC / Empowered Committee.

#### **Procurement of Weapon Systems / Platforms, which are / were in Service in a Foreign Country and Available for Transfer / Lease or Sale (Ex-Stock or Fresh Production)**

22. In case of ex-import procurement of **in-service equipment** through Buy (Global) / Lease (Global) under FTP, the procedure for 'Procurement of Equipment Already Inducted into Service' given above will be adopted.

23. For ex import procurement of **new equipment, weapon systems / platforms** under the acquisition category of Buy (Global) / Lease (Global) under FTP, the procurement process will be as per 'Procurement of New Equipment Not in Service, but Meeting the Desired OR of the SHQ' given above.

## 24. **Inter-Government Agreements.**

24.1 In certain acquisition cases, it may be expedient to procure equipment from foreign countries by sale / transfer / lease / otherwise ex their own stocks. In such cases, IGA at appropriate level would be established to facilitate the issue of such stores. In IGA, it would be ensured that adequate residual shelf life remains available for the Armed Forces. 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.

24.2. In FTP cases based on IGA, LoR / Memorandum / LoI will be issued by respective JS & AMs / SHQs as applicable based on delegated powers. Post CFA approval, Contract/ LoA will also be signed by respective JS & AMs / SHQs as applicable. In case of supplies from countries with which Bi-lateral Agreement exists for Standard Terms & Agreements of Contract, the same would supersede the corresponding terms & conditions of the Standard Contract Document.

## **Additional Provisions**

25. **ID and IC Requirements.** These shall be as per the requirements of the acquisition category or as approved by AoN According Authority. ID and IC requirements shall be as per Paras 24 and 25 of Chapter I of DAP-2026.

26. **Product Support.** SHQ may include product support requirements for 3 to 5 years beyond the warranty period for procurement along with the main equipment.

27. **Inspection.** Considering the urgent nature of requirements and to ensure that items being supplied conform to the technical specifications agreed to in the contract, Pre-Dispatch Inspection (PDI) of the stores needs to be carried out by the Buyer's QA Agency / Board of Officers (as applicable) 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 QA Agency. In such cases, Joint Receipt and Inspection (JRI) would be carried out by the SHQ and the vendor in India. In such cases, certain amount 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 IGA signed at an appropriate level, PDI may not be insisted upon, and their Certificate of Quality may be considered for acceptance.

28. **Sealed Particulars & Codification.** In procurement cases of new equipment not in service, the RFP may seek Sealed Particulars of the equipment being procured if required by SHQ, for custody by the nominated AHSP along with codification data and reliability models as enunciated in Chapter II. The Seller shall provide these earlier, but not later than deliveries of the last lot. Codification details, if sought in the RFP, should be treated as a deliverable and a part of the payment shall be made against completion of codification.

29. **Performance cum Warranty Bank Guarantee (PWBG).** PWBG @ 10% of the Contract Price, from any Indian Public or Private Scheduled Commercial Bank or First-Class banks of international repute will be submitted by the vendor(s), as per relevant provisions of Chapter II of DAP 2026.

30. **Liquidated Damages (LD).** In case of delay in supplies, the vendor shall be levied LD @ 1.5% per week of delay subject to maximum of 15% of value of delayed stores, calculated on the basis of the Contract Price of delayed stores.

31. **Delivery Schedule.** The deliveries of the equipment / items under FTP will be completed within stipulated delivery period as specified in the RFP, on case to case basis, but not exceeding 24 months (104 weeks) from the effective date of contract as specified in the RFP.

32. **Repeat Order Clause.** Repeat order clause may be included in RFP and contracts within the framework of FTP on case to case basis.

33. **Termination Clause.** The Termination Clause in FTP cases may be invoked in the following cases :-

33.1. The delivery of the equipment is delayed for causes not attributable to Force Majeure for more than six months after the scheduled date of delivery.

33.2. The Seller is declared bankrupt or becomes insolvent.

33.3. The 'Buyer' has noticed that the seller has utilised the services of an Agent in getting this contract and paid any commission to such individual / company etc.

34. **Procurement Timelines.** Suggested timelines for procurement under FTP is at Appendix C of Chapter VI of the Handbook on Guidelines and Annexures.

35. The provisions and terms of procurement not explicitly defined in this chapter shall be governed by the relevant provisions given in Chapter II of the DAP 2026.

### **Monitoring**

36. **Post Contract Monitoring.** The concerned SHQ would monitor the receipt and ensure expeditious induction of stores after the delivery of items. While responsibility for contract administration and management would be that of the SHQ concerned, post-contract monitoring would be carried out by the MoD (Acquisition).

37. **Extension of Delivery Period (DP).** Contract Amendments for the extension of DP shall normally not be granted in FTP. In inescapable situations, where due justification exists, SHQ may recommend extension of the DP. 25% extension of the original delivery period may be accorded by CISC / VCOAS / VCNS / DCAS / DG ICG. Any justified requirement of DP extension beyond that shall be referred to DG Acquisition, who may accord up to 50% extension of the original DP. Any requirement of DP extension beyond this shall be approved by Defence Secretary.

\*\*\*\*\*

**CHAPTER VIII**

**LOW COST CAPITAL ACQUISITION**

**(LCCA)**

## CHAPTER VII

### LOW COST CAPITAL ACQUISITION (LCCA)

#### **Introduction**

1. The defence ecosystem in India is continually expanding, encompassing the development of advanced equipment and technologies. In select instances, the Armed Forces may procure limited quantities of such equipment for testing and evaluation prior to proceeding with bulk procurement. The present chapter delineates the procedure for these limited procurements, affording maximum delegation of authority to the Services and the Indian Coast Guard (ICG).

#### **Scope**

2. LCCA shall be undertaken for the evaluation and induction of indigenous equipment prior to undertaking large-scale capital procurement. The maximum monetary limit per case shall be ₹75 crore, subject to an aggregate annual ceiling of ₹2,000 crore for all Services and the ICG collectively. The Service Procurement Board (SPB) shall ensure equitable apportionment of cases and funds to fulfil the requirements of all Services and the ICG. Equipment presently under procurement through capital or revenue routes by alternative procedures shall not be eligible for procurement under this mechanism.

#### **Planning and AoN Procedure**

3. The overall responsibility to coordinate the cases and budget will be that of SPB. The procurement process will be undertaken by an Empowered Committee nominated by HQ IDS for Joint cases or SHQ / ICG for Service specific cases. The EC will be headed by a two star officer and include members from the user directorate concerned, maintenance directorate, procurement directorate, IFA capital (of the lead Service) and QA agency as per requirement of the case. Equipment shall be identified by the Empowered Committee (EC) based on its availability, operational imperatives, and also suo-moto proposals submitted to the SHQ / ICG.

4. In instances of suo-moto or single-vendor proposals endorsed by the SHQ, the technical proposal shall be published on the designated online portal to solicit challenging vendors within 30 days. All challenger proposals shall undergo comprehensive analysis, with qualifying vendors duly shortlisted by the EC. Should more than one vendor be selected post-analysis, procurement quantities may be apportioned among these vendors, with the suo-moto proposal vendor being selected as one of the vendor, based on the recommendation of the EC and approval by the Competent Financial Authority (CFA) and subsequent incorporation into the AoN.

5. The AoN for the procurement will be processed by the EC based on ORs approved by the SHQ / ICG. The AoN will be accorded by the SPB. The cases can be processed on MoQ basis. The Product support for equipment procured in this procedure to be based on AMC / CMC and the same will also be included in the AoN. The AoN to also include requirement of LVT / Demo as part of the technical evaluation.

6. Procurement in this procedure would be exempt from the stages of RFI, SQR formulation and trials. Only equipment under Buy (Indian-IDDM) and Buy (Indian) and Manufacture in India categories to be procured in this procedure.

7. **Validity of the AoN.** The AoN will be valid for two months.

## Post AoN Procedure

8. **RFP.** RFP in each case will be formulated and issued by EC within six weeks as per the procedures as in **Chapter II of DAP 2026.**

9. **Technical Evaluation.** The evaluation will be conducted by the EC in two stages as per timelines at para 18 :-

9.1. **Technical Evaluation.** The EC will undertake the analysis of the bids received in response to the RFP.

9.2. **LVT / demo.** The requirement of the LVT / demo as included in the AoN to be undertaken by the EC as given out in the RFP.

10. **Approval of Technical Evaluation.** The Technical Evaluation report will be approved in SHQ / ICG.

11. **CNC.** The bid opening and contact negotiations with the vendors who have qualified in the technical evaluation will be undertaken by the EC similar to the steps as in **Chapter II of DAP 2026.** The L1 (and L2 In case of splitting of quantities) will be selected by the EC.

12. **CFA Approval and Contract Signing.** The EC will obtain the CFA approval and contract is to be signed within four months of accord of AoN.

13. In case of Suo-moto proposals where more than one vendor have been finalised after the Technical Evaluation, the Suo-moto vendor will have the first right to refuse or match the lowest counter bid.

14. **Deliveries.** The deliveries of the equipment have to be completed within nine months. In unavoidable conditions, only one extension of two months can be given by the SHQ / ICG.

15. **Post Exploitation of Equipment.** After exploitation of the equipment in field to include operational, technical, maintainability aspects and parameters, the SHQ / ICG will formulate the SQRs within one year of delivery and process a case for AoN for bulk procurement of the equipment only when the procurement is a multivendor case, through the regular capital Buy procedures as per chapter II of DAP 2026, without trials / evaluation after scaling and introduced into service.

16. **Oversight Committee.** HQ IDS / SPB may detail an oversight committee to check whether the process of LCCA has been followed as per DAP 2026 provisions and bring out deviations, if any.

17. **Monitoring.** The SPB will undertake quarterly review of all the LCCA cases.

18. **Timelines.** The timelines for procurement are as below:-

<b>Ser No</b>	<b>Activity/ Event</b>	<b>Time (in weeks)</b>	<b>Running Time</b>	<b>Remarks</b>
18.1	Identifying of Equipment, Formulation of OR, analysis of vendors	8	T0-4	
18.2.	Accord of AoN (To)	4	To	
18.3.	Issue of RFP	6	To+6	
18.4.	Receipt of Bids	8	To+14	
18.5.	Conduct of Technical Evaluation including approval of report	8	To+22	Including Demo
18.6.	CNC	2	To+24	
18.7.	CFA approval	1	To+25	
18.8.	Contract Signing	1	To+26	
18.9.	Deliveries	9 months		
18.10.	Exploitation & SQR formulation	Within one year of delivery		
18.11	AoN for bulk procurement	16 weeks		Balance procedures as per chapter II DAP 2026

\*\*\*\*

**CHAPTER VIII**

**OTHER CAPITAL  
PROCUREMENT PROCEDURE  
(OCPP)**

## CHAPTER VIII

### OTHER CAPITAL PROCUREMENT PROCEDURE (OCPP)

#### **Introduction**

1. Acquisition of new capital assets for the Services is to be undertaken as per the procedure defined in the preceding Chapters. Apart from such capital assets, there are other items of capital nature that enhance the utility of existing assets. Expenditure on such items is also treated as Capital expenditure, which is based on Rule 84 of General Financial Rules (GFR) 2017 which defines capital expenditure as 'Significant expenditure incurred with the object of acquiring tangible assets of a permanent nature (for use in the organization and not for sale in the ordinary course of business) or enhancing the utility of existing assets'. In the context of defence procurements, such items of capital nature that enhance the utility of existing assets include ROH / OH, refits, upgrades, refurbishment, modifications and replacement of unserviceable units / items of existing platforms /equipment already introduced into service, which will be covered in the procedure prescribed in this Chapter.
2. **Scope.** Items such as ROH / OH, refits, upgrades, refurbishment, modification and replacement of unserviceable units/items of existing capital assets already introduced into Service which enhance that utility of existing assets, in terms of the definition laid down in GFR-2017, will henceforth be procured / acquired under the procedure laid out in the succeeding paras of this Chapter. However, expenditure on items of routine maintenance, repair etc, will be incurred under Revenue Budget following the DPM as per the defined procedures therein. This procedure will be referred to as Other Capital Procurement Procedure (OCPP). The list of items to be procured through the provisions of OCPP are appended as Appendix 'A'. Any subsequent amendment to the List will be promulgated by DG (Acquisition) in consultation with MoD (Finance), based on the proposal submitted by HQ IDS and respective SHQs. It will be ensured that items covered under this Chapter will not be taken up for procurement under procedure defined in other Chapters of DAP 2026.

#### **Planning Process**

3. **Listing of OCPP Cases in AAP.** Based on the list of items as referred to at Paragraph 2 above, each SHQ will draw up two specific list of items for Delegated & Non Delegated cases respectively to be procured along with quantities and estimated cost based on the requirement. Requirement of items of repetitive nature may be aggregated drawing requirements over a longer period, say five years. The quantities included will have inherent 25% flexibility in numbers or cost to cater for unforeseen circumstances by each SHQ, but within the overall financial limits linked to AAP by HQ IDS in consultation with MoD (Finance). For Non Delegated & ex-import schemes, Service specific separate schemes / Projects specifying name of Scheme/ Project including quantity, cost & planned cash outgo will be reflected separately in Part D of AAP. Specific list of Delegated Cases will not form part of AAP, but the amount earmarked/ quoted for procurement under OCPP under delegated power cases will be reflected in Part D of AAP.

4. **RFI & SQRs Formulation.** Since the scope, cost implications, SQRs and vendor base for OCPP cases would already be known to the SHQs, the RFI process and the process for SQR formulation may not be applicable to the proposals under OCPP. However, the same may be carried out at the discretion of SHQ.

5. **CFA.** CFA for OCPP cases will be as per Capital Acquisition process. However, in view of the special nature of procurement under this Chapter and the number of items required to be procured frequently, certain delegation of powers have been undertaken for ease of processing and timely procurement. These are as under:-

- 5.1. **Upto ₹ 100 Crores.** GOC-in-C, FOC-in-C, AOC-in-C at Command HQ and Regional Commanders, ICG.
- 5.2. **Upto ₹ 200 Crores.** DCOAS(CD & S), MGS, COM, AOM, DCIDS and ADG ICG.
- 5.3. **Upto ₹ 300 Crores.** VCOAS, VCNS, DCAS, CISC and DG ICG.
- 5.4. **Above ₹ 300 Crores and upto ₹ 500 Crores.** Defence Secretary.
- 5.5. **Above ₹ 500 Crores.** As per delegation of powers defined in Chapter II of DAP 2026.

### **Procedure for Procurement under OCPP**

#### **6. Non Delegated OCPP Cases (Above ₹ 300 Crores).**

6.1. **AoN.** In view of special nature of procurement under this Chapter and number of items required to be procured frequently for cases above ₹ 300 Crores and valued upto ₹ 500 Crores, proposal for grant of AoN will be processed and submitted by SHQ on file for approval of the CFA (i.e. Defence Secretary). For cases, beyond ₹ 500 Crores, grant of AoN will be processed through DPB / DAC, following procedures as defined in Chapter II of DAP 2026. However, for all ex-import OCPP cases irrespective of value, AoN will be accorded by DAC.

6.2. **Validity of AoN.** The validity of AoN will be six months. However, in exceptional cases AoN validity beyond six months may be approved by the AoN according authority.

6.3. **Request for Proposal (RFP)/ Collegiate Vetting/ Issue/ Amendment.** RFP for non delegated cases will be issued by ADG Acquisition Technical within the validity of AoN as per Schedule I to Chapter II of Handbook on Guidelines & Annexures (RFP Format) suitably modified to capture specific waivers / exemptions accorded in the AoN, peculiar to OCPP cases. Collegiate Vetting & subsequent amendment if any owing to typographical errors will follow DAP 2026 provisions.

6.4. **Bid Submission / Offer Opening Committee (OCPP).** Extant provisions of DAP-2026 will be followed with reduced bid submission timelines of maximum eight (08) weeks.

6.5. **Technical Evaluation.** Technical Evaluation for checking technical compliance requirements as defined in RFP will be carried out as per the provisions of DAP-2026.

6.6. **FET and Staff Evaluation.** No FET / Staff Evaluation is generally envisaged. However specific requirement if any, will be taken as a specific approval at AoN Stage and included in the RFP and evaluated as per provisions of DAP-2026.

6.7. **CNC.** As per extant provisions of DAP-2026.

6.8. **CFA Approval.** CFA (as defined in Para 5 above) approval will be obtained prior to signing of contract.

6.9. **Award of Contract/ Placing of Supply Order.** As per DAP 2026 provisions.

6.10. **Timelines for Procurement.** In order to ensure that requirements of services are met expeditiously all corresponding timelines post grant of AoN will be reduced by four (04) weeks as defined in DAP-2026.

6.11. **Post Contract Management.** Post contract administration, management as well as monitoring will be governed as per extant provisions of DAP 2026.

## 7. Delegated Power OCPP Cases (Cases upto ₹ 300 Crores).

7.1. **AoN.** For cases valued upto ₹ 300 Crores, proposal for grant of AoN will be processed and submitted by SHQ/ Formation HQ on file, for approval of the CFA in consultation with IFA. Quantity vetting where applicable would be carried out by respective IFA as the case may be, as per SOP promulgated by MoD (Finance) based on scaling orders. However, for all ex-import OCPP cases, irrespective of value, AoN will be accorded by DAC.

7.2. **Validity of AoN.** The validity of AoN will be six months. However, in exceptional cases AoN validity beyond six months may be approved by the AoN according authority.

7.3. **Request for Proposal (RFP).** RFP for each case will be issued by SHQ / Formation HQ post approval of competent authority therein, within the validity of AoN. Layout of RFP will follow format as given in Schedule I to Chapter II of Handbook on Guidelines & Annexures (RFP Format), specifically capturing waivers / exemptions as accorded in the AoN, peculiar to OCPP cases. RFP will generally consist of five parts as under :-

7.3.1. **Covering Letter.** Brief synopsis & special features.

7.3.2. **General Requirements.** As per Schedule I to Chapter II of Handbook on Guidelines & Annexures (RFP Format), giving out special features of the RFP.

7.3.3. **Technical Requirements.** Detailed scope of work with well-defined execution/ delivery timelines and acceptance criteria.

7.3.4. **Commercial Requirements.** Suitably modified to align with scope of work and specifically capturing necessary waivers/ exemptions as accorded in the AoN.

7.3.5. **Bid Evaluation & Acceptance Criteria.** As per Schedule I to Chapter II of Handbook on Guidelines & Annexures (RFP Format)

7.4. **RFP Preparation/ Collegiate Vetting / Issue.** RFP preparation/ collegiate vetting will be as per internal SOP of SHQ/ Formation HQ. Representative of integrated finance of CFA should necessarily be part of collegiate vetting. RFP will be issued by SHQ / Formation HQ post approval of competent authority therein. For offloaded refits of Ships / Submarines / Boats / Yard Crafts / Platforms, RFP will be governed as per provisions included in SOP being promulgated separately vide Para 12.2 below.

