

MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE
[ACQ WING SECRETARIAT]

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

The Defence Acquisition Council (DAC) in its meeting held on 16.02.2024 has approved the following amendments in DAP 2020 on account of Business Processing Re-engineering in defence capital procurements:

- (i) Amendment and introduction of New Guidelines in Defence Offset Guidelines contained in Appendix E of Chapter II of DAP 2020
- (ii) Amendment in DAP to promote procurement of Advanced of Technology from Startups & MSMEs.

2. The relevant amendments on the above subject are attached at **Appendix A** and **Appendix B** respectively.

Encl. As above

BBP
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Director (Acq)
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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 01.02.2024

Handwritten:
03/09/2024
SO(17)/ASO(17)

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:

- (i) **US, D(IT)**, Room No. 217, 'B' Wing, Sena Bhawan for uploading this ID on MoD website immediately.
- (ii) **ADG Acq Tech (Army)**- with the request to revise the DAP 2020 accordingly (highlighting the amended text along with providing reference of MoD ID as footnote), which will be uploaded on MoD website.

Amendment and introduction of New Guidelines in Defence Offset Guidelines contained in Appendix E of Chapter II of DAP 2020

(i) Introduction of Guidelines for processing of offset proposals involving acquisition of technology through ToT to Government Institutions and Establishments including DRDO and DPSUs under para 3.1(d) in DAP 2020 in Defence Offset Guidelines contained in Appendix E to Chapter II of DAP 2020 (detailed Guidelines at **Annexure-I**).

(ii) The following existing para of DAP 2020 be accordingly amended as under:-

Para No.	For	Read
Para 3.1 (d) of Appendix – E to Chapter – II of DAP 2020	Acquisition of technology through ToT to Government institutions and establishments engaged in the manufacture and/or maintenance of eligible products as listed at Annexure VII to Appendix – E, including DRDO and OFB/DPSUs. This will include augmenting capacity for Research, Design & Development, Training and Education but exclude civil infrastructure and related equipment.	Acquisition of technology through ToT to Government institutions and establishments engaged in the manufacture and/or maintenance of eligible products as listed at Annexure VII to Appendix – E, including DRDO and DPSUs . This will include augmenting capacity for Research, Design & Development, Training and Education but exclude civil infrastructure and related equipment. Guidelines for this purpose are at Annexure – X to Appendix – E.
Para 8.2 of Appendix – E to Chapter – II of DAP 2020	<p>The TOEC will scrutinize the technical offset proposals (excluding proposals for Technology Acquisition by DRDO as per Paragraph 8.3) to ensure conformity with ----- seeking offset credits.</p> <p>(a) If the vendor submits the required documents up to one year prior-----complete documents.</p> <p>(b) If the vendor submits the required documents at the time of seeking credits, DOMW-----due to such ineligibility.</p> <p>The TOEC will be -----constitution.</p> <p>Note: (i) The vendors-----contract period. (ii) In case ToT is proposed under Paragraph 3.1(c) and 3.1(d), the vendor -----time of TOEC.</p>	<p>The TOEC will scrutinize the technical offset proposals (excluding proposals for Technology Acquisition by DRDO as per Paragraph 8.3 and proposals under Paragraph 3.1(d)) to ensure conformity with ----- seeking offset credits.</p> <p>(a) If the vendor submits the required documents up to one year prior-----complete documents.</p> <p>(b) If the vendor submits the required documents at the time of seeking credits, DOMW-----due to such ineligibility.</p> <p>The TOEC will be -----constitution.</p> <p>Note: (i) The vendors-----contract period. (ii) In case ToT is proposed under Paragraph 3.1(c) and 3.1(d), the vendor -----time of TOEC.</p>

(iii) The above proposed Guidelines (**Annexure-I**) to be applicable for offset discharge under para 3.1(e) in DPP 2011 (Revised & Issued in 2012), DPP 2013 & DPP 2016. These Guidelines to be incorporated as a new Annexure (**Annexure – X to Appendix – D**) in the above DPPs. The following existing para of DPP 2011 (Revised & Issued in 2012), DPP 2013 & DPP 2016 be accordingly amended as under:-

Para No.	For	Read
Para 3.1 (e) of Appendix – D to Chapter – I of DPP 2011 (Revised & Issued in 2012), DPP 2013 and Para 3.1 (e) of Appendix – D to Chapter – II of DPP 2016	Provision of equipment and/or ToT to Government institutions and establishments engaged in the manufacture and/or maintenance of eligible products and provision of eligible services, including DRDO (as distinct from Indian enterprises). This will include augmenting capacity for Research, Design and Development, Training and Education but exclude civil infrastructure.	Provision of equipment and/or ToT to Government institutions and establishments engaged in the manufacture and/or maintenance of eligible products and provision of eligible services, including DRDO and DPSUs (as distinct from Indian enterprises). This will include augmenting capacity for Research, Design and Development, Training and Education but exclude civil infrastructure. Guidelines for this purpose are at Annexure-X to Appendix-D.
Para 8.2 of Appendix – D to Chapter – I of DPP 2011 (Revised & Issued in 2012) and DPP 2013	The TOEC will scrutinize the technical offset proposals (excluding proposals for Technology Acquisition by DRDO as per para 8.3) to ensure conformity with the offset guidelines. For this purpose, the vendor may be advised to undertake changes to bring his offset proposals in conformity with the offset guidelines. The TOEC will be expected to submit its report within 4-8 weeks of its constitution.	The TOEC will scrutinize the technical offset proposals (excluding proposals for Technology Acquisition by DRDO as per para 8.3 and proposals under Paragraph 3.1(e)) to ensure conformity with the offset guidelines. For this purpose, the vendor may be advised to undertake changes to bring his offset proposals in conformity with the offset guidelines. The TOEC will be expected to submit its report within 4-8 weeks of its constitution.
Para 8.2 of Appendix – D to Chapter – II of DPP 2016	The TOEC will scrutinize the technical offset proposals (excluding proposals for Technology Acquisition by DRDO as per Paragraph 8.3) to ensure conformity with ----- -----offset obligations through that IOP. (a) If the vendor submits the required documents at the time of seeking credits, DOMW-----treating the transactions as invalid.	The TOEC will scrutinize the technical offset proposals (excluding proposals for Technology Acquisition by DRDO as per Paragraph 8.3 and proposals under Paragraph 3.1(e)) to ensure conformity with ----- -----offset obligations through that IOP. (a) If the vendor submits the required documents at the time of seeking credits, DOMW----- -----treating the transactions as invalid.

	(b) If the vendor submits the required documents one year prior-----due to such ineligibility. The TOEC will be ----- constitution.	(b) If the vendor submits the required documents one year prior-----due to such ineligibility. The TOEC will be ----- constitution.
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(iv) The above proposed Guidelines (**Annexure-I**) will be applicable to such offset proposals under process as well as to those which will be received in future.

(v) The existing 'Guidelines for Technology Acquisition' by DRDO in areas of critical technology under para 3.1(e) in DAP 2020 at Annexure-IX to Appendix-E of Defence Offset Guidelines contained in Appendix E to Chapter II of DAP 2020 be amended as at **Annexure-II**.

(vi) The existing 'Guidelines for Technology Acquisition' by DRDO in areas of critical technology under para 3.1(f) in DPP 2011 (Revised & Issued in 2012), DPP 2013 & DPP 2016 at Annexure-IX to Appendix- D of Defence Offset Guidelines contained in Appendix D of above DPPs be amended as at **Annexure-III**.

