


**MINISTRY OF DEFENCE**  
**DEPARTMENT OF DEFENCE**  
**[ACQ WING SECRETARIAT]**

**Subject: Amendment to the Defence Acquisition Procedure (DAP)-2020- reg.**

The Defence Acquisition Council (DAC), with the aim of further promoting Atma Nirbharta in the defence sector, reduce dependence on Foreign OEMs and enable Ease of Doing Business for the Defence Sector, has approved the following amendments in DAP 2020 on account of Business Processing Re-engineering in defence capital procurements:

- (i) To incorporate the provisions of Indigenous Content (IC) requirement for Defence Procurement.
  - (ii) To liberalise policy for Startups and MSMEs on account of Business Process Re-Engineering (BPR) in Defence Capital Procurement.
2. The relevant amendments on the above subject are attached at **Appendices A & B** respectively.
3. The above amendments to DAP-2020 will be applicable from 15.01.2024 i.e. date of issue of Minutes of DAC Meeting held on 30.11.2023.

  
(B B Patel)  
Director (Acq)  
Telefax: 23792865

**Encl.** As above

CISC	VCOAS	VCNS	VCAS	DG(CG)	AS(DP)
JS&AM(LS)		JS&AM(MS)			JS&AM(Air)
ADG Acq Tech(Army)	ADG Acq Tech(M&S)			ADG Acq Tech(Air)	
FM(LS)		FM(MS)			FM(Air)

MoD ID No. 1(8)/D(Acq)/21 dated 18.03.2024

*Handwritten note:*  
18/03/2024  
Recd

- Copy to:**
- (i) DA to CDS
  - (ii) SO to Defence Secretary
  - (iii) PPS to Secretary (DR&D)
  - (iv) PPS to FA(DS)
  - (v) PPS to DG(Acq)
  - (vi) PPS to AS&FA(Acq)
  - (vii) CGDA

**Copy also to:** US, ~~D(IT)~~, Room No. 217, 'B' Wing, Sena Bhawan for uploading this ID on MoD website immediately.



**SUMMARY OF BUSINESS PROCESS RE-ENGINEERING : AMENDMENTS TO DAP 2020**

<u>Ser No</u>	<u>Reference</u>	<u>FOR</u>	<u>READ</u>
1.	Para 3 of Appendix B to Chapter I (Page 14)	Further, in all cases where IC is stipulated, it shall imply that IC is required at base contract price i.e. total contract price less taxes and duties as specified in the DAP, read in conjunction with additional specific requirements in this regard, if any, mentioned in the RFP. In cases involving BNE, the cost of the BNE will be excluded from the base contract price for the purpose of calculating IC.	Further, in all cases where IC is stipulated, it shall imply that IC is required at base contract price i.e. total contract price less taxes and duties as specified in the DAP, read in conjunction with additional specific requirements in this regard, if any, mentioned in the RFP. In cases involving BNE, the cost of the BNE will be excluded from the base contract price for the purpose of calculating IC. <b>In cases involving AMC / CMC / After Sales Service, the cost of AMC / CMC/ After Sales Service shall be excluded from IC as well as Base Contract Price for arriving at IC percentage.</b>
2.	Para 3A of Appendix B to Chapter I (Page 14) (Proposed to be added)	Nil	<b>Minimum 50% of overall IC as stipulated 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, to be obtained from AoN according authority on case to case basis.</b>
3.	Ser No 5 of Annexure I to Appendix B to	Base Contract Price (F)	Base Contract Price <b>(Less Cost of AMC / CMC / After Sales Service)</b> (F)



<b>Ser No</b>	<b>Reference</b>	<b>FOR</b>	<b>READ</b>
	Chapter I (Page 18)		
4.	Annexure II to Appendix B to Chapter I (Page 19)	Format for Certification of Indigenous Content	Amended "Format for Certification of Indigenous Content" as per <b>Annexure I to this Appendix.</b>
5.	Para 2A of Chapter II (Page 20) (Proposed to be added)	Nil	<b>2A. Services HQs, as part of RFI process, to identify subsystems, LRUs and software that shall mandatorily be indigenously produced / developed. Subsystems, LRUs and software identified for indigenous production to be included in SoC for obtaining AoN, RFP and Contract.</b>
6.	Para 9(f) of Annexure II to Appendix A to Chapter II (Page 68)	(f) Indigenous component of the product (in percentage):	(f) Indigenous component of the product (in percentage):  (i) Overall IC (in percentage) :  (ii) IC for material / components/ software manufactured in India (in percentage) :
7.	Para 9(l) of Annexure II to Appendix A to Chapter II (Page 69) (Proposed to be added)	Nil	(l) Indigenously produced subsystems, Line Repair Units, software and critical spares of the product : _____
8.	Para 9(m) of Annexure II to Appendix A to Chapter II (Page 69) (Proposed to be added)	Nil	(m) Devices / Line Repair Units for which Input / Output Protocols are indigenously available for enabling replacement by indigenous equivalents or interfacing with equipment of own choice :