7.5. **Amendment to RFP.** Sometime situation may arise necessitating modifications to RFP due to change in the required quantity or specifications. In some cases during pre-bid query stage, genuine mistakes may be noticed necessitating amendment in RFP. Any amendment to RFP owing to change in quantity/ specification or typographical error if any w/o affecting the bid submission date will be issued post approval of competent authority within SHQ / Formation HQ in due consultation with IFA. Post approval, the amendment will be expeditiously intimated to vendors and all concerned.

7.6. **Special Provisions to be made in the RFP.** The RFPs for upgradation, refurbishment, etc should ask the vendors to specify the location of the plant / factory where upgradation, refurbishment, etc will be undertaken and whether the vendor owns the facility. If the facility is not owned by the vendor, a certificate of agreement between the OEM and the plant owner would be required to be submitted by the vendors along with their offer. There should be a provision in the RFP that one lead equipment (where there are more than one number) will be tested by the vendor along with the representatives of the Service Headquarters (either in India or abroad) before the balance equipments are taken up for upgradation,

refurbishment, etc. In case of a single weapon platform, there should be a provision for concurrent testing along with the upgradation, refurbishment, etc.

**7.7. Extension of Time for Submission of Bids.** Extension of time for submission of Bids without any change to delivery period as envisaged in RFP can be issued by competent authority within SHQ/ Formation HQ with due concurrence of Integrated Finance.

**7.8. Technical Evaluation.** Post opening of bids the Technical Compliance requirements as defined in RFP will be checked by Procurement cum Negotiation Committee (PNC). The TEC report should be approved by the respective CFA. Mandate and charter of duties of TEC are as given in Chapter II of DAP 2026.

**7.9. FET and Staff Evaluation.** Keeping in view the special nature of procurement/ acquisition under this Chapter no FET / Staff Evaluation is generally envisaged. Specific requirements if any as accorded in AoN will be captured in the RFP and evaluated as per provisions of DAP 2026.

#### **7.10. Procurement Cum Negotiation Committee (PNC).**

**7.10.1. Mandate.** All activities after accord of AoN till conclusion of contract will be undertaken by the Procurement Cum Negotiation Committee.

**7.10.2. Composition.** The chairman of the PNC will be an officer one rank below that of the CFA. Apart from the chairman, there should be representatives of the user, integrated Finance, designated Inspecting agency & directorate/ agency concerned with Post-Contract Management. CFA may nominate any other member, like a Costing expert, in case of high value single vendor offers.

**7.11. Evaluation of Commercial Bids.** As defined in Chapter II of DAP 2026.

**7.12. Acceptance of PNC's recommendation.** The recommendation of the PNC should be processed on file for the approval of the CFA. Prior Concurrence of the IFA is mandatory.

**7.13. Signing of Contract / Placing of Supply Order.** Once the PNC's recommendations are accepted by the CFA or approval accorded by the CFA in those cases in which no Commercial negotiations is held, the contract should be signed or the supply order placed as the case may be immediately.

**7.14.** Any specific provision not included in preceding paragraphs for delegated OCPP cases will follow the relevant provisions of delegated power cases as given in DAP 2026.

**8. Timelines for Procurement.** In order to ensure that requirements of SHQ / Formation HQ are met expeditiously, the timelines for OCPP procurements will be reduced by four weeks for all corresponding DAP 2026 milestones.

**9. Flowchart.** A flowchart indicating the procedure under OCPP is attached at Appendix B.

#### **Monitoring Mechanism**

**10.** Regular feedback / update of all Non Delegated OCPP schemes will be conducted at SHQ level and a quarterly report will be furnished by the respective SHQ on the progress of procurements to MoD (Acquisition).

**11.** Any aspect of procurement not specifically covered under this Chapter will be governed by the relevant provisions of other Chapters.

**12. Special Provisions.** In addition to the procedures for procurement/ acquisition as given above the following shall be applicable for specific OCPP cases especially for ROH / OH of all type of Aircrafts & Offloaded Refit of Ships / Submarines / Boats / Yard Crafts / platforms meant for enhancing their utility including services of OEM specialists, Growth of Work (GoW) & Post Dismantling Demand (PDD) spares:-

**12.1. Placement of Direct Orders/ RMSO for ROH/ OH tasks under OCPP.** OCPP cases, wherever sanctioned pricing philosophy exist for DPSUs, fixation of price being done on recommendation, (duly approved by Hon'ble Raksha Mantri) of Pricing Policy Review Committee (PPRC), CFA approval in such cases will be obtained for AoN & Expenditure Angle Sanction (EAS) together without floating RFP, for placement of Direct Purchase Orders / Repairs and Manufacture Supply Order (RMSOs) on sanctioned DPSUs. The procedural flow, for such cases is as appended at Appendix 'C' (As amended from time to time).

**12.2. Offloaded Refits of Ships/ Submarines / Boats/ Yard Crafts/ Platforms.** The offloaded refit of the ships / submarine / Boats / Yard Crafts / Platforms is a complex activity, wherein Growth of Work (GoW) i.e. additional technical defects/ services/ alterations etc add on to the requirement post finalisation of initial work package. In most of the cases Post Dismantling Demand (PDD) spares are also indispensable upon opening up/ dismantling of the equipment / system, generally not foreseen at the time of formulation of scope of work. Case specific applicability of GoW including upper limit of such GoW to be explicitly sought as specific approval while seeking AON. Specific SOP for procedure to be followed for such OCPP cases will be promulgated separately by Naval HQ. The existing procedure of offloaded Refits of Ships/ Submarines/ Boats / Yard Crafts / Platforms shall continue till promulgation of the SOP.

**13. Applicability.** All ongoing cases where RFP has already been issued will continue to be progressed as per existing procedure. All other cases will migrate to new OCPP scheme. In cases where RFP has been retracted, those cases will be processed under new provisions.

**14.** The provisions of procurement not explicitly defined in this chapter shall be governed by the relevant provisions given in Chapter-II of the DAP 2026.

**APPENDIX A**  
 (Refers to Paragraph 2 of Chapter VIII)

**LIST OF ITEMS TO BE PROCURED THROUGH OTHER CAPITAL PROCUREMENT PROCEDURE (OCPP)**

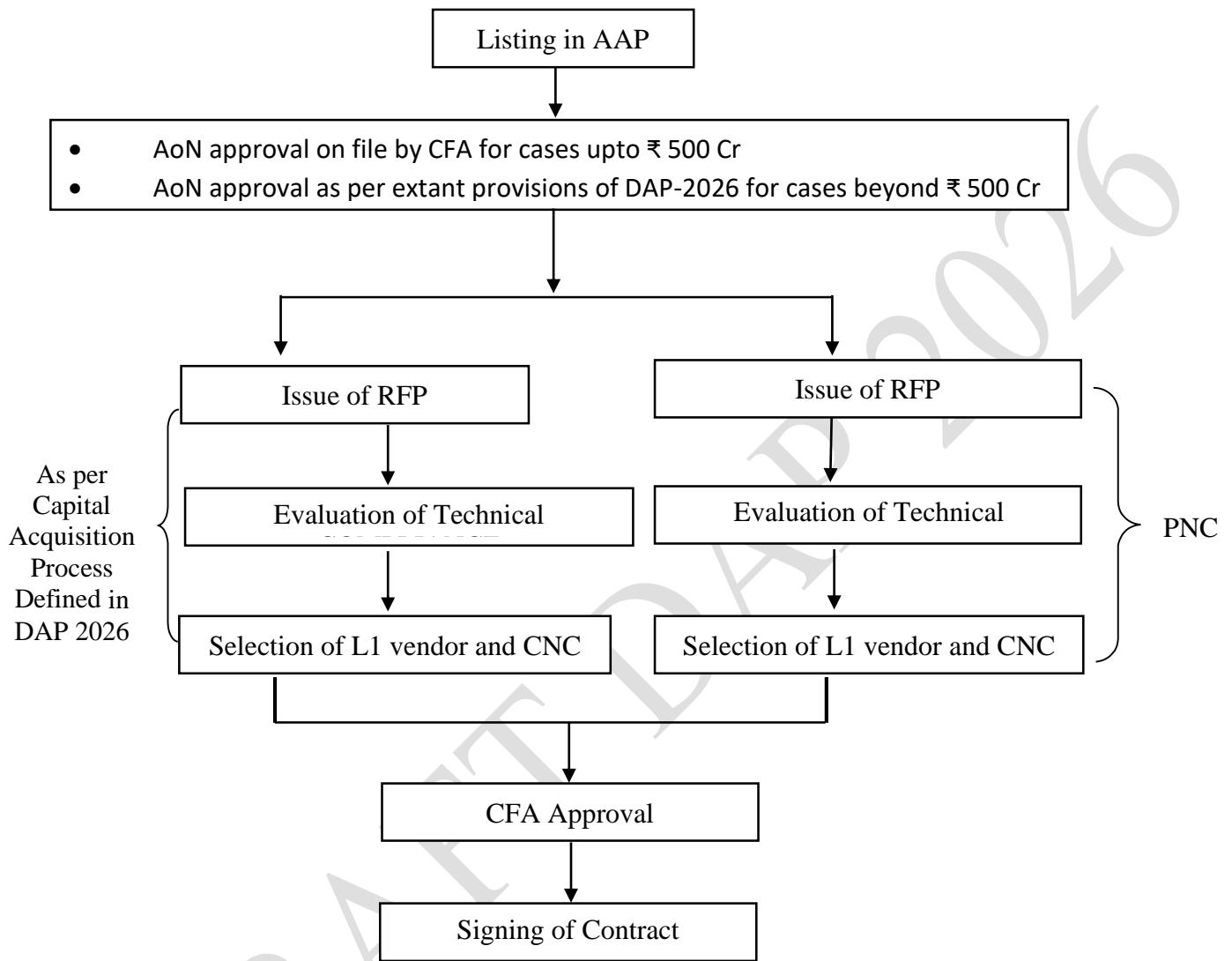
1. Replacement of:-
  - 1.1. Earth Movers, Tippers & Fork Lifter's.
  - 1.2. Mini Bus.
  - 1.3. Bus Long Chassis.
  - 1.4. Water Browsers.
  - 1.5. Ambulance.
  - 1.6. Cranes (All types).
  - 1.7. Tractors, Dozers, DFT etc.
  - 1.8. 2.5 ton and above B Vehicles.
  - 1.9. Auto Road Sweeping Machine.
  - 1.10. ATF Refueller.
  - 1.11. Trailer (All Types).
  - 1.12. Specialised Medical Vehicles / Aircraft Specialist Vehicles / Airfield Support Vehicles / Dockyard Vehicles / Security Vehicles / Light Vehicles / Motorcycles and Specialist B Vehicles.
  - 1.13. Boats
2. **Major upgradation/obsolescence management of:-**
  - 2.1. Bulk Encryption Unit for communication/ interconnecting equipment including wireless and USG/UG/OFC Cables.
  - 2.2. Radio Trunk Systems, Satellite Reception and associated Control and Support System/Sub Systems.
  - 2.3. Cellular Switching Systems.
  - 2.4. VLF / HF / VHF / UHF / MW / Millimetric Radio including Antenna / Towers / Masts, Intercepting systems and Sub-Systems, emission proofing and shielding as upgradation.
3. Replacement / upgradation / modification / refurbishment of equipment for Modernization of facilities at BRDs, ATCs, ABWs, Naval Dockyards, Repair Yards, Specialist and Maintenance Units, Equipment Depots and all other repair and store facilities of Services and ICG other than civil works.

4. ROH / OH of all types of Aircrafts (including Helicopters, Hovercraft, RPAs, etc), Aero engines and Aggregates, A / B/ C vehicles and associated components and Weapon Systems including Technical Life Extns.
5. Replacement / Upgradation/modification of simulators & ERP of all types.
6. Offloaded Refits of Ships / Submarines / Boats / Yard Crafts / Platforms meant for enhancing their utility including services of OEM specialists and growth of work/ Non Available spares.
7. Replacement / Modifications / Life-extension / refurbishment / upgradation / overhaul of weapons / sensors / electrical / machinery / arms / ammunition / bombs / missiles / launchers / rockets / torpedoes / ordinance /aircraft role equipment towards refit of ships / submarines / all types of aircrafts (including helicopters, hovercrafts, RPAs, etc)/ boats / yard craft and other platforms of HQ IDS / IN / IA /IAF / ICG for enhancing their utility.
8. Replacement/modification/upgradation of Test equipment/ Ground Support Eqpt(GSE) /Ground Handling Equipment (GHE).

\*\*\*

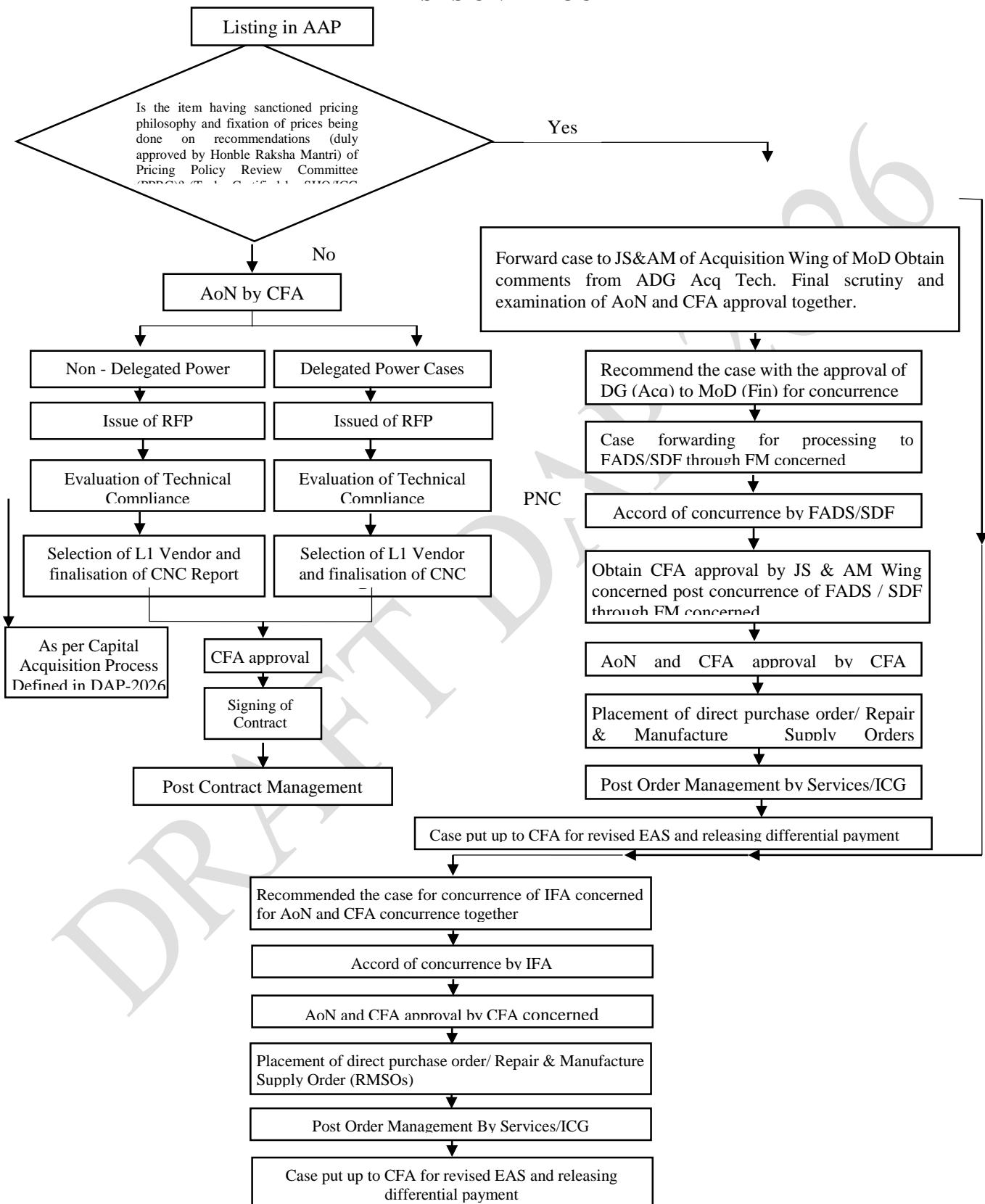
**APPENDIX B**  
(Refers to Paragraph 9 of Chapter VIII of DAP 2026)

**OTHER CAPITAL PROCUREMENT PROCEDURE (OCPP) : FLOWCHART**



**APPENDIX C**  
(Refers to paragraph 12.1 of Chapter VIII of DAP 2026)

**PROCEDURAL FLOW : PLACEMENT OF DIRECT ORDERS/ RMSO FOR ROH/ OH TASKS UNDER OCPP**



# **CHAPTER IX**

# **STRATEGIC PARTNERSHIPS MODEL**

## **(SPM)**

**DRAFT DAP 2026**

## CHAPTER IX

### STRATEGIC PARTNERSHIPS MODEL (SPM)

#### Introduction

1. The production of major defence platforms and equipment such as aircraft, submarines, helicopters and armoured vehicles in India are currently carried out by Defence Public Sector Undertakings (DPSU). Though defence manufacturing has been open to private sector participation for well over a decade, private companies have pointed to the lack of a level playing field compared to DPSUs which continue to enjoy a commanding role based on various forms of governmental support over the past decades, including long-term purchase arrangements. There is thus a need to institutionalise a transparent, objective and functional mechanism to encourage broader participation of the private sector, in addition to capacities of DPSUs and, in manufacturing of major defence platforms. Expert Committees set up by Ministry of Defence (MoD) provided a detailed road map for development of defence industrial base through the 'Strategic Partnership' route.
2. As with the liberalization of the Indian economy in the 1990s, active involvement of the private sector in the manufacturing of major defence equipment will have a transformational impact. It will serve to enhance competition, increase efficiencies, facilitate faster and more significant absorption of technology, create a tiered industrial ecosystem, ensure development of a wider skill base, trigger innovation, promote participation in global value chains as well as exports. From a strategic perspective, this will help reduce current dependence on imports and gradually ensure greater self-reliance and dependability of supplies essential to meet national security objectives.
3. Defence procurement is entirely government led and functions in a monopsony. The current defence procurement procedures focus on short/medium term contracts. The emphasis on purchase of equipment alone does not promote the creation of a defence industrial eco system. Achieving self-reliance and self-sufficiency calls for assimilation of technology, extensive indigenisation, developing an ecosystem of Tier I, II & III partners and undertaking long term upgrades of the platforms through R&D. This will require the private sector partner selected through a laid down procedure by the government to make necessary long-term investments in manufacturing infrastructure, an eco-system of suppliers, skilled human resources, R&D for modernization and upgrades as well as other capabilities, besides production of equipment. Such a partnership between the Ministry of Defence and the Indian private entity will be known as Strategic Partnership. The overall aim will be to progressively build indigenous capabilities in the private sector to design, develop and manufacture complex weapon systems for the future needs of the Armed Forces. This will be an important step towards meeting broader national objectives, encouraging self-reliance and aligning the defence sector with the 'Make in India' initiative of the Government.

4. This Chapter is divided into the following sections: -

- 4.1. Section I. Introduction to the Strategic Partnership model, Segments for Strategic Partnership and Organisation Structure in the Ministry of Defence.
- 4.2. Section II. Procedure for selection of Strategic Partners (SPs).