(vii) The above proposed amended Guidelines (**Annexure-II & III**) will be applicable to such offset proposals under process as well as to those which will be received in future.

Amendment in DAP to promote procurement of Advanced of Technology from Startups & MSMEs

- i. Amendments in various chapters of the DAP 2020 as per **Annexure-IV**.
- ii. Applicability of the amendments shall be restricted to the procurement cases of cumulative value upto Rs 250 Cr inclusive of repeat order as per **Annexure –IV**.
- iii. These amendments will be reviewed after one year.

Annexure – X to Appendix – E
(Refers to para 3.1 (d)
of Appendix - E)

Guidelines for Acquisition of Technology through ToT to Government Institutions and Establishments including DRDO and DPSUs

1. Provision of equipment and/or ToT to Government institutions and establishments engaged in the manufacture and/or maintenance of eligible products and provision of eligible services including DRDO and DPSUs (as distinct from Indian enterprises) is a valid method for discharge of offset obligations under Paragraph 3.1 (e) of DPP 2011 (issued as Revised Defence Offset Guidelines in August 2012), DPP 2013, DPP 2016 and Paragraph 3.1 (d) of DAP 2020. This will include augmenting capacity for Research, Design and Development, Training and Education but exclude civil infrastructure.
2. All Offset Proposals where the vendor submits all relevant documents pertaining to IOP, specific products, ToTs and supporting documents indicating eligibility of IOPs in addition to conformity with other clauses in the Offset Guidelines at the time of evaluation of Offset Proposal together with the Main Procurement Proposal, will be submitted by the Vendor to ADG Acquisition Technical. These proposals shall be forwarded by ADG Acquisition Technical to DIITM/DRDO.
3. The offset proposals will be put up by DIITM/DRDO to Secretary DD (R&D) and Chairman DRDO who will constitute a Technology Acquisition Committee (TAC), including the chairperson, in consultation with concerned Vice Chief/CMD of DPSU/Head of other Govt Institution or Establishment receiving the ToT. There shall be equitable representation in the TAC of subject matter experts from the Govt Institution/Establishment including DPSUs receiving the ToT but the TAC may not be chaired by an official of the concerned Organization/Service.
4. The offset proposals will be assessed by the relevant TAC. The TAC will be a multi-disciplinary technology evaluation committee, comprising of domain experts from DRDO, reps from HQ IDS, SHQ, Additional Financial Advisor/DRDO or its equivalent in the concerned Govt Institution/Establishment including DPSUs and specialists in the concerned Govt Institution/Establishment including DPSUs.
5. Based on the offset proposal, the TAC can be expanded to include members from other national S&T laboratories, members from academia and research institutions and other organizations as deemed necessary. TAC could seek the services of professional bodies for valuation of technology, if required.
6. TAC will process cases acceptable as valid offset proposals after initial screening. If the TAC in its assessment feels that the technology so indicated is already available and/or is of no further use by the Govt institutions and establishment. It may reject the proposal and intimate ADG Acquisition Technical.
7. The TAC may call for a presentation and detailed technical discussions with the OEM/Vendor to understand various aspects of the proposal. Where necessary, the TAC may even visit the vendors' premises to make an assessment of the technology being

offered.

8. TAC will make its recommendations based on viability of the proposal, the technology implications, options for availability of the technology, range and depth of acquisition indicated, absorption capability in the concerned Service/other Govt institution or establishment including DPSUs and related recipients, status of IP before, on and after acquisition and a fair assessment of the cost of technology.

9. Recommendations of TAC will include the following: -

- (i) Merits of the Technology Acquisition proposal, including timeframe for absorption, with phasing.
- (ii) Valuation of the offset proposal.
- (iii) Indicate the time frame, modalities and potential for utilization of the technology.

10. The Offset Proposals after due assessment by the TAC, covering both technical as well as financial aspects, including valuation of technology, the time frame and strategy for utilizing the technology, in form of a TAC report would be put up for approval of the same authority who constituted the TAC (refer para 3 above).

11. TAC will forward its recommendations to the ADG Acquisition Technical after approval by the Competent Authority within a period of 3-4 weeks of its constitution, for incorporation in the TOEC Report.

12. The Technical Offset Evaluation Committee (TOEC) will be constituted by the ADG Acquisition Technical with approval of the DG (Acquisition). The TOEC will include representatives of the SHQ, Defence (Fin), DRDO, Govt Institution/Establishment including DPSUs receiving the ToT and DOMW. The Committee may also include experts, as may be deemed necessary, with approval of the DG (Acquisition). The TOEC will be chaired by a representative of the SHQs where the offset proposal is received under the DPPs prior to DAP 2020 and by JS (DOMW) where the offset proposal is received under DAP 2020. The Member Secretary shall be nominated by the Govt Institution/Establishment receiving the ToT.

13. The TOEC will scrutinize the technical offset proposals to ensure conformity with the offset guidelines. For this purpose, the vendor may be advised to undertake changes to bring their offset proposals in conformity with the offset guidelines. During TOEC, the vendor is expected to provide details pertaining to IOP, specific products, ToT and supporting documents indicating eligibility of IOPs in addition to conformity with other clauses in the offset guidelines. The TOEC Report will be forwarded through ADG Acquisition Technical for acceptance by DG (Acquisition).

14. If the vendor is unable to provide these details at the time of submission of offset proposal against the RFP, the same may be provided to DOMW subsequently but sufficiently in advance to enable approval of ToT proposal by the competent authority and discharge of offset through ToT within contracted period. In such cases the offset proposal shall be forwarded by DOMW to DIITM/DRDO and thereafter the process as outlined in para 3 to 10 above be followed. TAC will forward its recommendations to DOMW after approval by the Competent Authority within a period of 3-4 weeks of its constitution, for incorporation in the TOEC Report.

15. In such cases a TOEC will also be constituted by OSD DOMW with the approval of AS (DP). The TOEC will be chaired by JS (DOMW). The composition of the TOEC will be the same as referred to in Para 12 above except for the Chairman of TOEC. The

Member Secretary shall be nominated by the concerned Govt Institution/Establishment including DPSUs receiving the ToT. The TOEC Report will be forwarded by DOMW to AS (DP) for acceptance within 3-4 weeks of constitution of TOEC. The offset proposals with accepted TOEC Report together with TAC Report will be forwarded by DOMW to the concerned organization receiving the ToT viz. DRDO/SHQ/DPSUs/Other Govt Institution & Establishment, as the case may be.

16. For cases where offset proposal is received before the signing of the Main Procurement Contract, the same shall be processed for commercial evaluation and approval of Competent Authority as per the provisions for 'Processing of Offset Proposals' contained in Defence Offset Guidelines in the applicable DPPs/DAP.

17. For cases where offset proposal is received subsequently under an already signed offset contract, **the same shall be processed for technical assessment and valuation as per the procedure outlined from serial no. 1 to 15 above and subsequently** for commercial evaluation and approval of Competent Authority as under:

- (i) Commercial evaluation of the offset proposal will be carried out only after the TOEC Report has been accepted by AS (DP). The offset proposals along with TOEC Report, including the TAC Report, shall be forwarded by the recipient of ToT viz. DRDO/SHQ/DPSU/Other Govt Institution & Establishment, as the case may be, to the concerned ADG Acquisition Technical.
- (ii) An Offset Contract Negotiation Committee (OCNC) shall carry out commercial evaluation of proposal. The OCNC shall be constituted by DG (Acq) and shall be a multi-disciplinary body chaired by JS & AM in Acq Wing and shall comprise of FM (MoD Fin), ADG Acquisition Technical from the Acq Wing, Advisor (Cost), DRDO representative, SHQ representative, IOP representative, representative from DOMW and Member Secretary to be nominated by the Chairman. The CNC can also co-opt representatives from DRDO, DPSUs, or other Govt Institutions, as required, with the approval of DG (Acq).
- (iii) The commercial valuation of Technology Acquisition by TAC will be incorporated in the OCNC Report.
- (iv) The above proposals with Report of the OCNC will be processed by the Acquisition Manager and approved by Raksha Mantri, post concurrence of MoD (Fin), regardless of their value.