<b>Ser No</b>	<b>Reference</b>	<b>FOR</b>	<b>READ</b>
9.	Para 9(n) of Annexure II to Appendix A to Chapter II (Page 69) (Proposed to be added)	Nil	(n) <b>Capability for carrying out Comprehensive Maintenance, Repair and Overhaul, calibration and obsolescence management of the equipment / platform / system along with associated jigs, fixtures and test setups, during the designed service life of the equipment within India:</b>
10.	Para 2(d)(iii) of Annexure IV to Appendix A (Proposed to be added)	Nil	(iii) <b>Maintenance, Repair &amp; Overhaul.</b> Vendors should be capable of carrying out comprehensive Maintenance, Repair & Overhaul, calibration and obsolescence management of the equipment / platform / system indigenously, along with associated jigs, fixtures and test setups, during the designed service life of the equipment.
11.	Para 2(d)(iv) of Annexure IV to Appendix A (Proposed to be added)	Nil	(iv) <b>Input / Output Protocols.</b> Vendors should be able to provide indigenously, the Input / Output Protocols of devices /Line Repair Units envisaged to be replaced by indigenous equivalents or interfaced with equipment of own choice.
12.	Para 14(b) of Appendix B to Chapter II (Page 82)	Categorisation to include variation in IC, if any.	Categorisation to include variation in overall IC and IC for material / components/ software manufactured in India, if any.
13.	Para 14(o) of Appendix B to Chapter II (Page 83)	(o) Specific Approval of DAC for sourcing from FOEMs/ Import.	(o) <b>Comprehensive Maintenance, Repair and Overhaul, calibration and obsolescence management capability within India (Waiver, scope etc).</b>
14.	Para 14(p) of Appendix	(p) Any other aspect that require specific	(p) <b>Devices / Line Repair Units</b>



<u>Ser No</u>	<u>Reference</u>	<u>FOR</u>	<u>READ</u>
	B to Chapter II (Page 83)	approval, including Open Tendering.	<b>envisaged to be replaced by indigenous equivalents or interfaced with equipment of own choice, for which indigenously available Input / Output Protocols are mandatory.</b>
15.	Para 14(q) of Appendix B to Chapter II (Page 83) (Proposed to be added)	Nil	(q) Subsystems, Line Repair Units, Software and fast moving critical spares (if identified) mandated to be manufactured in India.
16.	Para 14(r) of Appendix B to Chapter II (Page 83) (Proposed to be added)	Nil	(r) Specific Approval of DAC for sourcing from FOEMs/ Import.
17.	Para 14(s) of Appendix B to Chapter II (Page 83) (Proposed to be added)	Nil	(s) Any other aspect that require specific approval, including Open Tendering.
18.	Article 19.1 of Chapter VI (Page 427)	<p>19.1 The SELLER commits to ensure:-</p> <p>Minimum _____% Indigenous Content (IC) on cost basis of the Base Contract Price in case of Buy (Indian-IDDM), Buy (Indian) cases, Buy (Global-Manufacture in India), Buy (Global) (for Indian Sellers)</p> <p>OR</p> <p>Minimum _____ % of IC on cost basis of the Make portion (less taxes and duties on the Make portion) in Buy &amp; Make (Indian) (as applicable).</p>	<p>19.1 The SELLER commits to ensure:-</p> <p>Minimum _____% overall Indigenous Content (IC) on cost basis of the Base Contract Price in case of Buy (Indian-IDDM), Buy (Indian) cases, Buy (Global-Manufacture in India), Buy (Global) (for Indian Sellers) with at least 50% of the overall IC being for material / components/ software manufactured in India (in percentage).</p> <p>OR</p> <p>Minimum _____ % of overall IC on cost</p>



<b>Ser No</b>	<b>Reference</b>	<b>FOR</b>	<b>READ</b>
			basis of the Make portion (less taxes and duties on the Make portion) in Buy & Make (Indian) (as applicable) with at least 50% of the overall IC being for material / components/ software manufactured in India (in percentage).
19	Article 19.2(d) of Chapter VI (Page 428) (Proposed to be added)	Nil	(d) In cases involving AMC / CMC / After Sales Service, the cost of AMC / CMC/ After Sales Service shall be excluded from IC as well as Base Contract Price for arriving at IC percentage.