#### SECTION I: THE STRATEGIC PARTNERSHIP MODEL

5. The Strategic Partnership model is being implemented to enable participation of private Indian firms in Make in India in defence. The SP is expected to play the role of a System Integrator by building

an extensive eco-system comprising development partners, specialised vendors and suppliers, in particular, those from the MSME sector.

6. The selection criteria for Strategic Partners (SP) will be based on the inherent capacity and ability of the vendor to emerge as a systems integrator and to set up a vendor network for sourcing. The criteria for selection should be fair, reasonable, non-arbitrary, transparent and rational, and based upon the broad parameters of financial strength, technical capability and capacity/infrastructure. It is acknowledged that in the Indian private sector currently there is limited experience in defence manufacturing and even lesser in respect of final integration of complex defence systems and sub-systems. Therefore, besides any experience in defence manufacturing, potential SPs will be identified primarily based on their experience and competence in integration of multi-disciplinary functional system of systems, engineering and manufacturing. Further, to ensure that the chosen platform for manufacturing meets all the operational requirements of the Armed Forces and to access advanced and appropriate technologies, the SP will need to enter into relevant tie-ups with foreign Original Equipment Manufacturers (OEM). Accordingly, MoD will shortlist, through an open process based on Staff Qualitative Requirements (SQRs), Technology Transfer needs and indigenisation roadmap, a list of potential OEMs. Government to government support for licensing and transfer of technology as well as provisions for IPR issues shall be worked out. At the same time, to introduce needed competition among potential private sector participants in the process and to ensure that the best interests of government are fully safeguarded, final selection of SPs will be guided by the price quoted by the potential SPs.

### **Segments for Strategic Partnership**

7. In the initial phase, strategic partners will be selected in the following segments:-
  - 7.1. Fighter Aircraft.
  - 7.2. Helicopters.
  - 7.3. Submarines.
  - 7.4. Armoured fighting vehicles (AFV)/Main Battle Tanks (MBT).
  - 7.5. Niche technology systems with strategic implication.
8. To ensure that larger number of companies participate in the process of defence manufacturing in the private sector, and the SP maintains focus on a core area of expertise, SP will generally be selected per segment. Addition of more segments or further subdivision of the identified segments may be considered by the MoD as deemed necessary.
9. Strategic Partnership Model primarily seeks to enhance indigenous defence manufacturing capabilities through the private sector over and above the existing production base. Keeping this broad objective in view, MoD may consider the role of DPSUs/~~OFB~~ at the appropriate stage(s), taking into account the order book position, capacity and price competitiveness.
10. Cooperative arrangements including transfer of technology and teaming arrangements between DRDO/DPSUs with the SP could be envisaged to enable defence related capacities to be developed in the country or for other reasons as decided by MoD. Teaming agreements between SPs and DPSUs would be encouraged because of latter's head start. Where a production line for the considered segment already exists in DPSU/ PSU, only one SP be selected per segment; else, two SPs may be considered.

## **Applicant Companies**

11. As the Strategic Partnership model is designed to build indigenous manufacturing capacity in major defence platforms, the Applicant Company and subsequently the Strategic Partner when appointed should be an Indian company (as defined under the Companies Act,2013), owned and controlled by resident Indian citizens. The management of the Applicant Company should be in Indian hands with majority representation on the board of directors. The chief executive(s) of the Applicant Company shall be resident Indians who are part of the Indian group owning and controlling the Applicant Company or the Strategic Partner. 'Control' shall include the right to appoint a majority of the directors or to control the management or policy decisions, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

12. Further, a company shall be considered as 'Owned' by resident Indian citizens if more than fifty percent (50%) of the capital in it is directly or beneficially owned by resident Indian citizens and/or Indian companies, which are ultimately owned and controlled by resident Indian citizens. This implies that the maximum permitted FDI shall be forty nine percent (49%). No pyramiding of FDI in Indian holding companies or in Indian entities subscribing to shares or securities of the Applicant Company or the Strategic Partner shall be permitted. Indirect foreign investment shall be accounted for in counting the forty-nine percent (49%) FDI. The consolidated characteristics of ownership and provisions governing Applicant Companies are given at Appendix A of chapter IX to Guidelines and annexures. In case of any subsequent change after grant of AoN in shareholding pattern / ownership of the SP, prior approval of AoN according authority would be taken to continue with the project.

13. In cases where Applicant Company is able to provide significant, verifiable and tangible Transfer of Technology (ToT), duly justified in the Statement of Case (SoC), a special dispensation may be considered by the Defence Acquisition Council (DAC) for an Applicant Company to be deemed compliant with the definition of an 'Indian Vendor' (in accordance with extant Defence FDI provisions) as per Para 23 of chapter I of DAP 2026. In such cases, the DAC may exempt compliance with the additional conditions stipulated at Para 23.1 & 23.2 of chapter I and Appendix A to Chapter IX of DAP 2026.

## **Role of Original Equipment Manufacturer (OEM)**

14. To manufacture major defence platforms, the SP will require tie-ups with foreign Original Equipment Manufacturers (OEM), to cover manufacturing, transfer of technology (ToT), assistance in training skilled human resources and other support. Such partnerships or tie-ups between SP and OEM may take the form of joint ventures (JV), equity partnerships, technology- sharing, royalty or any other mutually acceptable arrangement between the companies concerned, subject to the ownership conditions indicated in Paragraphs 11, 12 and 13 above. The limit for equity participation will not preclude other arrangements for sharing management rights in the JV mutually agreed between the SP and OEM. Changes in the ownership structure of JV/SPV shall require approval of AoN according authority.

15. The OEM will be jointly responsible along with the SP for certification and quality assurance of the platforms supplied to MoD according to their respective individual and joint responsibilities and obligations as set forth in the RFP as well as in the draft contracts. Rights and obligations in this regard will be subject to detailed contracts to be developed subsequently.

16. To facilitate selection of OEMs, MoD will implement a process of Shortlisting of OEMs for each segment simultaneously with the process of identifying SPs. This Shortlisting of eligible OEMs will be through an Expression of Interest (EoI).

17. Technical Evaluation will also be carried out strictly adhering to specified timelines. Even if only one OEM submits a proposal in any given segment, the process of technical evaluation will be completed.

18. As part of the EoI, OEMs will provide a provisional acceptance of their government(s) that necessary licenses to transfer technology will be granted in case the OEM is selected as a partner for the SP to manufacture the platforms/equipment in India, wherever required, prior to issue of RFP. Such a commitment may also be supported by Inter-Governmental agreements to be signed between India and the country(ies) concerned, at the stage of award of contract.

19. All contracts and arrangements within this model will cover provisions for protection of classified information and technology transferred by the OEM. Shortlisted OEMs will provide an undertaking confirming their willingness to cooperate with the SP to manufacture the platform in India, including handholding and support, transfer of technology and indigenisation. OEM will also confirm life-cycle support for the platform along with the SP.

### **Organisational Structure at MoD**

20. An appropriate institutional and administrative mechanism for effective implementation of the Strategic Partnerships will be set up within the MoD, with adequate expertise in relevant fields like procurement, contract law and ToT arrangements. The procurement process for cases under the SP Models given at Appendix C of chapter IX to Guidelines and annexures. and the terms of reference for Empowered Project Committee are given at Appendix D of chapter IX to Guidelines and annexures.

## **SECTION II: PROCEDURE FOR SELECTION OF STRATEGIC PARTNERS**

21. The selection process of SP will broadly have following procedure: -

21.1. Issue of Expression of Interest (EoI) to Indian private companies for selection of Strategic Partners in identified segments seeking details of Minimum Qualification Criteria.

21.2. Submission of response to EoI by applicant companies, indicating *inter alia* choice for segments in which they wish to participate.

21.3. Evaluation of the companies based on Minimum Qualification Criteria.

21.4. Verification of Segment Specific criteria.

21.5. DAC approval for shortlisting of companies who meet the minimum qualification criteria.

21.6. Issue of RFP with approval of DG Acq to short-listed companies based on EoI response.

21.7. Submission of techno-commercial offer in response to RFPs by companies, in collaboration with one of the short-listed OEMs or in exceptional cases with two OEMs in segments with diverse platforms.

21.8. Opening and evaluation of technical offer of the companies.

21.9. Conduct of Field Evaluation Trials (FET) and Staff Evaluation.

21.10. Opening of commercial offers of companies that are technically compliant with the RFP, segment wise.

- 21.11. Selection of SP having the lowest bid.
- 21.12. Commencement of contractual negotiations.
- 21.13. Finalisation and signing of contract.

### **Expression of Interest (EoI)**

22. MoD shall issue an EoI to seek applications from Indian private companies for selection of Strategic Partner in identified segments. EoI shall inter alia seek information related to Minimum Qualification Criteria comprising of financial, technical and segment-specific parameters. The EoI shall be given wide publicity both in print and electronic media. A suitable time period shall be given to the industry to respond.

23. The Application should be accompanied by an Affidavit testifying to the truth and accuracy of the information supplied. The financial information shall be accompanied by unqualified report from the statutory auditor appointed under Section 139 of the Companies Act, 2013 or corresponding sections under the previous Companies Act, about the correctness and accuracy of the financial information submitted. For any materially false statement, the Applicant Company shall be disqualified.

### **Evaluation of Response to EoI**

24. Based on the response to EoI the companies would be evaluated for minimum qualifying criteria comprising technical, financial and segment specific aspects. Details with respect to Minimum qualifying criteria is placed at Appendix B of chapter IX of Handbook on Guidelines and Annexures.

25. Evaluation may inter-alia include on-site verification. All companies compliant with minimum qualifying criteria shall be short-listed for issue of RFP in the relevant segment.

26. In the event of the Applicant Company not having segment specific experience, flexibility is provided to the Applicant Company to rely upon group company(ies)'s experience in that particular segment. The segment group company(ies) however will not be appointed as the Strategic Partner, as only its experience will be considered for evaluation. The specific segment group company(ies) whose experience and expertise is considered shall execute a deed of adherence and confirmation cum undertaking providing the MoD and the Strategic Partner an irrevocable right to access, enter upon and use the facilities of the segment group company for the duration of the Strategic Partnership, subject to applicable laws. An agreement evidencing this right in a form prescribed by MoD should be submitted along with the application. The restrictions on FDI as prescribed for the Applicant Company as a Strategic Partner will also be applicable to the segment group company.

### **Shortlisting of OEMs**

27. The process of shortlisting of OEMs will be done simultaneously with the process of identifying potential SPs. Shortlisting of OEM will involve the following processes:

- 27.1. Issue of RFI to potential OEMs.
- 27.2. Formulation of SQRs. The SQRs will cover aspects of the platform as well as weapons required, wherever feasible.
- 27.3. Based on SQRs and information already available/collected, an EoI will be issued to OEMs in each segment.

27.4. EoI shall define the technologies to be acquired including the details of the weapons and associated sensors along with the range and depth of transfer of technology (ToT) to achieve the stipulated level of indigenisation and development of industrial eco-system in India.

27.5. OEMs shall provide response to the EoI within two months.

27.6. Based on the responses TEC will be carried out. Besides compliance to SQRs, TEC will also check compliance to issues listed at Paragraph 26.

27.7. OEMs that meet TEC requirements will be shortlisted with the approval of DAC.

27.8. Even in resultant Single Vendor Situation at any stage, the process will be taken forward.

28. As ToT is one of the main factors in selection of OEM, the quantum and scope of Technology being offered for transfer by the OEM will be a primary consideration in the selection procedure, besides compliance to SQRs. Towards this, the shortlisting of OEM will inter-alia take into consideration the following factors: -

28.1. Range, depth and scope of technology transfer offered in identified areas.

28.2. Extent of indigenous content proposed.

28.3. Extent of eco-system of Indian vendors/manufacturers proposed.

28.4. Measures to support SP in establishing system for integration of platforms.

28.5. Plans to train skilled manpower.

28.6. Extent of future R&D planned in India.

### **Issue of RFP**

29. RFP in accordance with Para 21.6 shall be issued to the short-listed Indian companies. RFP shall broadly seek following details:-

29.1. Technical details of the equipment.

29.2. Commercial offer for the identified platform and 10-years Performance Based Logistics(PBL)/other maintenance arrangements specified.

29.3. Mandatory requirements related to indigenisation roadmap, Transfer of Technology, creation of R&D capabilities and skilling provisions etc.

30. The list of short-listed OEMs shall also be annexed to the RFP, so that the short-listed Indian companies can freely engage with such OEMs and finalise their techno-commercial offer in agreement with any of these OEMs. Pre-bid meeting to be conducted as per Para-57 of Appendix-C and Para-17 of Appendix-D of Handbook on Guidelines and Annexures. One Indian company can engage with any or all OEMs, but can finally submit only one offer in agreement with any one of the OEMs. As an exception, in segments with diverse platforms such as Helicopters, potential SPs may submit response with more than one OEM to have best technology solution.

31. A minimum number of platforms, not exceeding 10-15% of the number of units being procured, may be manufactured in the OEMs premises for the purposes of training and skill development of the SP's manpower.

## Response to RFP

32. Response to RFP shall be in two parts, a technical offer and a commercial offer. The technical offer shall include details of the equipment, company's willingness to meet mandatory requirements related to indigenisation roadmap, transfer of technology, creation of R&D cap abilities and skilling provisions etc. The commercial offer shall include the price of the platform along with maintenance related costs as required in RFP.

## Evaluation of Response to RFP

33. Technical offer, which contains details of the equipment, company's adherence to certain mandatory requirements related to indigenisation, technology transfer, creation of R&D capabilities and skilling etc. shall be opened first.

34. Field Evaluation Trials (FET) are to be conducted, except where the equipment has been evaluated earlier or where FET is not applicable (such as submarines), in which case the requirement of FET could be waived. However, specialised system/ equipment on 'Non-FET' platforms may be considered for FET, as required and same may be brought out in RFP. Further, to expedite FET, evaluation trials could be carried out at the vendor premises as necessary.

35. Based on results of FET, Staff Evaluation will be carried out and platforms that meet minimum SQRs and ToT requirements will be shortlisted. Staff Evaluation Report will be vetted by EPC and forwarded for acceptance of DG Acq through respective ADG Acq Tech.

36. After evaluation of the technical aspects, and acceptance of Staff Evaluation, the commercial offers of the companies that are compliant with the technical aspects shall be opened and the company having lowest bid shall be designated as SP in that segment.

37. The order of selection of SPs, and implementation of Strategic Partnerships shall be decided by MoD.

## Contractual Aspects

38. MoD shall constitute a Contract Negotiation Committee to conduct negotiations with the selected SP and sign a contract for deliverables. OEM may participate in these negotiations if needed.

39. Contract for supply of the platform will be signed between MoD and the SP, and with OEM if necessary. In case a JV/SPV is formed by the OEM and SP, a tripartite contract between MoD, SP and the JV/SPV will be considered, provided this does not dilute responsibilities of the SP individually, jointly and severally for implementation of contractual delivery timelines, quality and other criteria to the extent wherein the parties shall be liable for their respective individual and joint responsibilities and obligations set forth in the RFP as well as in contracts as and when finalised in CNC stage.

## Indigenisation Roadmap

40. The selected SP in each segment will be required to present a roadmap for future development including PBL, upgrades, etc. as indicated below: -

**40.1 Indigenous Content Requirements.** The SP shall commit to a plan to indigenize, in terms of value of production, manufacturing of the platform over a set period for each platform as defined in each RFP.

**40.2. Eco-system of Domestic Manufacturers.** SP shall develop tiered industries in each segment by entering into teaming agreements and development partnerships with other industries, including micro, small and medium enterprises (MSMEs), DPSUs, other PSUs,

DRDO and foreign companies that are part of the global supply chain in the relevant sector, so that an eco-system of domestic manufacturers in Indian defence sector is developed, including for spares and capacities for repair and maintenance of the platform. SP will submit an action plan to MoD in this regard, implementation of which will be monitored by MoD.

**40.3. R&D Roadmap.** The Strategic Partner shall formulate a research and development roadmap to achieve self-reliance within the country in respect of the Segment. The road-map is to be mutually finalised along with the MoD.

### **Test and Evaluation Facilities**

41. MoD will make available existing test and evaluation facilities to the SP. The terms of such access as well as cost or fees for the same shall be mutually decided.

### **Periodic Assessment.**

42. MoD shall have a right to periodically assess level of technology absorption carried out by the SP and development of a domestic ecosystem for manufacturing. MoD may carry out this assessment either itself or by appointing subject matter experts.

### **Audit**

43. Besides examination of periodic audited reports, MoD shall have the right to conduct special audits of all certifications and costs relevant to the Segment at all or any stages (tiers) of manufacturing/ production/ assembly.

### **Termination**

44. MoD shall have the right to terminate the Acquisition Contract in the following cases:-

44.1. If there is material breach of the Acquisition Contract or an integrity related provision by the SP or the JV/SPV.

44.2. If the SP or the JV/SPV loses 50% (fifty percent) of net worth as submitted in its application (for appointment as strategic partner) or is unable to pay its dues.

44.3. If the SP or the JV/SPV is adjudged insolvent, commences a voluntary winding-up, is subject to the appointment of a receiver, administrative receiver, official liquidator, trustee or a similar person over its assets or undertaking or any part thereof.

44.4. Any other contractually relevant issue.

### **Subsequent Acquisitions**

45. To achieve self-reliance within the country, subsequent acquisitions in the identified segments/platforms should ideally be carried out from Indian companies under Buy (IDDM), Buy (Indian), Buy and Make (Indian) and Make categories of acquisition under DAP. This can be accomplished only when Indian companies make considerable, long term investments in capacity creation and capability development including infrastructure, tiered ecosystem of vendors, skilled human resources, futuristic R&D etc.

46. To incentivise and motivate Indian companies to achieve these objectives, the process for evaluation of bids for subsequent acquisitions in the identified segments/platforms may provide adequate weightage for the following factors pertaining to their experience and track record in the respective segment:-

46.1. Investments by Indian companies to construct and improve segment specific infrastructure like workshops and production lines as well as availability of skilled manpower.

46.2. The nature of R&D investments made by the companies including test and evaluation facilities and infrastructure.

46.3. Development and acquisition of relevant technologies and execution of advanced and state of the art manufacturing processes.

46.4. The extent of the ecosystem created such as the number of vendors developed and the value of orders placed on these vendors.

47. Further, in order to encourage spiral development of technologies and systems, the above factors may be given adequate weightage in deciding upon development partners for projects, including those of DRDO, as well as those under Make procedure of DAP.

48. The above factors may also be given adequate weightage in deciding upon Indian partners for enhancing the production capacities/establishing work-share with DPSUs in future.

### **Conclusion**

49. Fostering a constructive partnership with Indian private defence industry is considered not just a sound economic option but a strategic imperative to minimise dependence on imports and infuse self-sufficiency in defence manufacturing. Larger and sustained production volumes of a system will lead to optimisation of cost, improved production efficiency and ability to absorb higher end technologies, besides creating an extensive eco-system of defence related industries in the country so that defence manufacturing emerges as a key driver in India's economic growth and development.