18. The offset credits will be assigned to the vendor by DOMW after completion of acquisition of equipment and/or ToT and confirmation of the same by the concerned Government Institution or Establishment including DPSUs.

Annexure-IX to Appendix-E
(Refers to Paras 3.1(e),
7.2 and 8.3 of Appendix E)

GUIDELINES FOR TECHNOLOGY ACQUISITION

Sl. No.	For	Read
1.	Technology Acquisition (TA) proposals are a valid method for discharge of offset obligations under Paragraph 3.1(e) of Appendix-E.	Technology Acquisition (TA) proposals are a valid method for discharge of offset obligations under Paragraph 3.1(e) of Appendix-E.
2.	All offset proposals will be submitted by the Vendors to the concerned ADG Acquisition Technical in Acquisition Wing as per Paragraph 7.2 of the Defence Offset guidelines. Proposals submitted under Paragraph 3.1 (e) of Appendix-E will be clearly indicated by the OEM and submitted in a separate envelope in the format appended to this Annexure.	All offset proposals will be submitted by the Vendors to the concerned ADG Acquisition Technical in Acquisition Wing as per Paragraph 7.2 of the Defence Offset guidelines. Proposals submitted under Paragraph 3.1 (e) of Appendix-E will be clearly indicated by the OEM and submitted in a separate envelope in the format appended to this Annexure.
3.	The Directorate of Industry Interface and Technology Management (DIITM) in the DRDO will be the nodal agency for all matters related to Technology Acquisition by DRDO. All TA proposals will be forwarded by the ADG Acquisition Technical to the DIITM, DRDO. Each proposal under this category will be given a unique identification number by DIITM, DRDO prefixed by "TA" to indicate Technology Acquisition.	The Directorate of Industry Interface and Technology Management (DIITM) in the DRDO will be the nodal agency for all matters related to Technology Acquisition by DRDO. All TA proposals will be forwarded by the ADG Acquisition Technical to the DIITM, DRDO. Each proposal under this category will be given a unique identification number by DIITM, DRDO prefixed by "TA" to indicate Technology Acquisition.
4.	DRDO will establish a Technology Acquisition Committee to be serviced by DIITM. The TAC will be a multi-disciplinary technology evaluation committee, comprising domain experts from the concerned laboratories, other national S&T laboratories, Service Headquarters, HQ IDS, members from academia and research institutions, Additional Financial Adviser (DRDO), and other organizations as deemed necessary, specific to each proposal received. TAC could seek the services of professional bodies for valuation of technology, if required.	DRDO will establish a Technology Acquisition Committee to be serviced by DIITM. The TAC will be a multi-disciplinary technology evaluation committee, comprising domain experts from the concerned laboratories, other national S&T laboratories, Service Headquarters, HQ IDS, members from academia and research institutions, Additional Financial Adviser (DRDO), and other organizations as deemed necessary, specific to each proposal received. TAC could seek the services of professional bodies for valuation of technology, if required.
5.	TAC will process cases acceptable as valid offset proposals after initial screening. If the TAC in its assessment feels that the	TAC will process cases acceptable as valid offset proposals after initial screening. If the TAC in its assessment feels that the

	technology so indicated is already available and/or is of no further use by the DRDO, it may reject the proposal and intimate the ADG Acquisition Technical. Recommendations of TAC will be incorporated in the TOEC report under Paragraph 8.1 of the Offset Guidelines.	technology so indicated is already availab. and/or is of no further use by the DRDO, it may reject the proposal and intimate the ADG Acquisition Technical. Recommendations of TAC will be incorporated in the TOEC report under Paragraph 8.1 of the Offset Guidelines.
6.	The TAC may call for a presentation and detailed technical discussions with the OEM/Vendor to understand various aspects of the proposal. Where necessary, the TAC may visit the Vendors' premises to make an assessment of the technology offered.	The TAC may call for a presentation and detailed technical discussions with the OEM/Vendor to understand various aspects of the proposal. Where necessary, the TAC may visit the Vendors' premises to make an assessment of the technology offered.
7.	TAC will make its recommendations based on viability of the proposal, the technology implications, options for availability of the technology, range and depth of acquisition indicated, absorption capability in the country, status of IP before, on and after acquisition and a fair assessment of the cost of technology. The TAC will recommend a multiplier up to 4, with detailed justification, as indicated in Paragraph 5.11 of the Offset guidelines.	TAC will make its recommendations based on viability of the proposal, the technology implications, options for availability of the technology, range and depth of acquisition indicated, absorption capability in the country, status of IP before, on and after acquisition and a fair assessment of the cost of technology. The TAC will recommend a multiplier up to 4, with detailed justification, as indicated in Paragraph 5.11 of the Offset guidelines.
8.	Recommendations of TAC will include the following:- (a) Merits of the Technology Acquisition proposal, including timeframe for absorption, with phasing. (b) Value of offset credits to be assigned for the proposal with detailed justification. (c) Indicate the time frame, modalities and potential for utilisation of the technology.	Recommendations of TAC will include the following:- (a) Merits of the Technology Acquisition proposal, including timeframe for absorption, with phasing. (b) Value of offset credits to be assigned for the proposal with detailed justification. (c) Indicate the time frame, modalities and potential for utilisation of the technology.
9.	Offset credits will be assigned by DOMW after completion of TA, as certified by DRDO.	Offset credits will be assigned by DOMW after completion of TA, as certified by DRDO.
10.	TAC will forward its recommendations to the ADG Acquisition Technical after approval by SA to RM within a period of 4-8 weeks of its constitution.	TAC will forward its recommendations to the ADG Acquisition Technical after approval by Secretary DD (R&D) and Chairman DRDO within a period of 4-8 weeks of its constitution.
11.		For cases where offset proposal is received before the signing of the Main Procurement Contract, the same shall be processed for commercial evaluation and approval of Competent Authority as per the provisions for 'Processing of Offset Proposals' contained in para 8 in Defence

12.		<p>Offset Guidelines to DAP 2020.</p> <p>For cases where offset proposal is received subsequently under an already signed offset contract, the same shall be received by DRDO and processed as per the procedure outlined from Sl. No. 3 to 10 above.</p>
13.		<p>Subsequent processing for commercial evaluation and approval of Competent Authority shall be as under:</p> <p>(i) An Offset Contract Negotiation Committee (OCNC) shall carry out commercial evaluation of proposal. The OCNC shall be constituted by DG (Acq) and shall be a multi-disciplinary body chaired by JS & AM in Acq Wing and shall comprise of FM (MoD Fin), ADG Acquisition Technical from the Acq Wing, Advisor (Cost), DRDO representative, SHQ representative, representative from DOMW and Member Secretary to be nominated by the Chairman. The CNC can also co-opt representatives from DRDO, DPSUs, or other Govt Institutions, as required, with the approval of DG (Acq).</p> <p>(ii) The commercial valuation of Technology Acquisition by TAC will be incorporated in the OCNC Report.</p> <p>(iii) The above Technology Acquisition proposals with Report of the OCNC will be processed by the Acquisition Manager and approved by Raksha Mantri, post concurrence of MoD (Fin), regardless of their value.</p>
14.		<p>The offset credits will be assigned to the vendor by DOMW after completion of Technology Acquisition and confirmation of the same by DRDO.</p>

FORMAT FOR SUBMISSION OF TECHNOLOGY ACQUISITION PROPOSALS

The format for submission of Technology Acquisition proposals should address the following aspects:

- The proposal should clearly state that it is under Technology Acquisition category.
- Background of the proposal.
- Technology offered with key elements of technology indicated.
- Components of technology and the nature of transfer.
- Basic infrastructure required for absorption including technical manpower.