**Annexure II to Appendix B**

**FORMAT FOR CERTIFICATION OF INDIGENOUS CONTENT**

**VENDOR'S CERTIFICATE**

This is to certify that we, \_\_\_\_\_ (Name of Prime Vendor/Tier Vendor) have achieved / are offering the following IC in the accompanying delivery under contract / equipment being offered for trials / prototype / delivery, as defined under the Defence Acquisition Procedure and as required under the RFP / Contract (tick whichever is applicable) No. \_\_\_\_\_ dated \_\_\_\_\_.

(a) Overall IC : \_\_\_\_\_ %

(b) IC on account of material / components/ software : \_\_\_\_\_ %  
(\_\_\_\_\_ % of Overall IC)

Signed by:

'Responsible Designated Official'

Seal of Vendor

----- (Name of Vendor)

Date:

**AUDITOR'S CERTIFICATE**

We (legal name of Verification Firm) \_\_\_\_\_, established in \_\_\_\_\_ (Full address) represented for signature of this Verification Certificate by (Name and designation of Authorised Representative), hereby certify that: -

The above mentioned Indigenous Content (IC) proforma has been examined and all checks of the supporting documentation and accounting records deemed necessary were carried out in order to obtain reasonable assurance that, in our opinion, based on our Verification, the Overall Indigenous Content percentage \_\_\_\_\_ % (in numbers and words) and indigenous Content Percentage on account of material / components / software \_\_\_\_\_ % (in numbers and words) which is \_\_\_\_\_ % (in numbers and words) of overall IC reflected in the above mentioned proforma has been achieved by \_\_\_\_\_ (Name of Vendor) during the manufacture of \_\_\_\_\_ (Name of Equipment).

Certified by:



Statutory Auditor/ Cost Auditor/Certified or  
Licensed Cost Accountant / Chartered Accountant  
(as applicable)  
(Name /Name of Firm)  
Membership Number / Registration Number

Seal of Verification Firm

Date:



SUMMARYBUSINESS PROCESS RE-ENGINEERING: AMENDMENTS TO DAP 2020

Ser No	Reference	FOR		READ	
1.	<b>Para 5 of Annexure IV to Appendix A of Chapter II.</b> Page 75	<b>Start Ups/ MSMEs.</b> Start ups would be defined as per G.S.R. 127 (E) dated 19 Feb 2019 (as amended from time to time). For procurement cases where the estimated cost is not exceeding Rs 100 crores/ year based on delivery schedule at the time of seeking AoN or Rs 150 crores, whichever is higher, to encourage the Start Ups/ MSMEs and build Industrial ecosystem, the recognized Start Ups/ MSMEs in the relevant fields may be considered for issue of RFP without any stipulation of Financial parameters, except Paragraph 2(c)(iii) above (Insolvency) and with General and Technical parameters to be decided on case to case basis.		<b>Start Ups/ MSMEs.</b> Start ups would be defined as per G.S.R. 127 (E) dated 19 Feb 2019 (as amended from time to time). For procurement cases where the estimated cost is <del>not exceeding Rs 100 crores/ year based on delivery schedule at the time of seeking AoN or Rs 150 crores, whichever is higher</del> <b>upto Rs 300 crores</b> , to encourage the Start Ups/ MSMEs and build Industrial ecosystem, the recognized Start Ups/ <b>registered</b> MSMEs in the relevant fields may be considered for issue of RFP without any stipulation of Financial parameters, except Paragraph 2(c)(iii) above (Insolvency) and with General and Technical parameters to be decided on case to case basis. <b>The same waiver will also be applicable for cases where estimated cost is between Rs 300 to 500 crores, however on case to case basis where adequate justification exists, subject to approval by the DPB. Guidelines that SHQ will consider to propose relaxation for such an approval are given at Para 5A below.</b>	
2.	<b>Note 1 to Para 2(c) of Annexure IV to Appendix A of Chapter II.</b> Page 73	All the above Financial Parameters, except Paragraph 2(c)(iii) above (Insolvency) will not be applicable for Capital Acquisition cases where estimated cost is Rs 150 crores and below. However, Net worth of entities should not be negative.		All the above Financial Parameters, except Paragraph 2(c)(iii) above (Insolvency) will not be applicable for Capital Acquisition cases where estimated cost is Rs 150 crores. However, Net worth of entities should not be negative. <b>For recognized Startups/ registered MSMEs, refer Para 5 and 5A of this Annexure.</b>	
3.	<b>Para 1(a) of Appendix R of Schedule I to Chapter II.</b> Page 315	Credit Rating	Long term credit rating of CCR-BBB or better and SME-04 or better for SMEs as on 31 <sup>st</sup> March of the previous financial year.  Not applicable for cases below Rs 150 Crs.	Credit Rating	Long term credit rating of CCR-BBB or better and SME-04 or better for SMEs as on 31 <sup>st</sup> March of the previous financial year.  Not applicable for cases below Rs 150 Crs. <b>For recognized Startups/ registered MSMEs, refer Para 5 and 5A of Annexure IV to Appendix A to Chapter</b>