**CHAPTER X**

**PROCEDURE FOR LEASING**

DRAFT DAP 2026

## CHAPTER X

### PROCEDURE FOR LEASING

**1. Introduction.** Leasing is introduced as another category for acquisition in addition to the existing ‘Buy’ and ‘Make’ acquisition categories as it provides for an innovative technique for financing of asset. Leasing provides means to possess and operate the asset without owning the asset and is useful to substitute huge initial capital outlays with periodical rental payments.

**2. Definition of a Lease.** A lease is a contract outlining the terms under which one party agrees to rent Goods owned by another party. It guarantees the lessee, use of an asset and guarantees the **lessor**, regular payments for a specified period in exchange. Both the lessee and the lessor face consequences if they fail to uphold the terms of the contract. Lease is a legal and binding contract, set forth in the form of an agreement.

**3.** Leasing would be permitted in two sub categories i.e. Lease (Indian), where Lessor is an Indian entity and is the owner of the asset and Lease (Global) which refers to lease of asset from foreign or Indian Lessors. Lease (Indian) would be the preferred category.

**4. Cases for Lease.** Cases where lease of asset may be preferred are:-

4.1 Where procurement is not feasible due to time constraint.

4.2. Where the asset/capability is needed for a specific time or would be under utilised if procured.

4.3. Where smaller numbers of assets are needed and administrative /maintenance infrastructure expenditure would be high.

4.4. When lease rentals are a better option compared to a one-time acquisition cost.

4.5. To gain experience for operational exploitation of asset.

4.6. Due to operational necessity.

5. New unused asset, as well as previously used asset could be leased.

**6. Advantage of Lease Model.** For the MoD, the lease enables use of asset without making a large initial Capital outlay, mitigate effect of asset obsolescence, faster acquisition of capability and reduced administrative costs. For the *Lessor*, a lease instrument provides a way to offset benefits of asset depreciation for better returns on capital, against assured returns from a Govt contract.

**7. Types of Leases.** SHQ, while examining the cases, may examine the applicability of appropriate lease type, from the following types, with due justification:-

**7.1. Operating Lease.** An arrangement where Lessee (MoD) uses the asset for a specific period and makes rental payments for the use of the asset, but does not gain ownership rights over the asset. At the conclusion of the arrangement or at predetermined times during the terms of the lease, the asset may be acquired by the MoD (the Lessee) for an agreed-to price set at the beginning of the lease (*the residual value*). Alternatively, the asset/equipment can be returned to the lessor at the end of the lease term, meeting certain return conditions, which are similarly negotiated at the onset of the lease.

7.1.1. An operating lease could be Dry/Wet or Damp lease. While in a Dry lease only an asset is leased, in a Wet lease arrangement a lessor provides the asset, crew, maintenance and insurance to the Lessee.

7.1.2. Damp lease is a hybrid arrangement in which the services being provided for the asset (Crew, maintenance, insurance etc) on lease can be suitably selected by the Lessee based on the operational requirement.

7.2. **Finance Lease.** Operates similar to a loan, as Lessee (MoD) pays for the entire value of the asset over the term of the lease. At the conclusion of the arrangement, the MoD (the Lessee) can take ownership of the asset for nominal predetermined consideration or return it to the Lessor.

8. **Examination of Lease vs Acquisition.** A lease involving military assets allows MoD to enter into a long-term commitment to pay for use of military assets over time and/or potentially acquire these assets at the end of the lease period. It is important that specific goals/objectives for acquiring assets on lease are clearly laid out, examined and understood in detail. This is necessary to finalise technical requirements, financial requirements as well as the desired duration of the lease. Where possible these goals/objectives should be shared with the industry in RFI, LOR and RFP stages. A cost benefit analysis is required to be undertaken and included in the Statement of Case for all cases.

9. Traditional acquisition process involves dealing directly with Original Equipment Manufacturers (OEMs), which provide the underlying capability to meet the SHQ requirements. However, lease arrangements may also include additional stakeholders, such as Government of the OEM and third-party financiers, who provide access to cost effective financing to the Lessor.

9.1. In commercial leasing industry, it is common for Lessors to be an independent third party that has partnered with OEMs/Suppliers.

9.2. A final lease contract may require coordination between a Leasing firm, its financiers, OEM and/or Government of the OEM.

10. Generally, a longer-term lease may provide best value for money, compared to a short(er) term lease.

11. **Maintenance Philosophy.** In certain lease arrangements (for example in Dry lease for aircraft or a Finance lease), the lessee (i.e. MoD) may require to undertake maintenance of the asset under lease. In such cases, the Maintenance Philosophy to be adopted for the lease case must also be examined at RFI/formulation of LOR stage. If sought from the Lessor, maintenance may be subject of a separate agreement from the main lease agreement.

## 12. Additional Considerations for Lease Cases.

12.1. **Applicable to Lease (Global) Cases only.** A lease of military product involves several nuances unique to the domain, including financing, licensing/approvals by the Government of the OEM domicile, care/custody & control over assets, return conditions, return of assets to an entity approved by a Government of the OEM domicile, etc. The parties also need to consider respective accounting rules, applicable operating regulations and their application to the parties.

12.2. Insurance and liability are important safeguards/components of a lease contract. These aspects need to be carefully considered, amongst options to self- insure or procure commercial insurance and their applicability to lease payments.

12.3. These unique complexities require proactive and constant communication between the various parties and stakeholders, given the complex subject matter and large number of stakeholders, discussions with the OEM community should be started as early as possible in order to allow for timely delivery of the assets.

12.4. Lease agreements have to specify conditions of re-delivery/return of the asset to the Lessor. Such conditions typically specify physical condition of asset at the time of return, asset maintenance records, special checks – if any.

13. **Asset Modification/Refit/Upgrade to Available Asset.** There may be cases, where asset directly available for lease, may need modifications (or a refit or an upgrade) for use by the Services. At the end of lease period, before re-delivery of the asset to the Lessor, such modifications would need to be reversed. Due to this, need for modifications, if any, must be carefully examined in a lease case. Payments for such modifications / de-modifications must be included in the contract.

**Note:** *Modifications/upgrade of leased asset, after commencement of lease will be outside the scope of this paragraph. Lease terms in such conditions will be negotiated separately.*

### Special Terms in Relation to Lease

#### 14. Conditions Precedent (CP).

14.1 The Conditions Precedent (CP) to delivery under any lease agreement are those pre-conditions, whether factual, documentary or otherwise, which must be satisfied before the relevant party is obliged to proceed with delivery and acceptance and the lease term commences. In most leases, it is necessary for both parties to satisfy certain conditions precedent. In the event of failure of one party to satisfy any of the conditions precedent, the non-defaulting party is entitled not to proceed with delivery or acceptance of the asset or alternatively may agree to proceed on the basis of the waiver or deferral of the relevant CP.

14.2 Some examples of CP are:-

14.2.1. Payments (security deposits, commitment fee, first rent, etc.).

14.2.2 Provision/creation of letters of guarantee, credit or other credit enhancement instruments in place.

14.2.3. Receipt of the insurance certificate and letter of undertaking.

14.2.4. Receipt of certain key documents (e.g. deregistration, Power of Attorney, proof of legal capacity to enter into the lease with supporting legal opinion, board approval resolutions).

14.2.5. No total loss of **equipment** asset.

14.2.6. Lessee satisfactory inspection of asset and documentation within agreed timeframe.

14.2.7 **Equipment** Asset being in agreed delivery condition.

15. **Insurance.** Due to peculiar nature of a lease contract, insurance of the asset is important parameter. From the perspective of a *Lessor*, assumption of risk associated with operation and use of asset during the lease period and the consequent liability is a factor for consideration in a lease contract. There are two aspects to insurance that need consideration.

15.1. **Hull Insurance (Asset Insurance).** Hull insurance provides coverage for the value of the *Lessor's* asset in the event of physical damage to or loss, of the asset or aircraft (including records and removed parts/engine).

15.2. **Liability Insurance.** Liability insurance provides coverage for general legal liability, including Third Party. This also includes loss, damage, injury and death to Third Party and its property.

16. **Non-Insurable Assets and Lessor Indemnity.** Not all the asset for use by the military may be insured by the insurance companies. In such cases, the Hull Insurance and Liability will be covered under existing provisions for operation of military asset as per following guidelines:-

16.1. All assets taken on lease will be '*Brought on Charge*' by the SHQ, **before first use**. Any loss or damage to the asset during use will be written off as per existing procedure (with reference to Rules 33 to 38 of GFR 2017, as amended and as per DFPDS, as amended). The cost of write off, will be reimbursed to the Lessor as per conditions of lease contract.

16.2. After the leased asset is taken on charge, any liability arising out of its use will be that of the Lessee. Third party claims related to injury or death, direct or indirect loss of assets, will be paid by the Lessee as per existing rules on such claims including ex-gratia payments.

17. **Insurance and Liability in Military Contracts.** Responsibility to insure a leased asset is that of the Lessor. Where it is feasible for the Lessee to obtain the insurance, such an option may be exercised.

18. **Commitment Fee.** The Commitment Fee is paid by the *Lessee* as a consideration for the *Lessor* to take the asset off the market, for subsequently providing them to the *Lessee* as a part of lease agreement. It can be paid through:-

18.1. An advance payment (up to 15% as per provisions of DAP 2026), and/or.

18.2. Increased rate of initial payments.

18.3. As per payment schedule agreed during CNC.

## 19. **Payment Terms.**

19.1. The payment periodicity may be quarterly, six-monthly or annual payments. A different payment periodicity could also be agreed depending on the case.

19.2. The payments for asset being leased will normally be after the lease period. To illustrate, *for quarterly payment terms, the 1<sup>st</sup> quarterly payment will be made in the 4<sup>th</sup> month, after the asset has been used for the first three months.*

19.3. Different payment terms, such as payments made in advance of the lease period could also be agreed depending on the case.

20. **Brought on Charge.** For accounting purposes, the leased asset will be '*Brought on Charge*' by the SHQ before being put to first use. In case of damage to the asset, the cost will be written off as per existing procedure. The write off cost will be reimbursed to the Lessor as per the terms of Lease Contract.

21. **Graded Penalties.** For proper performance of the lease, the lease agreement may have graded penalties linked to performance metrics for partial/full default on lease agreement. Various payment options could be used, such as advance percentage, stage payment, payments at the end of agreed

periodicity, after the asset has been utilised as per agreed performance metrics. Same need to be defined in the SoC for seeking AoN.

### **Lease Acquisition Process**

22. An outline of the lease acquisition processes is as follows. These processes will be as per acquisition procedure at Chapter II. Specifics, as applicable to lease are discussed in the following paragraphs heads below:-

- 22.1. Request for Information (RFI).
- 22.2. Identification of asset and Operational Demonstration to identify the asset that best meets the capability sought.
- 22.3. Preparation of Leasing Operational Requirements (LOR).
- 22.4. Obtaining of AoN.
- 22.5. Solicitation of offers.
- 22.6. TEC.
- 22.7. CNC.
- 22.8. Approval by CFA.
- 22.9. Signing of Lease agreement.
- 22.10. Post lease management.

23. **Request for Information (RFI).**

23.1 **Dissemination of RFI.** The RFI would be published on the MoD website for seeking relevant information on specific procurement schemes. Copies of the RFI would also be forwarded to industry representative bodies (CII, ASSOCHAM, FICCI and SIDM) for dissemination. Copies of RFI may also be shared with firms in database of MoD/SHQ. In classified cases, distribution of the RFI may be restricted, with prior approval of the PSO at SHQ.

23.2. **Objective of RFI.**

- 23.2.1 To identify potential lessors.
- 23.2.2. To formulate Lease Operational Requirements (LOR).
- 23.2.3. To generate inputs for the RFP.
- 23.2.4. To determine the indicative budgetary and cost implications.
- 23.2.5. To determine any Conditions Precedent.

23.3. The RFI should indicate the following (delete those not applicable):-

- 23.3.1. Type of equipment/system/platform and the capabilities sought.
- 23.3.2. Quantities required.

- 23.3.3. Scheduled delivery date and lease term including early termination or extension options.
- 23.3.4. Delivery/redelivery location.
- 23.3.5. Delivery conditions (including minimum life requirements, airworthiness compliance – where applicable, delivery inspection procedures).
- 23.3.6. Insurance requirements (including hull agreed values and liability limits).
- 23.3.7. Rent, deposit/commitment fee and other payments.
- 23.3.8. Maintenance compensation mechanism (monthly reserves, end of lease adjustment, full life, etc).
- 23.3.9. Maintenance, operations and records.
- 23.3.10. Airworthiness compliance standards, including any AD (Airworthiness Directives) cost sharing (where applicable).
- 23.3.11. Pre/Post-delivery modification (and cost sharing).
- 23.3.12. Conditions Precedent (CP) to effectiveness of the RFP/Contract.
- 23.3.13. Definition of any key terms that will apply in the lease, including eligible maintenance events for maintenance reserves reimbursement.
- 23.3.14. Regulatory/registration regime.
- 23.3.15. Governing law.
- 23.3.16. Confidentiality.
- 23.3.17. Tentative time schedule of the leasing process.

23.4. The RFI should seek the following inputs:-

- 23.4.1. Details regarding asset capabilities.
- 23.4.2. Type of lease (Refer Paragraph 7 above).
- 23.4.3. Details required for determining the cost of lease.
- 23.4.4. Scope, depth and range of lease.
- 23.4.5. Any Conditions Precedent.
- 23.4.6. Any special conditions of lease.
- 23.4.7. References of applicable statutory law, rule, regulations, including national/federal guidelines, as applicable to the asset and conditions of lease.

23.5. Adequate time should be given to the vendors, for a structured response to the RFI and for interaction.

23.6 The RFI should also ask details about the vendors as per Appendix A to Chapter I of DAP 2026.

23.7 After uploading/sharing of RFI with potential respondents, interactions may be planned by the Empowered Committee comprising of representatives from SHQ/ Steering Dte and Maintenance agency, as applicable under a One Star/ Director level Officer. After due interactions, vendors may be given sufficient time to respond to the RFI.

24. **Letter of Intent.** In certain cases, SHQ may identify asset during multinational interactions/exercises with friendly militaries. Use of asset may also have emerged during inter-governmental interactions with friendly countries. In such cases, instead of an RFI, the MoD will issue a 'Letter of Intent (LoI)', broadly encompassing the requirements above.

25. **Identification of Asset and Operational Demonstration.** Due to considerations placed at paragraphs 9 to 24 above, extensive interactions may be required with all the vendors/stake holders. Based on responses to the RFI and vendor interactions, the SHQ will identify suitable ~~equipment~~ asset for lease, as well as finalise a list of potential *Lessor*'s. Same will be approved at the level of PSO at SHQ. Following is relevant in respect of Operational demonstration:-

25.1. In cases, where operational performance of the asset is known or such asset is already in use by the SHQ and lease is being considered for additional quantities or where such an asset was used in the past, requirement of an Operational Demonstration can be dispensed with.

25.2. Where the performance and utility of the asset has been observed during an exercise with a friendly foreign force or during a bilateral/multilateral event, requirement of an Op Demo may be dispensed with.

25.3. In cases where asset performance has not been checked before, SHQ may seek Op Demo of the ~~equipment~~ asset by the *Lessor*, as a part of the RFI process.

26. **Lease Operational Requirements (LOR).** The LOR defines the operational capability sought and any special conditions of lease. The LOR must lay down user requirements in a comprehensive and unambiguous manner. LOR of classified nature will be shared after a Non-Disclosure Agreement (NDA). The LOR will be ratified by the SEPC.

**Note:** While determining the LORs, the SEPC will be guided by user requirement and capability of asset available for lease. In this sense, the LORs cannot be futuristic in nature and will be governed by capability available for lease.

27. **Acceptance of Necessity (AoN).** In order to seek AoN, a SoC would be prepared as per suggestive format placed as Appendix A to Chapter X of handbook on Guidelines and Annexures. A cost benefit analysis is required to be undertaken and included in the SoC for all cases. The LOR and draft RFP will be attached along with the SoC. AoN will be sought based on the total value of the lease rental cost (including insurance costs, if any) over the period of lease. AoN for lease cases upto Rs 300 Cr would be accorded by the SPB, AoN for all lease cases more than Rs 300 Cr and upto Rs 500 Cr will be accorded by the DPB and in cases beyond Rs 500 Cr, AoN will be accorded by the DAC after due recommendations of the DPB. The SoC will be processed as per provisions of Chapter II of DAP 2026. ~~Validity of the AoN will be as per the DAP 2026.~~ AoN would lapse for all cases where the RFP for approved quantity is not issued within the original validity period of AoN. In such cases, the SHQ would have to seek fresh AoN with due justification for not issue of RFP. For cases where the RFP is issued within the original validity period of AoN and later retracted for any reason, the AoN would continue to remain valid, as long as the original decision remains unchanged and provided the subsequent RFP is issued within a period not exceeding the original validity period of the AoN from the date of retraction of original RFP. The validity of AoN would be six months from the date of issue

of Minutes of Meeting of the AoN according authority. Subsequent to the accord of AoN, the broad details of the projects/procurement would be hosted on the MoD and SHQ websites within one week of issue of minutes keeping security aspects in mind. Additional vendors, who did not respond to the RFI, may express interest for receipt of RFP and submission of bid, within four weeks from the date of publication of details on these websites.

28. Lease cases being progressed with DPSUs or under Inter Governmental Agreements will not be treated as Single Vendor Cases.

29. **Format of a Lease Contract.** An indicative format of a Lease Agreement is placed as Appendix B to Chapter X of handbook on Guidelines and Annexures. The format is not exhaustive and may be amended on case to case basis.

30. **Provisions Common with DAP 2026.** The provisions of DAP 2026 will apply to the following aspects:-

- 30.1. Solicitation of Commercial Offer and RFP (vetting and issue).
- 30.2. TEC.
- 30.3. Unsolicited Bids.
- 30.4. Change of name of vendor.
- 30.5. Benchmarking.
- 30.6. CNC.
- 30.7. Fall Clause.
- 30.8. Return of Commercial Offers.
- 30.9. Authority for retraction of RFP.
- 30.10. Approval of CFA.
- 30.11. Standard Contract Document – with suitable amendments to include/delete provisions specific/not applicable to a lease. Formulation for a number of clauses will vary on case to case basis. An indicative format is placed as Appendix B to Chapter X of handbook on Guidelines and Annexures. The format is not exhaustive and may be amended on case to case basis.
- 30.12. Integrity Pact.
- 30.13. Post contract monitoring.
- 30.14. LD. Amendment to lease agreement.
- 30.15. Inter Government Agreement(s).