- Patents held and status of IPs.
- Development status and contemporary nature of the technology.
- Status of requisite government approvals.
- Present use of said technology in home country and its Armed Forces.
- Offset credits claimed.
- Any other relevant aspect.

Annexure-IX to Appendix-D
(Refers to Paras 5.12 and 8.5 of Appendix D
in DPP 2011 (Revised & Issued in 2012), DPP 2013)

Annexure-IX to Appendix-D
(Refers to Paras 5.12 and 8.3 of Appendix D
in DPP 2016)

GUIDELINES FOR TECHNOLOGY ACQUISITION

Sl. No.	For	Read
1.	Technology Acquisition (TA) proposals are a valid method for discharge of offset obligations under Paragraph 3.1(f) of Appendix-D.	Technology Acquisition (TA) proposals are a valid method for discharge of offset obligations under Paragraph 3.1(f) of Appendix-D.
2.	All offset proposals will be submitted by the Vendors to the concerned ADG Acquisition Technical in Acquisition Wing as per Paragraph 7.2 of the Defence Offset guidelines. Proposals submitted under Paragraph 3.1 (f) of Appendix-D will be clearly indicated by the OEM and submitted in a separate envelope in the format appended to this Annexure.	All offset proposals will be submitted by the Vendors to the concerned ADG Acquisition Technical in Acquisition Wing as per Paragraph 7.2 of the Defence Offset guidelines. Proposals submitted under Paragraph 3.1 (f) of Appendix-D will be clearly indicated by the OEM and submitted in a separate envelope in the format appended to this Annexure.
3.	The Directorate of Industry Interface and Technology Management (DIITM) in the DRDO will be the nodal agency for all matters related to Technology Acquisition by DRDO. All TA proposals will be forwarded by the ADG Acquisition Technical to the DIITM, DRDO. Each proposal under this category will be given a unique identification number by DIITM, DRDO prefixed by "TA" to indicate Technology Acquisition.	The Directorate of Industry Interface and Technology Management (DIITM) in the DRDO will be the nodal agency for all matters related to Technology Acquisition by DRDO. All TA proposals will be forwarded by the ADG Acquisition Technical to the DIITM, DRDO. Each proposal under this category will be given a unique identification number by DIITM, DRDO prefixed by "TA" to indicate Technology Acquisition.
4.	DRDO will establish a Technology Acquisition Committee to be serviced by DIITM. The TAC will be a multi-disciplinary technology evaluation committee, comprising domain experts from the concerned laboratories, other national S&T laboratories, Service Headquarters, HQ IDS, members from academia and research institutions, Additional Financial Adviser (DRDO), and other organizations as deemed necessary, specific to each proposal received. TAC could seek the	DRDO will establish a Technology Acquisition Committee to be serviced by DIITM. The TAC will be a multi-disciplinary technology evaluation committee, comprising domain experts from the concerned laboratories, other national S&T laboratories, Service Headquarters, HQ IDS, members from academia and research institutions, Additional Financial Adviser (DRDO), and other organizations as deemed necessary, specific to each proposal received. TAC could seek the services of professional bodies for

	services of professional bodies for valuation of technology, if required.	valuation of technology, if required.
5.	TAC will process cases acceptable as valid offset proposals after initial screening. If the TAC in its assessment feels that the technology so indicated is already available and/or is of no further use by the DRDO, it may reject the proposal and intimate the ADG Acquisition Technical. Recommendations of TAC will be incorporated in the TOEC report under Paragraph 8.1 of the Offset Guidelines.	TAC will process cases acceptable as valid offset proposals after initial screening. If the TAC in its assessment feels that the technology so indicated is already available and/or is of no further use by the DRDO, it may reject the proposal and intimate the ADG Acquisition Technical. Recommendations of TAC will be incorporated in the TOEC report under Paragraph 8.1 of the Offset Guidelines.
6.	The TAC may call for a presentation and detailed technical discussions with the OEM/Vendor to understand various aspects of the proposal. Where necessary, the TAC may visit the Vendors' premises to make an assessment of the technology offered.	The TAC may call for a presentation and detailed technical discussions with the OEM/Vendor to understand various aspects of the proposal. Where necessary, the TAC may visit the Vendors' premises to make an assessment of the technology offered.
7.	TAC will make its recommendations based on viability of the proposal, the technology implications, options for availability of the technology, range and depth of acquisition indicated, absorption capability in the country, status of IP before, on and after acquisition and a fair assessment of the cost of technology. The TAC will recommend a multiplier up to 4, with detailed justification, as indicated in Paragraph 5.12 of the Offset guidelines.	TAC will make its recommendations based on viability of the proposal, the technology implications, options for availability of the technology, range and depth of acquisition indicated, absorption capability in the country, status of IP before, on and after acquisition and a fair assessment of the cost of technology. The TAC will recommend a multiplier up to 4, with detailed justification, as indicated in Paragraph 5.12 of the Offset guidelines.
8.	Recommendations of TAC will include the following:- (a) Merits of the Technology Acquisition proposal, including timeframe for absorption, with phasing. (b) Value of offset credits to be assigned for the proposal with detailed justification. (c) Indicate the time frame, modalities and potential for utilisation of the technology.	Recommendations of TAC will include the following:- (a) Merits of the Technology Acquisition proposal, including timeframe for absorption, with phasing. (b) Value of offset credits to be assigned for the proposal with detailed justification. (c) Indicate the time frame, modalities and potential for utilisation of the technology.
9.	Offset credits will be assigned by DOMW after completion of TA, as certified by DRDO.	Offset credits will be assigned by DOMW after completion of TA, as certified by DRDO.
10.	TAC will forward its recommendations to the ADG Acquisition Technical after approval by SA to RM within a period of 4-8 weeks of its constitution.	TAC will forward its recommendations to the ADG Acquisition Technical after approval by Secretary DD (R&D) and Chairman DRDO within a period of 4-8 weeks of its constitution.
11.		For cases where offset proposal is received before the signing of the Main

		Procurement Contract, the same shall be processed for commercial evaluation and approval of Competent Authority as per the provisions for 'Processing of Offset Proposals' contained in Defence Offset Guidelines in applicable DPPs/DAP.
12.		For cases where offset proposal is received subsequently under an already signed offset contract, the same shall be received by DRDO and processed as per the procedure outlined from Sl. No. 3 to 10 above.
13.		<p>Subsequent processing for commercial evaluation and approval of Competent Authority shall be as under:</p> <p>(i) An Offset Contract Negotiation Committee (OCNC) shall carry out commercial evaluation of proposal. The OCNC shall be constituted by DG (Acq) and shall be a multi-disciplinary body chaired by JS & AM in Acq Wing and shall comprise of FM (MoD Fin), ADG Acquisition Technical from the Acq Wing, Advisor (Cost), DRDO representative, SHQ representative, representative from DOMW and Member Secretary to be nominated by the Chairman. The CNC can also co-opt representatives from DRDO, DPSUs, or other Govt Institutions, as required, with the approval of DG (Acq).</p> <p>(ii) The commercial valuation of Technology Acquisition by TAC will be incorporated in the OCNC Report.</p> <p>(iii) The above Technology Acquisition proposals with Report of the OCNC will be processed by the Acquisition Manager and approved by Raksha Mantri, post concurrence of MoD (Fin), regardless of their value.</p>
14.		The offset credits will be assigned to the vendor by DOMW after completion of Technology Acquisition and confirmation of the same by DRDO.