Ser No	Reference	FOR		READ	
					<b>II of DAP 2020.</b>
4.	<b>Para 1(b) of Appendix R of Schedule I to Chapter II. Page 315</b>	Average Annual Turnover	Min Avg Annual Turnover for last 03 financial years, ending 31 <sup>st</sup> March of the previous financial year, should not be less than 30% of estimated annual outflow of project cost of the Buy (Indian-IDD) and Buy (Indian) project and for Buy & Make (Indian) should not be less than 30% of estimated annual outflow of the project cost of the make portion.  Not applicable for cases below Rs 150 Crs.	Average Annual Turnover	Min Avg Annual Turnover for last 03 financial years, ending 31 <sup>st</sup> March of the previous financial year, should not be less than 30% of estimated annual outflow of project cost of the Buy (Indian-IDD) and Buy (Indian) project and for Buy & Make (Indian) should not be less than 30% of estimated annual outflow of the project cost of the make portion.  Not applicable for cases below Rs 150 Crs. <b>For recognized Startups/ registered MSMEs, refer Para 5 and 5A of Annexure IV to Appendix A to Chapter II of DAP 2020.</b>
5.	<b>Para 1(c) of Appendix R of Schedule I to Chapter II. Page 315</b>	Net Worth	Net worth of entities, ending 31 <sup>st</sup> March of the previous financial year, should not be less than 5% of the estimated cost of the Buy (Indian-IDD) and Buy(Indian) project and for Buy & Make (Indian) should not be less than 5% of estimated cost of the Make portion. For orders above Rs 5000 Cr, the Networth of group companies can be considered on production of suitable documentary assurance.  Not applicable for cases below Rs 150 Crs. But Net worth should be Positive.	Net Worth	Net worth of entities, ending 31 <sup>st</sup> March of the previous financial year, should not be less than 5% of the estimated cost of the Buy (India+n-IDD) and Buy (Indian) project and for Buy & Make (Indian) should not be less than 5% of estimated cost of the Make portion. For orders above Rs 5000 Cr, the Net worth of group companies can be considered on production of suitable documentary assurance.  Not applicable for cases below Rs 150 Crs. But Net worth should be positive. <b>For recognized Startups/ registered MSMEs, refer Para 5 and 5A of Annexure IV to Appendix A to Chapter II of DAP 2020.</b>
6.	<b>Para 4(d) of Appendix F to Chapter III. Page 351</b>	Net Worth	Net worth of entities, ending 31 <sup>st</sup> March of the previous financial year, should not be less than 5% of the estimated cost of the project. Capital Acquisition cases where estimated cost is Rs 150 Cr and below, net worth of entities should not be negative.	Net Worth	Net worth of entities, ending 31 <sup>st</sup> March of the previous financial year, should not be less than 5% of the estimated cost of the project. Capital Acquisition cases where estimated cost is Rs 150 Cr and below, net worth of entities should not be negative. <b>For recognized</b>



Ser No	Reference	FOR	READ
			Startups/ registered MSMEs, refer Para 5 and 5A of Annexure IV to Appendix A to Chapter II of DAP 2020.
7.	<u>Insertion of New Para 5A of Annexure IV to Appendix A of Chapter II.</u> Page 75		<p>5A. <b><u>Guidelines to Seek Relaxation of Financial Parameters for Cases where Estimated Cost is Between Rs 300 to Rs 500 Crores.</u></b>            Based on RFI inputs, if it appears that participating Startups/MSMEs have substantive technical capabilities though they may lack financial credentials, SHQ may propose relaxation in financial criteria for vendor selection based on assessment whether Startups/ MSME(s) should be granted waiver for financial qualification criteria (excluding insolvency) in the project. The SHQ may ascertain that the MSMEs/ Startups have adequate infrastructure, technical manpower and capability to undertake the instant procurement case, meet delivery timelines and provide quality control throughout the supply and product support period. After carefully considering certain conditions given below, the SHQ will proceed to seek approval of DPB for the waiver through the Statement of Case for accord of AoN. The aforesaid conditions are given as under:-</p> <p>(a) Technology/ Product/ Equipment/ Platform has been designed and developed by Startup/ MSME and is for primary use in Defence Sector or is of high interest/benefit to the Defence Sector.</p> <p>(b) Startup/ MSME has successfully developed prototype through Make/ iDEX/ TDF route or has been selected as DcPP/ PA by DRDO for the same/ similar product.</p>