31. **Processing of Lease Cases.** To ensure that lease process is completed in a timely manner, completion of various stages will be monitored in a time bound manner as follows:-

Ser No	Stages of Process	Review by	
		Delegated Powers	Non Delegated Powers
31.1	Delay in identification of asset /Op Demo after receipt of RFI response by more than 24 weeks	PSO	DG (Acq)
31.2.	Delay in formulation of LORs by more than 24 weeks, after identification of asset /Op Demo	PSO	DG (Acq)
31.3.	Delay in fielding of case for AoN more than 24 weeks after approval of LORs	PSO	DG (Acq)
31.4.	Delay of approval of CFA beyond eight weeks after submission of CNC report	PSO	DG (Acq)

\*\*\*\*

**CHAPTER XI**

**PROCEDURE FOR DEFENCE SHIP  
BUILDING**

## CHAPTER XI

### PROCEDURE FOR DEFENCE SHIP BUILDING

#### Introduction

1. A Naval/ Coast Guard ship consists of an assortment of equipment comprising weapons, sensors and support systems, along with propulsion, power generation and auxiliary systems. In addition, the warship design caters for the facilities for crew, fuel and provisions. The system integration of complex weapons and sensors with the ship's systems and combat management system is crucial for a ship design and construction project.
2. To achieve this successfully, a ship construction program, therefore, involves feasibility studies on the basis of the staff requirements, concept design, model tests, specialists design studies to arrive at detailed design, system integration, construction, tests and trials. It also involves technology application and its transfer, selection of equipment including new developmental equipment, identification and purchase of large number of items from numerous indigenous and foreign suppliers.

#### Preamble

3. 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 three sections as follows: -

3.1. **Section 'A'.** Acquisition of highly weapon intensive and/or specialised Naval platforms requiring transformational and evolutionary design like Aircraft Carrier, Next Generation Destroyer, Submarines through indigenous design by SHQ and construction by Indian shipyard(s) on nomination basis.

3.2. **Section 'B'.** Acquisition of Naval Ships/Submarines, Coast Guard ships, Yard crafts and Auxiliary Crafts etc. to be constructed on competitive basis with design by shipyards.

3.3. **Section 'C'.** Acquisition of Naval Ships/Submarines of indigenous design by SHQ to be constructed by Indian Shipyards on competitive basis.

4. The fundamental difference between Shipbuilding procedures under nomination (Section A) and Competitive (Section B and C) is that, the cases where it is not feasible to freeze the design inputs due to evolutionary design and the complexity of the platform requires demonstrated capability of building similar ships of high complexity, or construction of the platform requires exclusive infrastructure that only one shipyard has, will be progressed under Section A. Cases where it is feasible to freeze the requirements in such details, prior to issue of RFP, would be progressed under Section B or C.

5. **Contract Operating Authority.** The Contract Operating Authority (COA/DDG (M&M)) refers to the ability given to act on behalf of the President of India in order to execute all activities towards completion of the shipbuilding contract. The nominated COA/ DDG (M&M), in the major shipbuilding projects (approved by CCS) should be of the rank equivalent to Rear Admiral or above. For schemes which are processed under powers of SHQ or RM/ FM the COA can be of the rank equivalent to Commodore.

## Approval for Revised Project Cost

6. The revision in Original Cost Estimates of Shipbuilding cases (Section A, B and C) would be as per para (para to be specified) of Chapter XII (Contract Management) of DAP 2026. Further the following will also be applicable:-

6.1 **Revised Cost Committee.** For fixing accountability as mentioned in para (to be specified of Chapter II), SHQ is to refer all cases with project cost overrun of over 20% and accompanied by time overrun of over 10% to a Revised Cost Committee (RCC), under Chairmanship of CWP&A comprising representatives of Acquisition Wing and Advisor (Cost), prior to putting up the second stage CCS proposal for consideration of CCS. Recommendations of the RCC shall be incorporated into the CCS note. Actions taken by SHQ would be monitored by the Vice Chief and periodically reviewed by Defence Secretary/ DG(Acquisition). The composition of RCC would be as follows:-

- 6.1.1. CWP&A/ADG ICG.
- 6.1.2. Joint Secretary (NS), Member Secretary.
- 6.1.3. Joint Secretary & Acquisition Manager (MS).
- 6.1.4. Additional FA and JS (Defence PSUs).
- 6.1.5. ADG Acquisition Technical (MS).
- 6.1.6. Financial Manager (MS).
- 6.1.7. DGWDB/ ACCP/ ACWP&A (as applicable).
- 6.1.8. ACNS(P&P)/ Cmde (NP).
- 6.1.9. ACNS(SR)/ Cmde (SR).
- 6.1.10. CMD of concerned Shipyard.
- 6.1.11. Director and Project Superintendents of concerned project of Shipyard.
- 6.1.12. Cmde (WDB)/ Cmde (SP).
- 6.1.13. DDG (M&M), PD (Mat) and PD (SA) in case of ICG.

**Note:** While the approval for enhancement of project cost/ time is being processed, the work on the project is to be progressed without waiting for the final approval.

6.2 Accountability of cost overrun would not be applicable in case of New Design Ships, where increase in cost is on account of under development BNE equipment and where a provision for Second Stage CFA Sanction already exists.

7. 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/ ICG SHIPS AND SUBMARINES BY NOMINATION TO INDIAN SHIPYARD(S)**

8. **Applicability.** This section is applicable for acquisition of highly weapon intensive and/or specialized Naval/ ICG platforms requiring transformational and evolutionary design like Aircraft Carrier, Next Generation Destroyer etc. through indigenous design by SHQ and construction by Indian Shipyard(s) on nomination basis. Ship building projects, wherein it is not feasible to freeze the design inputs due to evolutionary design and complexity of platform requires demonstrated capability of building similar ships, or wherein construction of the platform requires exclusive infrastructure which is available with only one shipyard, shall be progressed in accordance with the provision of this section.

9. **Procedure.** SHQ shall take prior approval for shipbuilding contracts to be proposed for categorization on nomination basis by the DAC, based on objective and specific justification in accordance with PMO ID 4639985/2017/POL dated 12 Jun 2017. Naval Ship Building Procedure under this section will cover the following: -

- 9.1. Outline Staff Requirements (OSRs).
- 9.2. Feasibility Studies and Concept Design.
- 9.3. Acceptance of Necessity and Nomination of Shipyards.
- 9.4. Staff Requirements (SRs).
- 9.5. Preliminary Design.
- 9.6. Preliminary Build Specifications.
- 9.7. Build Strategy.
- 9.8. Budgetary and Estimated Costs.
- 9.9. Contract Negotiations.
- 9.10. Approval of CFA.
- 9.11. Conclusion of Contract.
- 9.12. Detailed Design / Preparatory Activities.
- 9.13. Post Contract Management and Monitoring (Modification and Contingencies).
- 9.14. 2<sup>nd</sup> Stage Approval, if applicable.
- 9.15. Closure of the Project.
- 9.16. Liquidated Damages, if applicable.

10. **Outline Staff Requirements.** SHQ shall prepare the Outline Staff Requirements (OSRs), which shall include the role of the ship, dimensions of its hull, limiting dimensions and endurance if any, capability of major machinery, weapons, sensors and details of accommodation, manpower, endurance etc.

11. **Feasibility Studies and Concept Design.** The OSRs would form the basis on which the feasibility studies and concept design of the ship would be undertaken by SHQ along with identification of OEMs/vendors for specific weapons, sensors, machinery and equipment.

12. **Acceptance of Necessity (AoN).** The proposal for induction of the ships shall be linked to the Maritime Capability Perspective Plan (MCPP)/Five Years Plan which stipulates the numbers and type of vessels required. The Statement of Case for the proposal shall be prepared by SHQ and processed in line with the details given in Chapter II of DAP. 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 shall clearly indicate whether it is a new design, Follow-on ships or Follow-on ships with design/equipment changes. The validity of the AoN will be 36 months. The budgetary and estimated cost by shipyard would have to be submitted within the AoN validity period.

13. **Design Studies.** In certain cases, being progressed under Section A and Section C, the Functional design studies for construction of major platforms could involve Model testing, Computational Analysis, other consultancies/ design validation studies and procurement of design tools/ software/ hardware. Separate case under delegated powers may be taken up to progress Preliminary/ Functional design work such as design validation studies, consultancy services, development of Front-End Engineering Design (FEED) and creation of design facilities including procurement of software/ hardware which will be projected to the AoN according authority, based on proposal in SoC. Methodology indicated in Chapter II after accord of AoN, may be utilised towards progressing the case for undertaking design studies for shipbuilding projects. SHQ may indicate dispensation of specific steps for design studies in the SoC. Academic Institutions participating as Ab initio Single Vendor and in Multi Vendor Cases for these studies may be exempted from submission of EMD and other Bank Guarantees.

14. **Nomination of Shipyard.** For nomination of the Shipyard(s) under this category, SHQ would undertake Technical Capacity Assessment of the entities against parameters listed at Annexure I to Appendix C of Chapter XI of handbook on Guidelines and Annexures. Names of the entities qualifying all Technical Capacity Assessment Parameters shall be forwarded to MoD prior to processing the case for accord of AoN. If more than one entity is nominated, lead entity shall be indicated along with allocation of ships to each Shipyard.

15. Cases for nomination of Yard for Coast Guard ships will also be in-line with procedures indicated in Para 9 above.

16. **Staff Requirements (SRs).** On completion of the feasibility studies, the OSRs may be refined, without any change in the operational parameters i.e. role of the ship, on which the AoN was accorded and Staff Requirements (SRs) are to be promulgated within six months of grant of AoN. The procedures for formulation of Services Qualitative Requirements (SQR) for procurement of equipment would be as per the procedures at Chapter II of DAP.

17. **Preliminary Design.** Based on the promulgated SRs, the preliminary design, including hull form design, weapons/sensors/equipment fit, identification of OEMs/vendors for specific equipment, model tests, validation studies and other design activities shall be carried out by SHQ / Shipyard in consultation, as necessary. This activity shall complete within 18 months of promulgation of SRs. During this period, the propulsion package, weapons/ sensors, hull equipment and engine equipment may be identified by the SHQ.

18. **Developmental Equipment.** Due to long gestation period in Ship-building, there may be occasions when systems/equipment, which are still under development or not fully evaluated, are considered 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 such developmental system would be indicated in the

Outline specifications/ RFP (as applicable) and subsequently included in the contracts. Since adaptation of developmental systems or shortfalls in installation/ trials of the equipment may also result in modifications in the design of the ship; as a safeguard, the RFP/ Outline specifications and contracts may indicate Fall-back option (i.e. alternate equipment) along with the cut-off date that would be installed when the envisaged timelines for development of system/equipment are exceeded or if the FET/ UET has not been successful. Weapon and related sensors, under Fall-back option, would have to be included in the SoC during AoN stage along with the cut-off date. The equipment under Fall-back option (single vendor/ multi-vendor case) may also be excluded from L1 determination like the developmental equipment in shipbuilding cases being progressed under Section B and Section C of this Chapter.

### **Preliminary Build Specifications**

19. Based on the preliminary design, the Preliminary Build Specifications (PBS) of the vessel shall be prepared by SHQ and forwarded to the nominated shipyard(s). This activity must complete within 21 months of promulgation of SRs.

20. In cases where the vessel is not designed by SHQ, the nominated shipyard will prepare the preliminary build specifications based on the SRs and finalise these, along with functional design (if applicable), draft contract and other related documents in consultation with SHQ.

21. **Build Strategy.** Based on the PBS, the nominated shipyard shall propose a build strategy indicating delivery schedules, yard infrastructure and available resources. Build strategy must be forwarded within 06 months of receipt of Preliminary Build Specifications from SHQ. Build Strategy would include the proposed construction schedule, Level-1 work breakdown structure, detailed master control plan along with resource allocation plan for utilisation of shipyard manpower, infrastructure and committed infrastructure up-gradation specific to the project, if applicable, outsourcing plan, tentative procurement schedule for 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 new project together with other on-going projects. Shipyard in their build strategy should provide 'Gap Analysis' for various resources so that a more practical outsourcing plan can be envisaged at this stage. This would also help IN/ ICG in assessing 'Actual' strategy of shipyard. Build Strategy would be approved by SHQ within three months of its receipt.

22. **Budgetary Cost.** Within three months of approval of the Build Strategy by SHQ, the shipyard shall forward a budgetary cost for construction of the ship along with the draft contract.

### **New Design Ships/Follow-On Ships with Major Design/ Equipment Changes**

23. **Budgetary Cost.** In case of new design projects or Follow-on projects with major 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, profits payable to shipyard, specially contracted works, cost of raw material, cost of major equipment, weapons, sensors and propulsion machinery, freight, insurance, clearing charges, taxes, duties and levies on input materials and services, etc as well as the expected year wise cash flow. The cost should take into account normal escalation at the scheduled time of procurement, 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.

24. **Estimated Cost.** The estimated cost of the project shall include the budgetary cost provided by the shipyard along with costs towards project studies, functional design development through design agencies and detailed design work by shipyard/specialist agencies. Augmentation of design facilities, creation of infrastructure and any other costs, in shipyard, if required are also to be reflected as separate items. Cost of supply of MRLS-B&D spares, up to 15% (excluding levies, taxes and handling charges,

transportation, insurance, service tax on handling charges etc) of the basic cost of the vessel, cost of Services towards commissioning, setting to work (STW), testing and tuning spares and cost of on board spares (MRL-OBS) for onboard scheduled servicing and maintenance of all equipment falling due up to two years of operation of the vessel after warranty period, may also be included in the Estimated Cost, as applicable.

25. Variations in estimated cost of nominated equipment supplied by common single source and developmental equipment (including equipment, if fallback option is exercised), whether DPSU or private vendor will be paid as per final negotiated cost in the variable cost element of the project in accordance with Chapter II of the DAP 2026. For new design ships, the estimated cost shall be as close to final cost as possible, explicitly indicating variable cost elements and projected cost of weapons, sensors and other equipment under development (including equipment, if fallback option is exercised), if any. Cost for BFE integration (on a case to case basis) will be decided by the CNC.

### **Follow-on Projects**

26. In case of ships of Follow-on projects with minor design changes, the shipyard shall forward budgetary cost as 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.

27. The estimated cost for the follow-on ships with minor design changes is to be computed based on budgetary quote along with fixed and variable cost elements and cost broken down into labour cost indicating number of man-days, overheads, direct expenses, profit payable to shipyard, specially contracted works, approximate cost of raw material and cost of major equipment, weapons, sensors and propulsion machinery. For the purpose of cost estimation of the complete project, cost of supply of MRLS-B&D spares, up to 15% (excluding levies, taxes and handling charges, transportation, insurance, service tax on handling charges etc) of the basic cost of the vessel including firmed up cost of BNE/ system and cost of on board spares for onboard scheduled servicing and maintenance of all equipment falling due till two years of operation of the vessel after warranty period, may also be included in the Estimated Cost, as applicable.

28. Variations in estimated cost of nominated equipment to be supplied by a common single source, whether DPSU or private vendor in accordance with provision at Chapter II of the DAP 2026 will be paid as per the final negotiated cost of BNE and developmental equipment (including equipment, if fallback option is exercised), in the variable cost element of the project.

29. Cost for BFE integration (on a case to case basis) will be decided by the CNC.

### **Modification and Contingencies**

30. **Modifications.** 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, provision would be made for the same while obtaining CFA approval and may be included in AoN/ AoN cost. Therefore, a percentage of basic cost of the vessels will be included on '*Not Exceeding Basis*' for modifications (including the cost of BNE/Systems), subject to a maximum of 4%. Any extra time required beyond the delivery date of the ship, on account of modification would also be restricted to a maximum of 4% of the original contract delivery period under the project beyond which the same will be approved by the concerned approving authority as per Appendix C to Chapter XII of handbook on Guidelines and Annexures. Expenditure on each modification applicable to one/ all ships of contract along with commensurate time extension (if any) will be approved by the concerned CFA based upon delegated financial powers as recommended by Committee in accordance with Para 47 of this Chapter.

31. **Contingencies.** Contingencies for unforeseen expenditure of the project may also be catered, subject to a ceiling of 1% of basic cost of the vessel (including the cost of BNE/Systems). Since it is

not feasible to forecast these, provision would be made for the same while obtaining CCS/CFA approval and may be included in AoN/ AoN cost. Contingencies may arise due to circumstances beyond the control of either of the parties. Payment towards contingencies will be made as per actuals. Expenditure on contingencies, along with commensurate time extension (if any), will be approved by the concerned CFA based upon delegated financial powers in consultation with IFA. Contingencies, *inter alia*, would cover broad categories such as following:-

31.1 Extension of Warranty/ Guarantee of the equipment to cover delays not attributable to shipyard.

31.2. Operations and Maintenance of equipment and additional charges for services of Engineers in case of delays in ship's delivery not attributable to shipyard.

31.3. To cover preservation cost of equipment with respect to delay in ship's delivery not attributable to shipyard.

32. **Contract Negotiations.** Before seeking the approval of CFA, negotiations on the price and terms and conditions for delivery of the ships are to be undertaken with the shipyard and concluded by Contract Negotiation Committee (CNC). The standard composition of the CNC shall be as per Chapter II.

### **Approval of CFA**

33. The proposal for the design and construction of the ship is to be taken up for the approval of the CFA on completion of CNC.

34. The proposal for CFA approval should indicate the estimated cost of the project as brought out above explicitly indicating all variable cost elements such as BNE/ developmental equipment (including equipment, if fallback option is exercised)/ systems and their B&D spares, the time schedule for completion, spread of expenditure, availability of funds, categories and 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 CFA note.

35. While seeking CFA approval, the time schedule for the following activities, as applicable, may also be specifically indicated, if not already completed: -

35.1. Freezing of SRs.

35.2. Selection of weapons and sensors including all equipment under development and their fallback option.

35.3. Time required for project studies, design, model testing etc in case of projects involving concurrent development/design.

35.4. Freezing of preliminary design.

35.5. 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. The schedule should also bring out BFE ordering, availability of binding data and delivery of the equipment.

35.6. Time schedule for obtaining subsequent approval of CFA for new design ships, Follow on ships with substantial design/equipment changes.

36. 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 major changes in the design/equipment fit, CFA sanction is to be obtained in accordance with provisions of this section given subsequently.

37. **New Design Ships/Projects with Major Changes in Design/Equipment.** In cases of new design ships as well as Follow-on projects with major changes in design/equipment, where it is not possible to estimate the likely firm cost, subsequent approvals of 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, and commencement of construction can start. The ordering of equipment under variable component will be progressed in accordance with diagram at Paragraph 47. Thereafter, after firming up cost estimates under variable cost, second stage approval of CFA will be taken {on not exceeding basis (if necessary)}, within a period, as specified at time of initial CFA approval.

### **Conclusion of Contract with the Shipyard**

38. 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 major design/equipment changes, indicating inter alia permissible price escalation, exchange rate variations, increase in statutory levies etc. The variable price element would be indicated, in Supplementary Contract based on 2nd stage CFA approval.

39. The contract shall be signed within two months from date of CFA approval. In cases, where subsequent CFA approvals are necessitated, Supplementary Contracts shall be signed within two months of such approval.

40. In view of peculiarities associated with design and construction of naval ships, illustrative contracts shall be promulgated separately by MoD/DDP in consultation with SHQ, for guidance.

41. Amendments to contracts concluded with shipyards will be in accordance with guidelines for post contract management in accordance with Chapter XII on Post Contract Management.

42. **Detailed Design.** On conclusion of contract, shipyard shall commence Detailed Design, order equipment and 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.