A. Benchmarking and Cost Computation

Amendment 1: Inclusion of development cost & Innovation Advantage Factor in estimation of Benchmark Cost

FOR

Page 49, Chapter II, Para 84: Benchmark Models Committee:

On receipt of Trial Report by SHQ, concurrent benchmarking will be carried out by a Benchmark Models Committee headed by the Advisor (Cost)/Director (Cost) in non-delegated/delegated cases respectively and representatives of concerned SHQ Directorates, as per guidelines issued by Principal Advisor (Cost) and as amended from time to time. This process will be automatically undertaken once SHQ informs Advisor (Cost) /Director (Cost) about receipt of Trial Report. Along with this information, SHQ will also provide Advisor (Cost) /Director (Cost) 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 post approval of GS Evaluation and promulgation of CNC. Till then, the Benchmark Models Committee benchmark models and costing data will be kept in a sealed cover with the Chairman, CNC.

READ

Page 49, Amendment in Chapter 2, Para 84:

On receipt of Trial Report by SHQ, concurrent benchmarking will be carried out by a Benchmark Models Committee headed by the Advisor (Cost)/Director (Cost) in non-delegated/delegated cases respectively and representatives of concerned SHQ Directorates, as per guidelines issued by Principal Advisor (Cost) and as amended from time to time. This process will be automatically undertaken once SHQ informs Advisor (Cost) /Director (Cost) about receipt of Trial Report. Along with this information, SHQ will also provide Advisor (Cost) /Director (Cost) 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 post approval of GS Evaluation and promulgation of CNC. Till then, the Benchmark Models Committee benchmark models and costing data will be kept in a sealed cover with the Chairman, CNC.

For Startups/MSMEs, under iDEX and TDF:

1. The Benchmark price shall include the relevant parameters, including IP valuation, Functional value and Import Advantage.
2. The benchmark price* shall include Base Price (including development cost), and Innovation Advantage Factor (IF). The IF can be determined based on the Degree of Risk as indicated in the following table:

Degree of Risk in Innovation	Innovation Advantage Factor (IF)
Low	20% markup on Base Price
Moderate	30% markup on Base Price
High	40% markup on Base Price

**Benchmark price calculation along with methodology on assessment of Innovation Advantage Factor (IF) as per "Benchmarking guidelines for BMC and HPSC for iDEX & TDF winners" defined in Annexure 1.1*

**Note: iDEX & TDF cases shall be considered as per provisions in revised benchmarking guidelines and payment schedule for procurement cases of cumulative value up to Rs 250 Cr inclusive of repeat orders.*

- a. The initial Degree of Risk in Innovation on case-to-case basis, shall be provided by the committee constituted through iDEX-DIO including representatives from Services, at the stage of submission of Problem Statements by the Services, which can be reviewed again by the committee before declaration of the results. No change in risk category is acceptable after declaration of results. At present, the committee is named as High-Powered Selection Committee (HPSC) which is subject to change/ modify as per the iDEX guidelines.

In case of TDF, the degree of risk in innovation shall be decided by the Technical committee of TDF.

The Benchmark Models committee (BMC) shall include DIO/ TDF representative and subject matter experts on need basis, from reputed academic and non-academic institutions. The SHQ/ Acquisition wing shall nominate these subject matter experts with the support of iDEX in BMC based on delegated/ non delegated type of cases.

3. Benchmarking is an important milestone in the procurement process. While the AoN gives an indicative cost of the item, the benchmarking cost forms the basis for contract negotiation and further procurement process.
4. The BMC will complete the task within a specified time schedule of 4 weeks.

Amendment 2: Benchmarking guidelines for Cost Negotiation Committee (CNC)

FOR

Page 53, Chapter 2, Para 98, Benchmarking. In all cases, CNC will deliberate/accept recommendations of the Benchmark Models Committee and establish reasonability of the benchmarked price, in an internal meeting before

opening the commercial offer. Wherever necessary, additional inputs from other sources may be obtained by the CNC. In cases where no field evaluation is to be undertaken or there has been oversight in constituting a Benchmark Models Committee earlier or proceedings of the Benchmark Models Committee have not been completed, the entire benchmarking activity will be undertaken by the CNC itself. In cases where DPSU/OFB equipment has been already priced by the Costing Committee constituted under DDP for Pricing of DPSU/OFB equipment, such price may be adopted by the CNC and the CNC may not furnish reasonability of cost certificate for such DPSU/OFB items.

READ:

Page 53, Chapter 2, Para 98 Benchmarking:

In all cases, CNC will deliberate/accept recommendations of the Benchmark Models Committee and establish reasonability of the benchmarked price, in an internal meeting before opening the commercial offer. Wherever necessary, additional inputs from other sources may be obtained by the CNC. In cases where no field evaluation is to be undertaken or there has been oversight in constituting a Benchmark Models Committee earlier or proceedings of the Benchmark Models Committee have not been completed, the entire benchmarking activity will be undertaken by the CNC itself. In cases where DPSU/OFB equipment has been already priced by the Costing Committee constituted under DDP for Pricing of DPSU/OFB equipment, such price may be adopted by the CNC, and the CNC may not furnish reasonability of cost certificate for such DPSU/OFB item.

For Startups/MSMEs under IDEX and TDF, CNC shall follow Para 84 for benchmarking.

Amendment 3: Revision in SOC template to include indicative cost of proposal

FOR

Page 77, Para 21, Appendix B to Chapter II, Formulation of Statement of Case

**STATEMENT OF CASE TO BE CONSIDERED BY SPB/DPB/DAC
FOR CATEGORISATION AND ACCORD OF AON**

NAME OF PROPOSAL -

SERVICE -

CATEGORISATION STATUS -

REFERENCE NO ALLOCATED -

(To be entered by concerned Secretariat)

(a) SPB -

(b) DPB -

(c) DAC -

READ

Amended Paragraphs with Recommended Changes Indicated in Bold

Page 77, Para 21, Appendix B to Chapter II, Formulation of Statement of Case

STATEMENT OF CASE TO BE CONSIDERED BY SPB/DPB/DAC FOR
CATEGORISATION AND ACCORD OF AON

NAME OF PROPOSAL -

SERVICE -

CATEGORISATION STATUS -

INDICATIVE COST OF PROPOSAL FOR IDEX/ TDF -

REFERENCE NO ALLOCATED -

(To be entered by concerned Secretariat)

(a) SPB -

(b) DPB -

(c) DAC -

B. New Payment Schedule

Amendment 4: Revision in Advance Payment Guidelines

FOR:

Page 261, 1.5.1 Advance Payment. Fifteen (15) % of the Base Contract Price shall be paid within thirty (30) days of submission of claim and a Bank Guarantee for the equivalent amount, subject to correction and acceptability of the documents submitted. The prescribed format of the Advance Payment Bank Guarantee (APBG) is placed at Annexure II to Appendix M. The Advance Payment Bank Guarantee (APBG) will be deemed to be proportionately and automatically reduced until full extinction along with and prorate to value of each delivery, as evidenced by corresponding copy of document proving delivery and invoices of goods/services supplied/provided. The date of delivery would be reckoned from the date of release of Advance payment by the Buyer to the Seller (T0), provided the Seller submits the documents mandated by the DAP for release of advance by the Buyer within 45 days of signing of contract. In the event of the Seller not submitting the said documents within 45 days of signing of contract, the period between the 45th day and actual submission of documents will be excluded from the actual date of advance payment to arrive at the delivery date. In case, no advance is to be paid, the date for reckoning date of delivery would be the date of signing of contract. This clause will not be applicable in cases where in Advance payment is released after FOPM is successfully validated. In such cases, date of accord of Bulk Production Clearance will be date for reckoning date of delivery.

READ:

Amendment in 1.5.1: Advance Payment:

Fifteen (15) % of the Base Contract Price shall be paid within thirty (30) days of submission of claim and a Bank Guarantee for the equivalent amount, subject to correction and acceptability of the documents submitted. The prescribed format of the Advance Payment Bank Guarantee (APBG) is placed at Annexure II to Appendix M. The Advance Payment Bank Guarantee (APBG) will be deemed to be proportionately and automatically reduced until full extinction along with and prorate to value of each delivery, as evidenced by corresponding copy of document proving delivery and invoices of goods/services supplied/provided. The date of delivery would be reckoned from the date of release of Advance payment by the Buyer to the Seller (T0), provided the Seller submits the documents mandated by the DAP for release of advance by the Buyer within 45 days of signing of contract. In the event of the Seller not submitting the said documents within 45 days of signing of contract, the period between the 45th day and actual submission of documents will be excluded from the actual date of advance payment to arrive at the delivery date. In case, no advance is to be paid, the date for reckoning date of delivery would be the date of signing of contract. This clause will not be applicable in cases wherein Advance payment is released after FOPM is successfully validated. In such cases, date of accord of 12 Bulk Production Clearance will be date for reckoning date of delivery.

For Startups/ MSMEs under iDEX and TDF, up to 15% of the base contract value may be considered for release as advance payment within 21 days of

execution of contract against mortgage on Intellectual Property (IP) rights, Bank Guarantee, Insurance Surety Bond, in any combination thereof solely at the option of Startup/ MSME. IP valuation will be concluded by HPSC/ Technical committee¹ before Benchmarking initiation by BMC. If the IP rights themselves are of sufficient value, Insurance surety bond, Bank Guarantee etc. would not be necessary. This amendment shall be restricted to the procurement cases of cumulative value up to Rs 250 Cr inclusive of repeat order.

Note: Elaboration on the safeguards is mentioned in Annx 1.2

(1- As per guidelines in Annexure 1.1)

Amendment 5: Introduction of new Payment Stage - "Procurement of Raw Material or Essential Input Resources"

READ:

New Payment Stage: To be added as 1.5.1.1: Procurement of Raw Material or Essential Input Resources: Startups and MSMEs, under iDEX and TDF may avail this stage based on their preference, where 100% of cost of raw materials purchased or essential input resources committed (including the adjustment of advance) shall be released to the startup or MSME. **Procurement contract shall mention the instance at which and quantity of raw material for which, payment for acquisition of raw material would be made. The trigger for payment shall be only an invoice for the amount calculated and certification from statutory auditor of the company as per contract. For software projects, the manpower utilization cost will also be factored. This amendment shall be restricted to the procurement cases of cumulative value up to Rs 250 Cr inclusive of repeat order.**

Further, Performance cum Warranty Security shall be submitted at this stage & Insurance Surety Bond/ BG / mortgage of proportional rights of the IP against advance payment shall be refunded at this stage.)

Note: Elaboration on the safeguards is mentioned in Annx 1.2

Amendment 6: Merger of Pre-Dispatch Inspection (PDI) & Joint Receipt Inspection (JRI)

FOR:

Page 262, 1.5.2 On Dispatch. (Note: The percentages for this stage can be fixed in the RFP on merits of case) ___% of the contract price of deliverables shall be paid on proof of dispatch of deliverables to the consignee and on production of an inspection note issued by the buyer designated inspection agency. Number and date of the Railway/Road/Air Transport receipt under which the deliverables charged for in the bill are dispatched by rail/road/Air and the number and date of letter with which such receipt is forwarded to the consignee, should be quoted on the bill. The payment will be made by PCDA/CDA through cheque/Electronic Fund Transfer (EFT) on submission of following documents: - (Note-The list given below is

illustrative. The documents that may be required, depending upon the peculiarities of the procurement being undertaken, may be included/ excluded in RFP).

Page 262, 1.5.4 On Delivery (Note: The percentages for this stage can be fixed in the RFP on merits of case) ____% of the contract price of deliverables shall be paid on completion of JRI post delivery and issue of JRI Certificate/Certified Receipt Voucher (CRV) issued by the Buyer.

READ:

Amendment as Additional Note for 1.5.2, Page 262,:

Note for 1.5.2 and 1.5.4: For Startups and MSMEs under iDEX and TDF, Pre Dispatch Inspection and Joint Receipt Inspection shall be considered as one stage and the payment shall be released on receipt stage.

Amendment 7: Relaxation and Revision in Performance Security for Contract

FOR:

Page 264 Para 1.5, Clause 3

The total contract price referred to in Article 1 of the contract shall be paid as follows:-

- (a) Advance Payment: ____% of total value of goods supplied being Rs. ----- shall be paid to the Bidder, through Bank Transfer, within 30 days of the receipt of the following documents:
- (b) Advanced Bank Guarantee as per Article 3B of the Contract.
- (c) Performance cum Warranty Bond as per Article 4 B of the Contract.
- (d) Any other specific document (like proforma invoice) if required.

(Note: The second stage advance payment after completion of specific milestone may also be paid through Bank Transfer.)

READ

Page 264 Para 1.5, Clause 3, Amendment:

The total contract price referred to in Article 1 of the contract shall be paid as follows:-

- (a) Advance Payment: ____% of total value of goods supplied being Rs. -----shall be paid to the Bidder, through Bank Transfer, within 30 days of the receipt of the following Documents*:
- (b) Advanced Bank Guarantee as per Article 3B of the Contract.
- (c) Performance cum Warranty ~~Bond~~ **Bank Guarantee** as per Article 4 B of the Contract.
- (d) Any other specific document (like proforma invoice) if required.

(Note: The second stage advance payment after completion of specific milestone may also be paid through Bank Transfer.)

***For Startups and MSMEs under iDEX and TDF:**

Performance cum warranty security shall be relaxed and kept at minimum as per the GFR i.e. 3% at present or at the minimum rate as revised from time to time, in form of Insurance Surety Bond/ Bank Guarantee as per the

convenience of startups/MSMEs and this amendment shall be restricted to the procurement cases of cumulative value up to Rs 250 Cr inclusive of repeat order.

The same shall be submitted before release of payment of 2nd stage i.e. "Procurement of Raw Material and Essential Input Resources" stage.

Note: In case of a variation at any place in this document, this amended clause shall supersede and be considered as final statement.