43. **Preparatory Period.** To achieve design maturity for the first ship of new design projects as well as follow on projects with changes in design/equipment vis-à-vis parent ship, preparatory period may be proposed in the respective SoC for AoN. The preparatory period will start from the date of first stage payment. The extent of detailed design completion to be targeted by end of preparatory period shall be finalized as part of shipbuilding contract.

### **Procedure for Procurement of Ship-borne Equipment**

44. The procurement of ship-borne equipment would be undertaken by shipyard in accordance with the shipyards internal policy based on SOTRs prepared by shipyard and approved by SHQ. Nominated Equipment/Buyer Furnished Equipment would be specified separately. Time frame for submission and approval of various drawings & SOTRs, TECs etc by approving authorities' viz. class and/or SHQ shall be mutually agreed prior signing of contract.

44. **Procurement of Non-Weapon Equipment.** Procurement of long lead and other items shall 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 and material, associated fittings as well as Propulsion machinery and Engineering Equipment will be by the shipyard.

#### 45. **Procurement of Weapons and Related Sensors.**

46.1. The operational details and potency of the weapons and sensors to be fitted on the ship shall be indicated while seeking AoN and CFA approval.

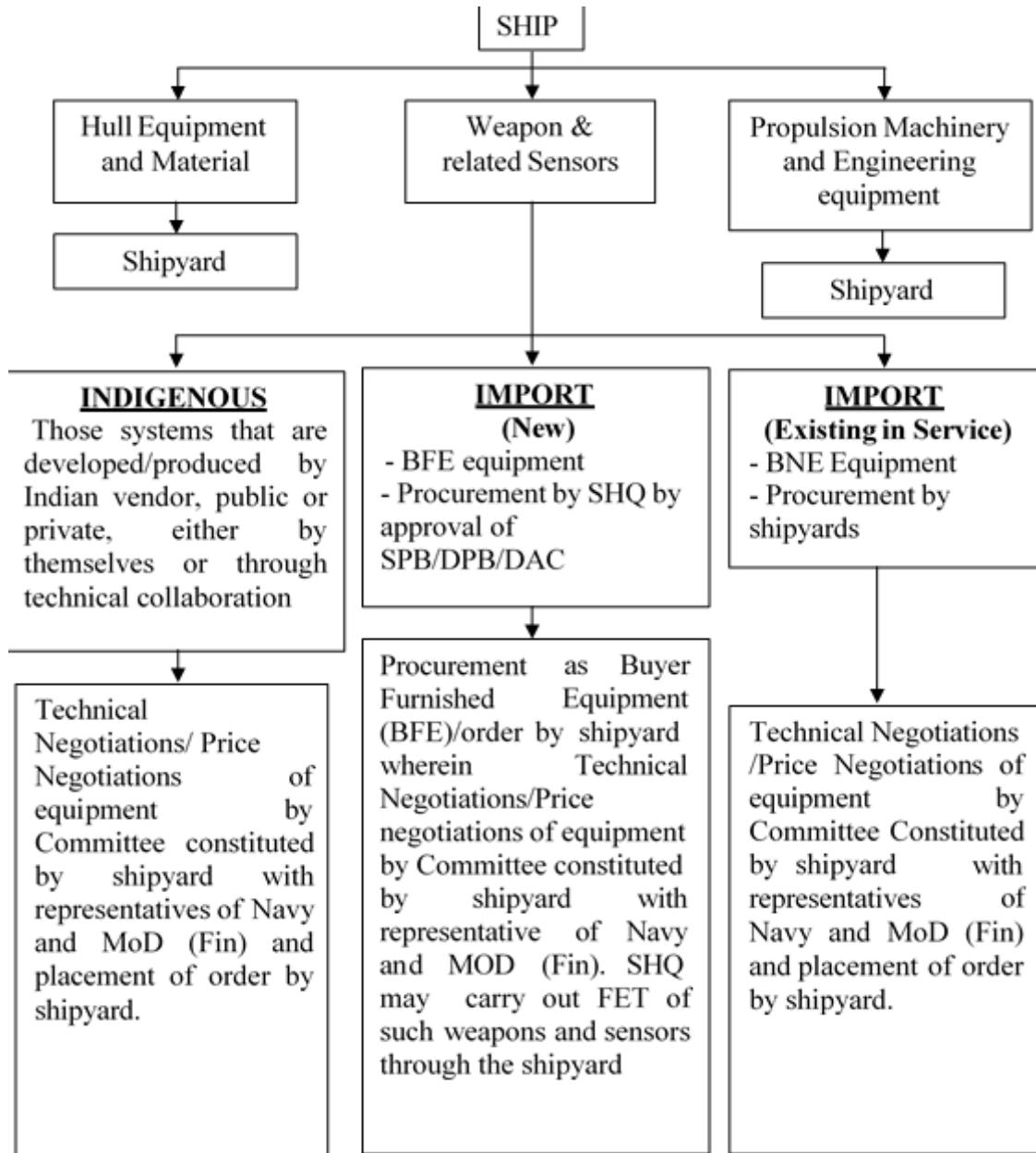
46.2. The categories of weapons and sensors shall be as approved by the CFA. As illustrated in the diagram at Paragraph 47, procurement of weapons and sensors will be as per following procedure:-

**46.2.1. Weapons and Sensors Imported for First Time.** Weapons and Sensors imported for the first time may be processed for procurement as BFE. If these weapons and sensors are to be procured by shipyard, Technical Negotiations/Price Negotiations will be undertaken by Committee constituted by the Shipyard with representatives of SHQ and MoD (Fin). FET of such weapons and sensors may be carried out by SHQ, through the shipyard. 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, within a period specified at the time of initial CFA approval. The orders would be placed by the shipyard.

**46.2.2. Imported Weapons and Sensors Existing in Service.** Procurement of imported weapons and sensors, which are existing in service or their upgraded versions, shall be undertaken by the Shipyard. Technical Negotiations/Price Negotiations will be undertaken by a committee constituted by the Shipyard with representatives of SHQ and MoD (Fin). The orders would be placed by the shipyard.

**46.2.3. Indigenous Weapons and Related Sensors under Development or Existing in Service.** Procurement of indigenous weapons and sensors under development or existing in service shall be undertaken by the shipyard. Technical Negotiations/Price Negotiations will be undertaken by a Committee constituted by Shipyard with representatives of SHQ and MoD (Fin). The placement of order would be by the shipyard.

47. Procedure for procurement of ship-borne equipment is broadly depicted in diagram below:-



48. **Nomination of Equipment.** To enable standardisation, accruing advantage of ToT, retain/select equipment on Follow-on ships which are fundamental to design, facilitate interchangeability, interoperability, optimization of repair infrastructure, maintenance and support of OEM, spares logistics and inventory control etc SHQ may nominate these in- service equipment and weapon sensors from single vendor. For Weapons and Sensors nominated on Single Vendor by SHQ, procedures of obtaining approval of AoN for shipbuilding scheme will be followed. For other equipment, not being weapon and related sensors, the requirement of single vendor nomination will be vetted post accord of AoN by a Committee comprising members from Acquisition Wing, SHQ, DDP (Directorate of Standardisation) and Shipyard representative. Based on the recommendations of the Committee, a certificate for procurement on single vendor basis, duly approved by PSO, will be issued. For the procurement of BNE equipment, the guidelines indicated at Appendix D to Chapter XI of handbook on Guidelines and Annexures would be applicable.

49. The Statement of Technical Requirements (SOTRs) and Ordering Instructions (OIs) for the shipyard will be prepared by SHQ as per approved procedure within SHQ.

50. **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, and being procured for the first time (BFE), the procedure set out in Chapter II shall be followed.

51. **Inter Government Agreement/ Strategic Considerations.** 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 or considerations of strategic partnerships between countries are involved, the procedure set out in Chapter II shall be followed.

52. **Timelines (Pre-Contract).** Following broad timelines shall be adhered to for the shipbuilding projects, under Nomination, prior to conclusion of contract: -

<b>Ser No</b>	<b>Activity</b>	<b>Maximum Timelines</b>	<b>Cumulative in Months (T<sub>0</sub>– AoN)</b>
52.1.	AoN	-	T <sub>0</sub>
52.2.	Promulgation of PSR	06 Months from AoN.	T <sub>0</sub> +06
52.3	Completion of Preliminary/ Functional Design	15 Months from PSR finalization.	T <sub>0</sub> +21
52.4.	Preliminary Build Specification (PBS)	18 Months from PSR	T <sub>0</sub> +24
52.5.	Build Strategy	06 Months from PBS	T <sub>0</sub> +30
52.6.	Budgetary & Estimated Cost by Shipyard	03 Months from approval of Build Strategy	T <sub>0</sub> +33
52.7.	Contract Negotiations (CNC Stage), submission of CCS note for cases > 3000 Cr and CFA Approval	06 Months post receipt of Budgetary and Estimated Cost	T <sub>0</sub> +39
52.8.	Signing of Contract	Within 02 Months of CFA Approval	T <sub>0</sub> +41 (Approximately 3.5 Years)
<p>Note:-The budgetary and estimated cost by shipyard would have to be submitted within the AoN validity period. Deviation from timelines tabulated above (52.1 to 52.6 for non-delegated cases) need to be apprised to VCNS/DG ICG with due justification.</p>			

### **Payment Terms**

53. The payment terms for each shipbuilding project would be negotiated and finalised by the CNC since these are dependent upon the indigenous and import content of the equipment fit. However, a broad suggested payment schedule, for fixed price element, is placed at **Appendix A1, Appendix A2 and Appendix B** to Chapter XI of handbook on Guidelines and Annexures for guidance.

54. Payment terms for augmentation/ modernisation of shipyard infrastructure, where provided for, will be separately formulated and negotiated with shipyard and finalised by the DDP.

55. 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. Shipyard can make payments against negotiated cost during PNC, after submission of relevant documents.

56. **Monitoring of Projects/ Post Contract Management.** After conclusion of contract, physical construction activity shall commence at the shipyard. Guidelines for post contract management in accordance with MoD ID No.1(1)/D(Acq)/17 dated 27 Feb 20 would also be applicable, as amended from time to time. All shipbuilding projects shall be monitored as follows: -

56.1. Six monthly review by an Apex Steering Committee under the Chairmanship of Defence Secretary as notified by MoD.

56.2. Committee under the chairmanship of CWP&A with members from MoD (Acquisition Wing/ DP/ Fin/ DGQA/ DGAQA/ DGNAI), Design/ Production Directorate, CDA (N) and shipyard that will monitor shipbuilding projects on a quarterly basis. Such reviews may be delegated to nominated representatives on as required basis.

56.3. In case of ICG, the Committee would be headed by JS&AM (MS) with DDG (M&M), PD (Mat), FM (MS), ADG Acquisition Technical (MS) and CMD of concerned project as members.

### **Delegation of Powers to Apex Steering Committee**

57. To ensure efficient execution of the project, the Apex Steering committee shall be empowered with suitable delegation of powers (on lines of Project Management Boards in vogue currently for Defence Infrastructure Projects). This would help projects to be steered with necessary course corrections and timely overcoming procedural delays in the shipbuilding process rather than mere monitoring progress of work.

58. Apex Steering Committee under chairmanship of Defence Secretary will consist of following: -

58.1. DG (Acquisition).

58.2. Additional Secretary (DP).

58.3. Joint Secretary (NS), Member Secretary.

58.4. Joint Secretary & Acquisition Manager (MS).

58.5. Additional FA and JS (Defence PSUs).

58.6. ADG Acquisition Technical (MS).

58.7. Financial Manager (MS).

58.8. CWP&A.

58.9. DG WDB /ACCP/ACWP&A (as applicable).

58.10. ACNS(P&P)/ Cmde (NP).

58.11. CMD of concerned Shipyard.

58.12. Director and Project Superintendents of concerned project of Shipyard.

58.13. Cmde (WDB)/Cmde(SP).

58.14. DDG (M&M), PD (Mat) and PD (SA) in case of ICG.

59. The terms of reference of the Steering Committee shall be as follows: -

59.1. 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.

59.2. To monitor the financial progress of the project to ensure that the project progresses within the financial limits sanctioned by the Government.

59.3. 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 Government.

59.4. To review fulfillment of contractual obligations at pre-determined stages.

59.5. To monitor commitments made by the shipyard in Build Strategy or during contract negotiations phase to meet the resource requirement of the new project together with other ongoing projects.

59.6. To examine anticipated expenditure likely to be incurred beyond the existing sanction, in exceptional cases in the interest of the project.

59.7. Any other matter requiring direction and guidance of the Steering Committee.

60. The secretarial assistance for the committee will be provided by Naval System Division of Department of Defence Production. Apex Steering Committee will meet once in six months.

61. Approval for Revised Project Cost will be as per Para 6 of this Chapter.

### **Closure of the Project**

62. The cost analysis of the first ship of the project, if required, shall be carried out by a team led by Advisor Cost MoD (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.

63. Closure of all accounts related to construction of a particular ship of the project shall be carried out by COA/SHQ within 12 months from second reading of the D-448 document check list of the ship. Any pending shipyard liabilities at the time of account closure should be mutually valued by the Committee. The valued amount should be deducted from the last stage payment.

64. The final closure of the ship construction project shall 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. Where the final closure is not possible within the specified time frame, the approval of the competent authority at SHQ 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**

65. In case of delay in completion of the project and if the delay is attributable to the shipyard, Liquidated Damages will be levied after Contracted Grace Period, as amplified below: -

65.1. **Contracted Grace Period.** Contracted Grace period will be calculated at the rate of 5% of the build period (in months), subject to a minimum of one month and a maximum of three months. Grace Period beyond this can be approved only by the CFA on recommendation of the CNC.

65.2. **Liquidated Damages.** Beyond the Contracted Grace Period, as applicable, LD will be levied at the rate of 1/100 of the delay percentage {Delay percentage = (Period of Delay wrt the build period, in month) x 100 / (Build Period in month as per contract)} of the vessel cost upto a limit of 10%, for every month of delay or part of a month delay (Any extension given by the buyer for delay attributable to buyer or Force Majeure Clause to be factored in delivery period). Vessel cost, excluding cost for BFE and B&D spares is as defined in the RFP placed at MoD ID [www.mod.gov.in](http://www.mod.gov.in).

66. Applicability of LD would be as per the guidelines for post contract management in accordance with MoD ID No. 1(1)/D(Acq)/17 dated 27 Feb 20 would also be applicable, as amended time to time.

67. **Deviations and Exemptions.** Based on the experience gained, deviations and exemptions to the procedure may be proposed by SHQ and will be approved by DAC through DPB as per current guidelines in force.

## SECTION 'B'

### **ACQUISITION OF NAVAL AND COAST GUARD SHIPS, SUBMARINES, YARD CRAFT AND AUXILIARIES ETC ON COMPETITIVE BASIS**

68. **Applicability.** While the acquisition of ships on Nomination basis has been prescribed in Section A, the methodology in this section shall be followed for acquisition of ships, submarines, auxiliaries and yard crafts through competitive bidding on multi-vendor basis under the categories as specified in Chapter I of DAP, as applicable. The acquisition process under this section would be applicable for construction through DPSU, PSU or Private Shipyard(s) and an amalgamation of processes prescribed in Section A, Section C and to be read in conjunction with clauses of Chapter I and II.

69. The process of acquisition of ships under this procedure would involve following steps: -

- 69.1. Outline Staff Requirements (OSRs).
- 69.2. Feasibility Studies and Concept Design.
- 69.3. RFI.
- 69.4. AoN.
- 69.5. Staff Requirements (SRs).
- 69.6. Guideline Specifications (GLS).
- 69.7. Shortlisting of Shipyards based on Capacity Assessment (concurrent activity).
- 69.8. Solicitation of Offers.
- 69.9. Financial Parameter Evaluation (FPET) and TEC.
- 69.10. CNC.
- 69.11. Approval of CFA.
- 69.12. Award of Contract.
- 69.13. Detailed Design by Shipyards.
- 69.14. Post Contract Management and Monitoring (Modification and Contingencies).
- 69.15. Approval for Revised Project Cost, if applicable.
- 69.16. Closure of the Project.
- 69.17. Liquidated Damages, if applicable.

70. For cases being steered under 'Buy and Manufacture (Indian)', the additional steps as envisaged at Chapter II of DAP would be applicable. Relevant paragraphs of Chapter II on Repeat order/ Option clause would also be applicable, on case to case basis.

71. The applicability of various provisions of Chapter I, II, Section A and Section C of this chapter are enumerated below: -

Ser No.	Steps Involved	Applicability
71.1.	Staff Requirements (SRs)	Procedure for Outline Staff Requirements (OSRs), AoN and SRs would be guided by Section A, as applicable. <i>AoN will be valid for 18 months.</i> Draft RFP is not mandatory to be enclosed along with the AoN. The SRs are to be finalised without any change in operational parameters i.e. role of the ship, on which the AoN was accorded within six months of AoN.
71.2.	Acceptance of Necessity (AoN)	
71.3.	Solicitation of offers	
71.4.	FPET (Financial Parameter Evaluation)	
71.5.	Evaluation of Technical Offers by Technical Evaluation Committee (TEC)	<p>(i) The paragraphs of Chapter II under group headings Solicitation of Offers, TEC and CNC would be followed as applicable. Collegiate vetting of RFP will be undertaken post finalization of SRs.</p> <p>(ii) RFP will be finalized based on SRs and would be issued post finalization of Guideline Specification. [Paragraphs relevant to Chapter II on RFP/TEC/CNC would be applicable].</p>
71.6.	Commercial Negotiations by Contract Negotiations Committee (CNC)	<p>(iii) SHQ will carry out Technical Capacity Assessment of entities at periodic interval in accordance with Guidelines at Appendix C to Chapter XI of handbook on Guidelines and Annexures and forward recommendations to DG(Acquisition) through ADG Acquisition Technical (MS) for issue of RFP.</p> <p>(iv) RFP shall include requirement for Assessment of Financial Parameters defined for each project category at Annexure II to Appendix C to Chapter XI of handbook on Guidelines and Annexures. Assessment of Financial parameters would be undertaken prior to commencement of TEC, by Financial Parameter Evaluation Team (FPET), constituted by SHQ. FPET is to be completed within four weeks.</p> <p>(v) FPET shall include a Finance member (Representative from MoD (Fin) for non- delegated power case(s) and representative from PIFA/IFA (Cap) for delegated power case(s) in addition to listed TEC members. For all delegated power cases, FPET would be approved by the SHQ.</p> <p>(vi) For Non-delegated cases where all entities participating in RFP are found compliant, FPET report would be approved by SHQ. However, in case an entity or entities participating in the RFP are found non-compliant to Financial Assessment Parameters, the FPET report would be approved by DG (Acquisition).</p>
71.7.	New design ships/ projects with major changes in design/ equipment	To be guided by relevant Paragraphs of Chapter II and Para 96 of Section C of Chapter XI.
71.8.	Approval of Competent Financial Authority (CFA) including Second Stage CFA Approval and Revised Project Cost	To be guided by relevant Paragraphs of Chapter II, Para 6 and Section C of Chapter XI, Chapter XII.
71.9.	Award of Contract	To be guided by relevant Paragraphs of Chapter II, Section C of Chapter XI and Chapter XII.