Amendment 8: Relaxation and Revision in Performance Security for Contract

FOR:

Page 267, Para 2 Performance-Cum-Warranty Bank Guarantee Clause:

A Performance-cum-Warranty Bank Guarantee (PWBG) of 5 % of value of the Total Contract Price including taxes and duties would be furnished by the Bidder in the form of a Bank Guarantee to sequentially act as Performance Bank guarantee till the delivery and as Warranty Bank Guarantee on delivery. The PWBG shall be submitted by the Bidder within one month of signing of contract and shall be valid for a period, until three months beyond the warranty period, as specified in the RFP. If at any stage, the Performance Guarantee is invoked by the Buyer either in full or in part, the Bidder shall make good the shortfall in PWBG within 30 days by an additional Bank Guarantee for equivalent amount. In the event of failure to submit the required Bank Guarantee against invoked Performance Guarantee, equivalent amount will be withheld from the next stage payment till the shortfall in the Bank Guarantee is made good by the Bidder. The prescribed format of the Performance-cum-Warranty Bank Guarantee is placed at Annexure III to Appendix M.

READ:

Page 267 Para 2 Performance-Cum-Warranty Bank Guarantee Clause:

A Performance-cum-Warranty Bank Guarantee (PWBG) of 5 % of value of the Total Contract Price including taxes and duties would be furnished by the Bidder in the form of a Bank Guarantee to sequentially act as Performance Bank guarantee till the delivery and as Warranty Bank Guarantee on delivery. The PWBG shall be submitted by the Bidder within one month of signing of contract and shall be valid for a period, until three months beyond the warranty period, as specified in the RFP. If at any stage, the Performance Guarantee is invoked by the Buyer either in full or in part, the Bidder shall make good the shortfall in PWBG within 30 days by an additional Bank Guarantee for equivalent amount. In the event of failure to submit the required Bank Guarantee against invoked Performance Guarantee, equivalent amount will be withheld from the next stage payment till the shortfall in the Bank Guarantee is made good by the Bidder. The prescribed format of the Performance-cum-Warranty Bank Guarantee is placed at Annexure III to Appendix M.

For Startups and MSMEs under iDEX and TDF, Performance cum warranty security shall be relaxed and kept at minimum as per the GFR i.e. 3% at present or at the minimum rate as revised from time to time, in form of Insurance Surety Bond/ Bank Guarantee as per the convenience of

startups/MSMEs and this amendment shall be restricted to the procurement cases of cumulative value up to Rs 250 Cr inclusive of repeat order. The same shall be submitted before release of payment of 2nd stage i.e. "Procurement of Raw Material and Essential Input Resources" stage.

Amendment 9: Relaxation in AMC BG

FOR

Page 267, Para 4 Performance Bank Guarantee for AMC/CMC/PBL (where applicable): The Bidder will be required to furnish a Performance Guarantee by the way of a Bank Guarantee of a sum equal to 5% of the Total Price of AMC/CMC/PBL for contracted duration prior to expiry/return of the PWBG of the Main Contract. Performance Bank Guarantee should be valid for 03 months beyond the period of the AMC/CMC. The format of the Performance Bank Guarantee is to be as per Annexure III to Appendix M.

READ

Page 267, Para 4 Performance Bank Guarantee for AMC/CMC/PBL (where applicable): The Bidder will be required to furnish a Performance Guarantee by the way of a Bank Guarantee of a sum equal to 5% of the Total Price of AMC/CMC/PBL for contracted duration prior to expiry/return of the PWBG of the Main Contract. Performance Bank Guarantee should be valid for 03 months beyond the period of the AMC/CMC. The format of the Performance Bank Guarantee is to be as per Annexure III to Appendix M.

For Startups/MSMEs under IDEX and TDF, the Surety Bond/ BG for AMC/CMC/PBL shall be limited to 3% of AMC/CMC/PBL contract value and the same will be reimbursed on a pro-rata basis with each periodically scheduled AMC/CMC/PBL payment. This amendment shall be restricted to the procurement cases of cumulative value up to Rs 250 Cr inclusive of repeat order.

Amendment 10: LD Relaxation (up to 3% of contract value)

FOR

Pg 265, Appendix M to Schedule I to Chapter II, 7. Liquidated Damages (LD): In the event of the Bidder's failure to submit the Documents, supply the stores/ goods, perform services, conduct trials, installation of equipment, training and MET as per schedule specified in this contract, the BUYER may, at his discretion withhold cost of the specific lot/batch or 1% of the Project cost, whichever is higher, until the completion of the contract. The BUYER may also deduct from the SELLER as agreed, liquidated damages to the sum of 1/100 of the delay percentage {Delay percentage = (Period of Delay in Delivery in Weeks) x 100 / (Delivery Period in weeks as per contract)} of the Base Contract Price of the delayed/ undelivered stores/ services mentioned above for every week of delay or part of a week, subject to the maximum value of the Liquidated Damages being not higher than 10% of the contract price of the value of delayed stores/ services (Any extension given by the Buyer for delay attributable to Buyer or Force Majeure Clause to be factored in delivery period).

READ

Pg 265, Appendix M to Schedule I to Chapter II, 7. Liquidated Damages (LD): In the event of the Bidder's failure to submit the Documents, supply the stores/ goods, perform services, conduct trials, installation of equipment, training and MET as per schedule specified in this contract, the BUYER may, at his discretion withhold cost of the specific lot/batch or 1% of the Project cost, whichever is higher, until the completion of the contract. The BUYER may also deduct from the SELLER as agreed, liquidated damages to the sum of 1/100 of the delay percentage {Delay percentage = (Period of Delay in Delivery in Weeks) x 100 / (Delivery Period in weeks as per contract)} of the Base Contract Price of the delayed/ undelivered stores/ services mentioned above for every week of delay or part of a week, subject to the maximum value of the Liquidated Damages being not higher than 10% **(In case of Startups & MSMEs under iDEX and TDF, two extensions of 6 months on no penalty basis may be considered on justified grounds as per acquiring agency followed by LD up to 3%)** of the contract price of the value of delayed stores/ services (Any extension given by the Buyer for delay attributable to Buyer or Force Majeure Clause to be factored in delivery period).

This amendment shall be restricted to the procurement cases of cumulative value up to Rs 250 Cr inclusive of repeat order.

Amendment 11: Revision in Overall Payment Schedule for Startups/MSMEs, under iDEX & TDF

FOR

Annexure 1: STATEMENT OF PRICES AND QUANTITIES AND PAYMENT STAGES

Page 448, Para 2: Stages of Payment Table 2.1.1 For Delivery in Single Lot

READ

Table 2.1.1-A For Startups/MSMEs, under iDEX & TDF, Payment stages in the Procurement Contracts shall be defined in the following manner: (for contracts up to Rs 250 Cr)

S.N.	Payment Stage	Timeline (T0+W)	Percentage Payment	Scheme for submission and Return of Securities & Remarks
01	Signing of Contract & Advance Payment		Advance payment Up to 15% of Base Contract Value*	Advance payment within 21 days of execution of contract against mortgage on Intellectual Property (IP) rights, Bank Guarantee, Insurance Surety Bond, in any combination thereof solely at the option of Startup/ MSME. If the IP rights themselves are of sufficient value, Bank Guarantee/ surety bond would not be necessary.