72. **Field Trials.** The requirement of Field Evaluation Trials (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 equipment being bought through shipyard should be detailed in the RFP. These would also be included in the Statement of Case while seeking the AoN. TEC for such equipment should be completed prior to issuance of the RFP. FET and shortlisting of such equipment through Staff Evaluation (SE), could be delinked from the main shipbuilding process. However, the Staff Evaluation (SE) and shortlisting of equipment and vendor is to be completed prior to conclusion of shipbuilding contract.

73. **Transfer of Technology (ToT).** In cases where ToT is being sought, the appropriate Production Agency (PA) shall be approved by AoN according authority based on recommendations of MoD DDP. Clauses in Chapter II covering ToT would apply in shipbuilding cases, as applicable. The PA can be selected from any of the public/private firms including a joint venture company based on the inputs from MoD DDP and, if required, from DRDO. The RFP in such cases would define the requirements of TOT depending upon the depth of the technology which is required. Clauses related to 'ownership of design' or 'manufacture under license' shall be clearly mentioned in the RFP. The nominated Production Agency (PA) for the receipt of technology will be closely associated in the preparation of RFP.

74. **RFP.** All issues related to terms and conditions of procurement would be amplified in RFP, which would be aligned as per finalised SRs. A standardised RFP on Shipbuilding is placed at **Appendix E** to Chapter XI of handbook on Guidelines and Annexures.

75. **Closure of Project, LD, Deviations, Modifications, Contingencies, and Exemptions.** For approval of cases for closure of Project, LD, Deviations and Exemptions, Modifications, Contingencies provisions of Section A would apply.

76. **Contract Administration and Post Contract Management and Monitoring.** Contract administration and post contract management and monitoring would be undertaken by COA. Post contract management would be as per guidelines on contract management in accordance with MoD ID No. 1 (1)/D(Acq)/17 dated 27 Feb 20, as amended from time to time. All shipbuilding projects under this Section shall be monitored as follows: -

76.1. Review by a Apex Steering Committee headed by DG (Acquisition) at MoD once in six months with members from MoD, MoD (Fin), Controlling Ministry of the shipyard {MoD (DP) in cases of DPSUs, MoS representatives in cases of PSUs, CMD of shipyard in cases of private shipyards}, CWP&A/ COA. The committee may co-opt members as required.

76.2. To ensure efficient execution of the project, the Apex Steering committee shall be empowered with suitable delegation of powers (on lines of Project Management Boards in vogue currently for Defence Infrastructure Projects). This would help the projects to be steered with necessary course corrections and timely overcoming procedural delays in the shipbuilding process rather than mere monitoring progress of work. The terms of reference of the Apex Steering Committee shall be as follows: -

76.2.1. To review physical progress of project with specified reference to compliance of milestones laid down for completion of various activities of ship construction.

76.2.2. To monitor the financial progress of the project to ensure that the project progresses within the financial limits sanctioned by the Government.

76.2.3. 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 Government.

76.2.4. To review fulfillment of contractual obligations at pre-determined stages.

76.2.5. Any other matter requiring direction and guidance of the Steering Committee.

76.3. The Secretarial assistance for committee will be provided by the Acquisition Wing.

76.4. Quarterly Project Monitoring Review under chairmanship of CWP&A with members from MoD (Acquisition Wing), DP (if applicable), MoD(Fin), Design/ Production Directorate, CDA (N) and shipyard. Reviews may be delegated to nominated representatives on required basis.

76.5. A corresponding Committee may also be constituted for ICG.

77. **Procedure for Procurement of Ship-borne Equipment.** The procedure for procurement of ship-borne Equipment would be guided by as per procedure indicated in Section A.

78. **Nomination of Equipment.** The Nomination of equipment as BNE would be undertaken as per procedure indicated in Section A of this Chapter. The RFP Collegiate may restrict the list of items to be excluded from L1 determination, based on the total cost of each item and its impact on L1 determination and included in the RFP accordingly. The cumulative cost of BNE/ systems upto 15% of the Project Cost may be used as a broad guideline for inclusion of BNE/ systems in L1 determination.

79. **Developmental Equipment.** The consideration of the developmental equipment may be undertaken as per procedure indicated in Section A of this Chapter.

80. **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 A1 and for submarines in accordance with Appendix A2 to Chapter XI of handbook on Guidelines and Annexures. The Payment Terms for yard craft is at Appendix B to Chapter XI of handbook on Guidelines and Annexures. All payments for non- deliverables will be secured with Bank Guarantees. In case a shipyard does not claim a stage payment till delivery (and claims it post-delivery of vessel), there is no requirement to submit bank guarantee of equivalent amount at the time of claiming payment. The bank guarantee will be submitted by all shipyards, including DPSUs/PSUs, against non-deliverable stages. The deliverable stages would be defined in RFP.

81. **Build Strategy.** The shipyard shall propose build strategy for required delivery schedules, yard infrastructure and available resources. Build strategy must be submitted by shipyard as part of RFP response. Build Strategy would include proposed construction schedule, Level 1 work breakdown structure, detailed master control plan with resource allocation plan for utilisation of shipyard manpower, infrastructure and committed infrastructure up-gradation specific to project, if applicable, outsourcing plan, the tentative procurement schedule for major long lead items, including weapons and sensors and 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. Build Strategy would be deliberated during TEC/CNC and included in contract for further monitoring during post contract management.

82. **Detailed Design by Shipyard.** On conclusion of contract, Shipyard shall commence Detailed Design, order equipment and material and obtain binding data for the detailed design. The actual construction of the ship may, however, start in parallel along with the process of detailed design. The Preparatory period for the design of the ship may be in accordance with Section A.

## SECTION 'C'

### **ACQUISITION OF NAVAL WARSHIPS/ ICG SHIPS OF INDIGENOUS DESIGN BY SHQ CONSTRUCTED BY INDIAN SHIPYARDS ON COMPETITIVE BASIS**

83. **Applicability.** This section is primarily applicable for acquisition of Naval warships/ submarines of indigenous designs by SHQ to be constructed by DPSU/PSU/Private Shipyard(s) on competitive basis. The acquisition process under this section has been derived from processes prescribed in Section A and B, and to be read in conjunction with relevant clauses of Chapter I and II.

84. **Procedure.** The process of acquisition of ship(s) under this section would follow the following steps: -

- 84.1. Outline Staff Requirements (OSRs).
- 84.2. Feasibility Studies and Concept Design.
- 84.3. RFI.
- 84.4. AoN including approval for Design Consultancy.
- 84.5. SRs/ Guideline Specifications.
- 84.6. Formulation of Functional Design Deliverables Set-I.
- 84.7. Shortlisting of Shipyards based on Capacity Assessment.
- 84.8. Solicitation of Offers.
- 84.9. Financial Parameter Evaluation (FPET) and TEC.
- 84.10. CNC.
- 84.11. Approval of CFA.
- 84.12. Delivery of Functional Design Deliverables Set-II to Shipyard.
- 84.13. Award of Contract.
- 84.14. Detailed Design/ Preparatory Activities by Shipyard.
- 84.15. Post Contract Management and Monitoring (Modification and Contingencies).
- 84.16. Approval for Revised Project Cost, if applicable.
- 84.17. Closure of the Project.
- 84.18. Liquidated Damages, if applicable.

Concurrent Activity

85. **Outline Staff Requirements (OSRs).** The procedure for preparation of OSRs would be as per procedure indicated in Section A.

86. **Feasibility Studies and Concept Design.** 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 shall be carried out by SHQ.

87. **Functional Design Deliverables (FDD).** In order to evolve Functional Design Deliverables, in accordance with promulgated SRs, detailed functional design studies may be required, especially for the construction of major platforms. This could involve Model testing, Computational analysis, design validation studies/ other consultancies and also procurement of design tools/ software/ hardware/ other design facilities. The FDD could be in two parts ie Set-I and Set-II. FDD-I will be finalised prior to issue of RFP whereas FDD-II will be finalised and handed over to L1 Shipyard at the time of conclusion of contract. FDD-II would amplify the design specifications outlined in FDD-I and would be within the design envelop on which competitive bidding has been progressed. The requirements for design validation studies, consultancy services, development of Front End Engineering Design (FEED) if any, shall be projected to the AoN according authority, based on the proposal in SoC.

88. **Acceptance of Necessity (AoN).** The proposal for induction of the ships shall be linked to the Maritime Capability Perspective Plan (MCPP)/Five Years Plan which stipulates the numbers and type of vessels required. The Statement of Case for the proposal shall be prepared by SHQ and processed in line with the details given in Chapter II of DAP. 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 shall clearly indicate whether it is a new design, Follow-on ships, or Follow-on ships with major design/equipment changes. Draft RFP is not mandatory to be enclosed along with the AoN. The validity of the AoN will be 30 months during which the RFP would be issued, post finalisation of SRs, GLS and FDD-I.

89. **Staff Requirements.** The procedure for preparation of SRs would be as per procedure indicated in Section A.

90. **Guideline Specifications.** Functional Design Deliverable Set I leading to Guideline Specification essential for RFP shall be prepared by SHQ. The functional design will be based on the promulgated SRs, 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 carried out by SHQ. The propulsion package, weapons/sensors, hull equipment and engine equipment may be identified by the customer.

91. **Nomination of Equipment.** The Nomination of equipment as BNE would be undertaken as per procedure indicated in Section A of this Chapter. If the number of single vendor BNE items is large, the RFP Collegiate may restrict the list of items to be excluded from L1 determination, based on the total cost of each item and its impact on L1 determination and included in the RFP accordingly. The cumulative cost of BNE/ systems upto 15% of the Project Cost or thereabout may be used as a broad guideline for inclusion of BNE/ systems in L1 determination.

92. **Developmental Equipment.** The consideration of developmental equipment may be undertaken as per procedure indicated in Section A of this Chapter.

93. **Capacity Assessment.** The Technical capacity assessment of the shipyards would be undertaken by SHQ as per CA guidelines at **Appendix** to Chapter XI of handbook on Guidelines and Annexures; and recommendations on shortlisting of the shipyard for project would be forwarded prior to RFP.

94. **RFP.** All issues related to terms and conditions of procurement would be amplified in RFP, which would be aligned as per finalised SRs and issued after finalisation of Guideline Specifications. A standardised RFP is placed at Appendix E to Chapter XI of handbook on Guidelines and. The solicitation of offers, TEC, FPET and CNC would follow the provisions in Section B.

95. **Financial Parameters Evaluation by Team (FPET) and TEC.** Prior to evaluation of the technical offers, the financial parameters evaluation will be undertaken by the FPET in accordance with the guidelines stipulated at Section B and Appendix C to Chapter XI of handbook on Guidelines and Annexures. The technical offers of those firms which qualify FPE (Financial Parameters Evaluation) would be considered for the evaluation by the TEC.

96. **Commercial Negotiations by Contract Negotiation Committee (CNC).** Finalisation on terms and conditions of contract along with price negotiations shall be undertaken with L1 shipyard and concluded by Contract Negotiation Committee (CNC), prior to seeking approval of CFA.

97. **New Design Ships/ Projects with Major Changes in Design/ Equipment.** In cases of new design ships as well as follow-on projects with major changes in design/ equipment, where it is not possible to estimate the likely firm cost of BNE equipment/ systems, the CFA approval will be taken separately on fixed cost component and cost component of BNE equipment/ systems. In such cases, based on the CFA approval, the work on shipbuilding, viz., ordering of equipment and material and development of detailed/ production design etc, and commencement of construction can start. The ordering of BNE equipment/ systems will be guided in accordance with diagram at Paragraph 47 of Section A to this Chapter. Thereafter, post firming up estimates of BNE equipment/ systems including developmental equipment and their fallback option, second stage CFA approval of firmed up cost will be taken, including their B&D spare cost, within a period, as specified at the time of initial CFA approval. Guideline Specifications and Fixed cost component of the project are not to be revised/ changed during revision of cost of project post contract. Cost of BNE equipment/ systems of the project would not be utilised for purpose of L1 determination in accordance with Para 90 of Chapter XI of DAP 2026. RCC, if and as applicable will be constituted as per Section A to this Chapter.

### **Conclusion of Contract**

98. The contracts would be concluded on Fixed cost plus cost of BNE equipment/ systems, based upon the CFA approval, indicating *inter alia* fixed element and price of BNE equipment/ systems/ developmental equipment and their fallback option, exchange rate variations, increase in statutory levies etc. However, the cost of BNE equipment/ systems/ developmental equipment including their fallback option and other associated costs would be finalised at time of firming up of project cost for second stage CFA approval.

99. The complete Functional Design Deliverable Set II shall be handed over by SHQ to the contracting shipyard at the time of conclusion of contract.

100. The contract shall be signed within a period of two months from the date of CFA approval. In cases, where subsequent CFA approvals are necessitated, supplementary contracts shall be signed within two months of such approval. In view of the peculiarities associated with the design and construction of naval/ ICG ships, illustrative contracts shall be promulgated separately by MoD/ DDP in consultation with SHQ for guidance.

101. **Detailed Design by Shipyard.** On conclusion of contract, Shipyard shall commence Detailed Design, order equipment and material and obtain binding data for the detailed design. The Preparatory period for design of ship may be accorded in accordance with Article 42 of Section A.

102. **Contract Administration, Post Contract Management and Monitoring.** The contract administration, post contract management and monitoring would be as per Section A.

103. **Apex Steering Committee.** To ensure efficient execution of the project, an apex steering committee with ToR as defined in Section A shall be set up to monitor the progress of ship building cases.

104. **Procurement of Shipborne Equipment.** The procurement and nomination of equipment would be guided as per procedure specified at Section A.

105. **Procurement of Weapons and Related Sensors.** The procedure for procurement of Weapons and Sensors would be as per procedure indicated in Section A.

106. **Field Trials.** Procedure for field trials would be as per procedure indicated in Section B.

### **Payment Terms**

107. 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 be against achievement of these stages. In this regard, a broad suggested payment schedule for fixed price element, is placed at Appendix A-1, Appendix A-2 and Appendix B to Chapter XI of handbook on Guidelines and Annexures for guidance. All payments for non-deliverables will be secured with Bank Guarantees. In case a shipyard does not claim a stage payment till delivery (and claims it post-delivery of vessel), there is no requirement to submit bank guarantee of equivalent amount at the time of claiming payment.

108. The cost of BNE equipment/ systems/ developmental equipment including their fall back option where applicable, will be paid on actuals, within the overall ceiling of total cost approved by CFA. Payment of BNE equipment/ systems would be done through opening of a separate project account. Shipyard can make payments against actual cost incurred for procurement after submission of relevant documents.

109. The bank guarantees will be submitted by all shipyards, including DPSUs, against non-deliverable stages. The deliverable stages will be defined in the RFP.

### **Modification and Contingencies**

110. **Modifications.** The construction of ships may require to accommodate unforeseen changes necessitated due to operational requirements of the user etc. Since it is not feasible to forecast these, provision would be made for the same while obtaining CCS/CFA and may be included in AoN/ AoN cost approval. A percentage of basic cost of the vessels (including the cost of BNE/ systems) will be included on '*Not Exceeding Basis*' for modifications, subject to a maximum of 4%. 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 beyond which the same will be approved by the concerned approving authority as per Appendix C to Chapter XII of DAP 2026. Expenditure on each modification applicable to one / all ships of contract along with commensurate time extension (if any), will be approved by the concerned CFA based upon delegated financial powers as recommended by Committee in accordance with Para 47 of this Chapter.

111. **Contingencies.** Contingencies for unforeseen expenditure of the project may be catered, subject to a ceiling of 1% of the basic cost of vessel (including the cost of BNE / systems) excluding taxes, duties and levies. Since it is not feasible to forecast these, provision would be made for the same while obtaining CCS/CFA approval and may be included in AoN/ AoN cost. The conditions of contingencies would be applicable as given in Section A of this Chapter.

112. **Approval for Revised Project Cost.** After the project is approved by CFA, MoD/SHQ and the shipyard will endeavor to ensure that ship construction proceeds strictly as per time schedule and cost approved. Since projects under this section are on competitive bidding only change feasible post first stage CFA sanction is the firm cost of BNE / systems including developmental equipment/ fallback option and their B&D spares cost. Towards this, procedure outlined in Para 6 would be adopted.

113. **Closure of the Project.** The procedure for closure of project would be as per procedure indicated in Section A.

114. **Liquidated Damages.** The procedure for implementation of LD would be guided as per procedure indicated in Section A.

DRAFT DAP 2026

# **CHAPTER XIII**

# **CONTRACT MANAGEMENT (CM)**

DRAFT DATED 2026

## CHAPTER XII

### CONTRACT MANAGEMENT (CM)

#### **CONTRACT SIGNING**

1. All the contracts for the capital procurement will be as per the format but not limited to the Standard Contract Document given at Appendix A to Chapter XII of Handbook on Guidelines & Annexures.

#### **CONTRACT MANAGEMENT (CM)**

##### **Introduction**

2. A Contract is a legal document; therefore, it needs to be ensured that both parties strictly abide by the terms and conditions of the contract. Post contract, management is a very important activity and ensures compliance with the terms and conditions of contract, managing contractual amendments, quality assurance, timely payment and deliveries and resolving claims and disputes. In cases of Letter of Offer and Acceptance (LOA) under IGA with foreign countries are also to be treated at par with Contracts for the purpose of execution of Contracts.

3. The responsibility for contract administration (preparation and distribution of contract document as per terms of RFP) and management (ensuring timely payments and deliveries, management of guarantees, quality assurance, extensions and contract amendments, Contract closure / termination, arbitration and any other issue) would be that of the SHQ concerned. Post-contract monitoring, however, would be done by MoD (Acquisition) and SHQ should apprise concerned JS & AM for contract management issues. However, policy issues, if any, will be monitored and dealt by DG (Acquisition).

#### **First Off Production Model (FoPM)**

4. Capital procurement cases involving validation at First Off Production Model (FoPM) would be as per RFP / Contract. Post successful FoPM validation by the Buyer, accord of Bulk Production Clearance (BPC) would be given for production and deliveries by Original Production Agency (OPA). The timeline for FoPM will be as per the Contract. Delay in FoPM validation may be permitted upto a maximum of 25% of the total period after due approval of VCOAS / VCNS / DCAS / CISC / DGICG and maximum upto 50% with approval of DG (Acquisition). Delay in submission of FoPM beyond 50% of total time period may be permitted, on a case to case basis, with the approval of Defence Secretary. However, for the delay in FoPM, if vendor is found responsible, the duration of delay for accord of BPC post FoPM would be deducted from the time schedule of first lot of deliveries as per the contract. In Single vendor cases on nomination basis, vendor should start realisation of FoPM immediately after accordance of AoN.

#### **Inspection—Pre Dispatch Inspection (PDI) / Joint Receipt Inspection (JRI)**

5. The Acceptance Test Procedure (ATP) is finalised in the contract and would be executed accordingly. The cost of PDI and JRI will be borne by the seller and buyer as per contractual provisions respectively. In case the buyer is not satisfied with the quality during PDI, the same would be repeated at the cost of seller.

6. The composition of the PDI team for equipment procured from abroad as specified in the contract, the approval of the names to be accorded by the VCOAS / VCNS / VCAS / DCAS / CISC / DG ICG and further processed to MoD for obtaining GSL. For PDI the Seller should inform the Buyer at least 45 days in advance prior to the Inspection day or as per schedule as agreed to. For PDI in India,

the Seller should inform the Buyer concerned and QA agency at least two weeks prior to the Inspection day or as per schedule as agreed to. In case the PDI team is not able to reach as per schedule as agreed to, revised schedule may be coordinated within the same framework as of original PDI. In cases where the buyer is unable to attend, payment will be released on the PDI being carried out by the Seller in his premises and submitting the documents to the buyer. If the delay by seller in intimation leads to delay in delivery, appropriate LD will be imposed. In case delay is attributable to the buyer which may lead to delay in delivery, PDI certificate be accepted from the seller and essential tests be done at JRI, if required. The seller will also provide the inspector all the necessary facilities including appliances, tools, material and labour at no extra cost, to carry out the specified inspection. When independent tests and analysis, in addition to those made by the inspector on the seller's or sub-seller's premises, are considered necessary as per contract, the seller shall provide testing at Seller's expense and deliver, free of charge, at such place as the Buyer may direct, such materials as he may require for tests or analysis. The PDI team / agency will update the Contract Executing Officer at regular intervals regarding the progress of PDI of equipment / ESP and vetting of technical literature. Vetting of technical literature by the QA / nominated agency will be completed within four weeks of submission by the vendor so that the vendor can submit the same within the timelines as stipulated in the Contract. Any delay in PDI, including vetting of technical literature, will be immediately intimated to the Contract Executing Officer

7. It shall be ensured that aspects inspected during PDI are not re-inspected during JRI. If necessitated, discrepancy or defects found during JRI shall be reported to the seller as per timelines in Contract. The seller on receiving intimation shall rectify the same within period specified in contract. In case the supplied item fails during JRI due to any reason, it will be the responsibility of the seller to replace the same within the delivery period at his own cost and expense

8. **Packaging and Dispatch.** The stores are required to be packaged as per terms and conditions of the contract.

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

9. Whenever a change in vendor name occurs during any stage of procurement process whether Pre-contract or Post-contract due to any reason, relevant guidelines / procedure as given at Appendix G to Chapter II of Handbook on Guidelines & Annexures are to be followed.

10. If the firm is involved in multiple contracts / procurement cases, a single case will be progressed for seeking approval of the appropriate competent authority. If change of name is approved in a contract / procurement case, the same will deem to be approved for all other cases at any stage.

### **Bank Guarantees (BGs) Management**

11. The vendor is required to furnish Bank Guarantees i.e. EMD, APBG, PWBG, and Additional Bank Guarantee for Essential Parameters-B, PBL / CMC / AMC as specified in the RFP and Contract. The bidder may furnish BG from any Indian Public or Private Scheduled Commercial Bank or first class banks of International repute (BG confirmed by SBI), as notified by RBI from time to time. The different instruments which the vendors can submit for these guarantees are as follows :-

- 11.1. Insurance Surety Bond.
- 11.2. Bank Guarantees.
- 11.3. FDRs (only EMD).

12. Post acceptance of Technical Bid Opening Committee (TBOC) recommendations, the EMD shall be sent to Acquisition Wing / SHQ by ADGs Acquisition Technical for keeping in safe custody and review to ensure a close track on the currency of the guarantee and that they are extended from

time to time till contract is signed. In case, any vendor is found non-compliant at TBOC stage, the EMD of such vendors would be returned by the concerned ADGs Acquisition Technical.

13. In case, the vendor unilaterally decides to withdraw from the acquisition process or is declared non-compliant at TEC / GS Evaluation stage, the EMD shall be returned to the vendor by the concerned AMs / SHQ within four to six weeks under intimation to ADGs Acquisition Technical provided the vendor gives a certificate that he does not have any complaint nor wishes to make any complaint. On declaration of L1 vendor, the other vendors are at liberty to withdraw their EMDs. However, the attention of vendors may be drawn to Para 104-105 of Chapter II regarding negotiation with L2 vendors. The EMDs of such vendors will be returned within four to six weeks of application for withdrawal of EMD.

14. The Bank Guarantees i.e. APBG, PWBG, and Additional Bank Guarantee are to be kept in a sealed envelope under lock and key with the Contract Executing Authority i.e. concerned directorate in the SHQ, who will ensure extension of validity of these documents as per terms of the contract / extant provisions / instructions.

15. Details of BGs are to be maintained by individual project-in-charge or project officer.

16. In case a BG is required to be encashed, the Contract Executing Authority concerned will take necessary action in advance before expiry of the Guarantee.

17. As and when the BG is cancelled or its date of validity has expired and the Guarantee is not required to be renewed, the same shall be returned to the Party concerned with acknowledgement due from them. It should be noted that the expired Guarantees are returned within four to six weeks after fulfilment of RFP requirement / contract or on expiry of Guarantee Period.

18. The procedure for handling of EMD Bank Guarantee is as below :-

Ser No	Procedure
18.1	<b>Technical Bid Opening Committee (TBOC).</b> The TBOC will check the discrepancies / correctness of PCIPs / EMDs at the time of opening of these documents during its meeting and intimate the discrepancies found, if any, to the bidder for correction. The opened PCIPs / EMDs will be sent by O/o Chairman, TBOC to the TEC for enabling them to see for compliance of general / commercial conditions of RFP. The remarks in this regard to be recorded in Compliance Table. Once the above exercise is completed, O/o Chairman, TBOC will forward the PCIPs / EMDs to AM's Wing with sign on PCIP as first witness for acceptance / signature with confirmation that these have been examined and found to be in order as per the prescribed format.
18.2	Acquisition wing will process PCIPs / EMDs for acceptance / signature or sent back for corrections, if any discrepancy still found, to O/o Chairman, TBOC, within one week. TEC shall not declare any vendor compliant till PCIPs / EMDs are received in proper format. EMD would be returned within 30 days after award of the contract.
18.3	Post signing of contract, the contract Executing Authority in SHQ shall obtain the PCIP and EMD from concerned Acquisition Wing

19. **End Use Certificate (EUC).** EUC is to be issued by the BUYER to the SELLER as defined in the contract. The EUC shall be issued by a designated one-star level officer from the concerned SHQ / CGHQ. This shall be applicable for both delegated and non-delegated capital acquisition contracts / cases.

## **Payments Terms and Conditions**

20. Payments will be governed as per terms and conditions given out in the contract documents.

21. The bills and requisite documents complete in all respect must be submitted by the vendor to the SHQ who will scrutinize them for their correctness. The verified bills and documents are then submitted along with the Budget authorisation to the concerned Principal Controller of Defence Accounts (PCDA) / Controller of Defence Accounts (CDA) for release of payments to the vendor. The concerned PCDA / CDA will release the payment through Electronic Fund Transfer (EFT) / Letter of Credit (LC) so specified in a time bound manner (within 30 days of submission of documents for each stage of delivery or as stated in the RFP / contract). The SHQ should obtain budget availability and correctness and ensure parallel processing of documents listed above for early release of payment to vendor utilizing digital verified documents.

22. Half yearly review meetings will be held under the contract signing authority to be organised by the concerned SHQ directorate including the vendor, paying authority and all concerned stakeholders for timely resolution of issues and active monitoring of all contracts. In addition, there shall be a designated Point of Contact (PoC) in the SHQ indicated in the contract for all the issues related to the contract. This PoC in SHQ can be approached by the vendor for any issue faced with respect to the contract. Quarterly meeting should also be held by Contract Executing Authority in SHQ.

## **Non-Availability of Buyer Furnished Equipment (BFE) / Platform / Infrastructure**

23. Capital procurement contract may involve cases where Buyer Furnished Equipment / Platforms / Infrastructure have to be provided by the BUYER to the SELLER for integration on or installation / manufacturing / testing of the equipment which is to be procured. Such provisioning of BFE / Platforms / Infrastructure by the buyer becomes essential for customization of procured equipment to country specific requirements and for promoting indigenisation.

24. Though timely provisioning of these items needs to be ensured as per contract document, a situation may arise when provision of BFE / Platforms / Infrastructure from the buyer gets delayed or becomes unavailable after signing of the contract. These cases may be dealt under following two categories: -

**24.1. BFE / Platform / Infrastructure from the Resources Already Available with the SHQ.** This includes cases where BFE / Platforms / Infrastructure have to be made available to SELLER from the resources already available with the SHQ.

24.1.1. In-house BFE / Platforms / Infrastructure required for a contract should be earmarked for that purpose, not later than conclusion of CNC.

24.1.2. If an existing assembly is to be removed from infrastructure, the same may be planned at the RFP stage itself.

24.1.3. The Contract Executing Authority / SHQ to ensure that BFE / Platforms / Infrastructure are made available within the scheduled timelines.

24.1.4. SHQ to intimate MoD of the delay envisaged in availability / readiness of BFE along with measures taken to make good the delay. Projected timelines and its impact on delivery of goods and completion of the project may also be informed.

24.1.5. Delay in availability of BFE / Platforms / Infrastructure to Seller may be notified at least 60 days before scheduled timelines. The delivery schedule of associated equipment from the seller will be suitably extended.

24.1.6. Payments to Seller in such cases of delays shall be made as per RFP and Contract provisions.

**24.2. When BFE / Platforms / Infrastructure is to be Procured from Other Vendor.** This includes cases where BFE / Platforms / Infrastructure have to be procured from another vendor by the Buyer hereon referred to as SUPPLIER and then made available to SELLER.

24.2.1. The timelines for procurement of BFE / Platform / Infrastructure may be planned at RFP stage itself.

24.2.2. A status report and timelines for procurement of BFE / Platform / Infrastructure will need to be mentioned while obtaining CFA approval of the contract with SELLER.

24.2.3. In case of delay in availability of BFE / Platforms / Infrastructure to Seller, the delivery schedule of associated equipment from the Seller will be suitably extended.

### **Terms of Delivery**

25. The milestones as defined in the contract to be monitored by the SHQ and issues, if any, encountered during the contract to be brought to the notice of Acquisition Wing.

26. **Failure to Deliver within the Delivery Period (DP).** When the supplies do not materialize by the stipulated contract delivery date, either of the under mentioned action should be initiated: -

26.1 Issuing a performance notice.

26.2 Extending the delivery date with imposition of LD and Denial Clause, which implies denial of increase in price, taxes, duties, etc. taking place during the extended period as also requisite extension of warranties / BGs in case of delay / DP extension. Denial clause will not be applicable in case the delay is attributable to Buyer or Force Majeure conditions.

26.3 Cancelling the contract.

26.4 Initiation of punitive action as per the terms and conditions of the contract.

27. **Deciding the Course of Action in the Event of Failure of Timely Supply.** Extension shall be granted only where the DG (Acquisition) / VCOAS / VCNS / DCAS / DG ICG are convinced that the seller would complete the deliveries during the extended delivery period. All DP extensions with or without LD as well as provisional DP would be granted as per extant delegation of powers as applicable on a case to case basis. Provisional / changed Delivery Period will be accorded on a case to case basis.

28. In delegated power cases involving extension of DP with imposition of LD, the approving Authority shall Maj Gen / equivalent rank officer in IAF / IN / ICG, whereas in cases involving extension of DP without imposition of LD, the approving Authority shall be DGCD & Lt Gen rank equivalent officer in IAF / IN / CG with concurrence of IFA. Delegated cases involving delay upto 25% by time shall be brought to the notice of VCOAS / VCNS / CISC / DCAS / DG ICG. However, any delay exceeding 25% and 50% shall be brought to the notice of DG (Acquisition) and Defence Secretary respectively.

### **Liquidated Damages and Other Post-Contractual Issues**

29. With a view of streamlining post contract management, in cases wherein contract amendments are necessitated particularly with regard to cases necessitating extension of delivery period, imposition or waiver of LD and release of milestone linked payments, guidelines as given in Appendix B to

Chapter XII of Handbook on Guidelines & Annexures. These guidelines are intended to ensure uniformity in dealing with cases of DP extension and also to address delays in processing of DP extension cases so that project deliverables are not further impeded. The quantum of LD to be imposed shall be within the ceiling provided in the Contract. Other provisions in Contract which may provide for parties to resort to other measures to resolve delays on non-compliance in contract implementation shall have no effect on the LD ceiling as provided in the Contract.

### **Contract Amendment Procedure**

30. Contract Amendment Procedure is as given at Appendix C to Chapter XII of Handbook on Guidelines & Annexures.

### **Delegation of Powers for Post Contract Management**

31. The powers for Post-Contract Management of Capital Acquisition contracts is delegated in accordance with extant delegations of powers irrespective of the CFA at the time of sanctioning the contract and are listed at Appendix D to Chapter XII of Handbook on Guidelines & Annexures.

### **Alteration / Obsolescence Management / Upgradation of the Equipment Post Signing of Contract**

32. After signing of the contract, there may be a need to carry out technical alterations / upgradation in the design, drawings and specifications of the equipment due to change in manufacturing procedures, Indigenisation or obsolescence, with the vendor giving certificate that alterations / upgradations would be at no additional cost and no reduction in prices. However, in cases where it involves increase in cost, a Professional Officers' Valuation (POV) may be setup to establish the optimal cost variation for contract amendment. The cost increase up to 10 % by Defence Secretary and maximum upto Rs 500 cr.

33. SHQ, in consultation with other stakeholders, will analyse the upgrades / alterations offered by the Seller and the approximate time required for carrying out the Limited Validation Trial of the upgrades / alterations. An undertaking may be sought from the vendor at this stage that LD would be imposed on him if any delay occurs due to failing of proposed modification in equipment during limited validation trials or due to non-cooperation by the vendor in sharing data. Contract Amendment, wherever required would be undertaken as per extant delegation of powers for Post Contract Management of Capital Acquisition Contracts. However, if the upgrade / alteration involves a change in SQR, approval of the AON according authority will be obtained.

34. If the time required for Alteration / Obsolescence Management / Upgradation is more than six months, the present contract need not be accepted on grounds of likely delay in the current procurement and should be deferred to subsequent contracts (like Option Clause or Repeat Order). The cumulative time for this purpose should include time for preparation of equipment after upgradation, fielding upgraded equipment for trials, completion of validation trials along with evaluation, upgradation / alteration offered by the Seller on account of change in manufacturing procedures, indigenisation or obsolescence. However, especially in cases of obsolescence management which may require more than six months, the time period may be extended on a case to case basis by the competent authority. If such changes are technically approved by the SHQ, it shall move a case for Contract Amendment to incorporate such changes, to the Contract Signing Authority.

### **Verification of Indigenous Content**

35. The format for computation of IC, 'Indigenous Content (IC) Proforma' by the Prime Vendor is placed as Annexure to Appendix B of Chapter I. The Prime Contractor is required to maintain this Proforma for the purpose of any verification by the Contracting Authority during the tenure of the contract.

36. Verification of the IC aspects in a contract, if required will be conducted by a Committee headed by Advisor / Director (Cost) and may include members from the SHQ and MoD (Finance). Other technical / financial experts from any Government organizations may be co-opted into the Committee, as and when required.

37. Such Committee for the purpose may be constituted by the DG (Acquisition) at any time during the execution of the contract, including the warranty period, and shall submit its report within three months.

38. The Committee may visit vendor premises and / or call for relevant information from the vendor to verify the IC certification, submitted by the vendor on a case to case basis. The vendor shall facilitate the visit of the Committee to vendor premises and / or provide the Committee with all relevant documents and information required for verification of IC. It shall be incumbent upon the vendor to gather all relevant documents and certifications in respect of IC aspects of the equipment from his Tier 1 and Tier 2 vendors and provide the same to the committee.

39. The report shall be examined by MoD (Acquisition) and compliances / non compliances / shortcomings in the IC aspects will be suitably communicated to the vendor.

40. In case of any shortcomings noticed in the compliance to IC aspects, procedure as detailed in Para 13 and 14 of Appendix B of Chapter I, shall be initiated.

41. The JS & AM may ask the vendor to submit relevant documents in support of action taken to remove the above-mentioned shortcomings or order another verification.

### **Buy Back of Spares**

42. During the process of procurement, the Buy Back Clause will form part of RFP. The buyer reserves the right to change / alter MRLS as proposed by seller in range and depth within a period specified in the contract, post expiry of the warranty period. The same will form part of Buy Back Clause and included in the contract.

### **Claims**

43. The action regarding claims due to deficiency of quantity noticed during the JRI and quality for defect or deficiency noticed during the JRI or during warranty period shall be as per Article 20 of the SCD placed at Appendix A to Chapter XII of Handbook on Guidelines & Annexures.

### **Arbitration**

44. The provisions and process of arbitration are provided at Appendix N to Schedule I to Chapter II of Handbook on Guidelines & Annexures and Article 24 of SCD at Appendix A to Chapter XII of Handbook on Guidelines & Annexures.

45. The decision post arbitration will be moved on file for acceptance by Hon'ble RM for non-delegated case and VCOAS / VCNS / CISC / DCAS / DGICG for delegated power case.

### **Termination of Contract**

46. The provisions for termination of contract are provided at Article 22 of SCD at Appendix A to Chapter XII of Handbook on Guidelines & Annexures.

47. **Procedure for Termination.** SHQ shall submit the proposal with full justification for obtaining the approval of respective CFA for termination of contract. Termination of CCS / Finance Minister approved cases will be put up for approval of RM.

## Revised Cost Estimates

48. There may be an enhancement in Project Cost due to any of the following:

- 48.1 Reasons such as time overruns, changes in scope of work or underestimations.
- 48.2 Second stage CFA approval is envisaged at the time of signing of contract due to under-development equipment being a part of contractual deliverables.
- 48.3 Final scope of work not available at the time of signing of contract.
- 48.4 Any other unavoidable circumstances.

49. The competent financial authority for increase in project cost will be as under as below:-

S. No.	Revision in cost	Concurring Authority	Approving Authority
Amendment to Contract/IGA/LoA involving revision in Original Cost Estimates for reasons such as time overruns, changes in scope of work or underestimations, including projects approved by CCS (Refer Note-I)	(i) Upto 10% of the Original Expenditure Sanction  (ii) Beyond (i) above and upto 20% of the Original Expenditure Sanction  Beyond 20% of the Original Expenditure Sanction	FA(DS), MoD(Finance)	Defence Secretary (Upto powers to sanction Original Cost Estimates)  Raksha Mantri  Fresh approval by Competent Authority as per extant delegation of powers for Original Cost Estimates
Note-1. Any escalation due to increase in Statutory Levies, Exchange Rate Variation and Price Escalation envisaged within the original approved time cycle at the time of approval of Competent Authority shall be excluded for determining increase in cost.			

50. 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 to ensure continuity of the project, if such a necessity arises, excess expenditure may be incurred on recommendation of a committee comprising representatives of MoD(Acquisition), MoD(Fin), Advisor (Cost), SHQ and other stakeholders. Subsequent approval/post facto approval of CFA as above would invariably be obtained.

51. 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.

\*\*\*\*