02	Procurement of Raw Material or Essential Input Resources		100% of Raw Material cost with adjusted advance released	<p>1. Procurement contract shall mention the instance at which and quantity of raw material for which payment for acquisition of raw material would be made. The trigger for payment shall be only an invoice for the amount calculated and certificate given by statutory auditor of the company as per contract. For software projects, the manpower utilization cost will also be factored</p> <p>2. Performance Cum Warranty Security shall be submitted before release of the payment.</p>
03	On receipt of all the equipment/system and associated spare parts (if applicable)		Cumulatively 80% of the Cost of Deliverables	Pre-Dispatch Inspection may be conducted as per the requirement
04	On delivery of documentation & Training		85% of the Cost of Training	
05	On Installation/ STW/ Commissioning and Final Acceptance and completion of delivery of documentation and training.		100% of the Contract Value, including taxes and certifications (within 30 days of completion of commissioning, documentation & training)	Up to 3% LD for start-ups and MSMEs with defined extensions
06	AMC		Payment as per AMC periodic schedule submitted	3% of AMC contract value shall be considered as security and the same shall be adjusted with release of Performance security (either by holding the same or in case of escalation of value, remaining amount of security shall be submitted by Startup/ MSME)

*As per requirements of Startups/MSMEs

Note: IDEX & TDF cases shall be considered as per provisions in revised benchmarking guidelines and payment schedule for procurement cases of cumulative value up to Rs 250 Cr inclusive of repeat orders.

C. Procurement Reforms

Amendment 12: Guidelines for Minimum Pilot Order Quantity (MPQ) Procurement of products under Spiral Development

FOR:

Page 20, Chapter 2, Para 92 Repeat Order

For equipment/systems/platforms already inducted into service/contracted by DPSUs and PSUs including Shipyards, it may be necessary to go back to the OEM/vendors for placing Repeat Orders. AoN for Repeat Orders must be obtained within five years of date of completion of warranty on final delivery against the previous contract. In such cases it may be ensured that as far as possible the SQRs of the equipment are as per the previous order. Repeat Order cases would not be construed as Single Vendor Cases. Repeat Order would generally be limited to quantity not exceeding 100% of the original contract. Specific approval of DPB (in acquisition cases up to ` 500 Crores) or DAC (in acquisition cases excess of ` 500 Crores) as the case may be, would be obtained for Repeat Order of quantity exceeding 100% of the original order quantities. Repeat Order cases may fall under any of the following categories:-

(a) Additional Quantities This may be necessitated to make up for deficiency in the existing scaling or to cater for the requirements due to new Raisings/War Wastage Reserves (WWR)/Sector Stores.

(b) Replacement Equipment. This may be necessitated due to equipment declared 'Beyond Economical Repairs' (BER) or damages or loss to the earlier equipment by way of accidents/natural calamities or such like reasons.

(c) Major-assemblies/sub-assemblies/Special Maintenance Tools (SMT)/Special Test Equipment (STE)/maintenance/integration of Buyer Furnished Equipment (BFE).

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

READ:

Page 20, Chapter 2, Para 92 Repeat Order:

For equipment/systems/platforms already inducted into service/contracted by DPSUs and PSUs including Shipyards, it may be necessary to go back to the OEM/vendors for placing Repeat Orders. AoN for Repeat Orders must be obtained within five years of date of completion of warranty on final delivery against the previous contract. In such cases it may be ensured that as far as possible the SQRs of the equipment are as per the previous order. Repeat Order cases would not be construed as Single Vendor Cases. Repeat Order would generally be limited to quantity not exceeding 100% of the original contract. Specific approval of DPB (in acquisition cases up to ` 500 Crores) or DAC (in acquisition cases excess of ` 500 Crores) as the case may be, would be obtained for Repeat Order of quantity exceeding 100% of the original order quantities. Repeat Order cases may fall under any of the following categories:-

(a) Additional Quantities This may be necessitated to make up for deficiency in the existing scaling or to cater for the requirements due to new Raisings/War Wastage Reserves (WWR)/Sector Stores.

(b) **Replacement Equipment.** This may be necessitated due to equipment declared 'Beyond Economical Repairs' (BER) or damages or loss to the earlier equipment by way of accidents/natural calamities or such like reasons.

(c) **Major-assemblies/sub-assemblies/Special Maintenance Tools (SMT)/Special Test Equipment (STE)/maintenance/integration of Buyer Furnished Equipment (BFE).**

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

Para 92.1 Spiral Development & MPQ Procurement: For startups and MSMEs under iDEX/ TDF, the following stages may be considered as per requirement of the SHQs, at the time of acquisition:

(a) **Spiral Development:**

The spiral development refers to the iterative and incremental development of the product where the initial product partially complies with the requirements, however based on tech/ field exploitation, the subsequent development towards Services' requirements, is feasible. Therefore, the spiral development methodology enables the Services to procure as MPQ procurement for tech/ field exploitation.

The stages of spiral development have been defined below in the table and enable procurement in the first two stages, thus ensuring that the product coming out at the third stage is likely fit for procurement of bulk procurement quantity decided by the Services.

The need and applicability of each stage of spiral development shall be determined by the SHQs.

Spiral Development	Product Compliance with User Requirements	Outcome & Remarks
Stage 1	Up to 70%	Fit for part 1 of MPQ Procurement & Field exploitation in case of unavailable critical technology
Stage 2	Additional 20% compliance over Stage 1	Fit for part 2 of MPQ Procurement & Field exploitation
Stage 3	100%	Product likely to be fit for bulk procurement

(b) **Minimum Pilot Order Quantity (MPQ) Procurement:**

1. Before declaration of the iDEX Winners/ TDF DAs, the Services shall provide the iDEX/TDF Pilot Procurement Plan for Minimum Pilot Order Quantity (MPQ) to iDEX/TDF.

2. MPQ procurement may not be towards the operational requirements & deployment.
3. Procurement quantity/ size in spiral development shall not be restricted by previous order quantity as it is not to be considered as a Repeat order
4. For Stage 2 of Spiral Development, Procurement may be up to 100% of MPQ, but not less than 20% of MPQ, in any case.

(c) This amendment shall be restricted to the procurement cases of cumulative value up to Rs 250 Cr inclusive of repeat order.

**Amendment 13: Guidelines for iDEX/ TDF Pilot Procurement
For iDEX**

FOR

Page 342, Chapter III, Para 71, Solicitation of Commercial Offers: RFP will be issued to the iDEX winners on clearing the 'single stage composite trials' under Buy (Indian-IDDMM) category seeking commercial offer. Cases where more than one startup is participating, with the qualification of one of the startup in the 'single stage composite trials', the other (s) can continue their development but with no liability on the Service HQs to procure from them. All assistance will be provided by the Service HQs & DIO to evaluate their solution once ready and they will be given certification of 'fit for military use'.

READ

Page 342, Chapter III, Para 71, Solicitation of Commercial Offers: RFP will be issued to the iDEX winners on clearing the 'single stage composite trials' under Buy (Indian-IDDMM) category seeking commercial offer. **In case of iDEX Pilot Procurement, RFP and procurement can be concluded for the iDEX winners based on the PSQR only. However, the PSQR may get converted to SQR post spiral development or at any subsequent procurement phase.** Cases where more than one startup is participating, with the qualification of one of the startup in the 'single stage composite trials', the other (s) can continue their development but with no liability on the Service HQs to procure from them. All assistance will be provided by the Service HQs & DIO to evaluate their solution once ready and they will be given certification of 'fit for military use'.

71.1 Before declaration of the iDEX Winners, the Services shall provide the iDEX Pilot Procurement Plan for Minimum Pilot Order Quantity (MPQ) to iDEX DIO. For Stage 2 of Spiral development, MPQ Procurement may be up to 100% of Total quantity envisaged, but not less than 20% in any case.

In case of repeat order, Chapter II, caption "Procurement of Already Inducted Equipment" (Para 91-96) will be referred suitably.

This amendment shall be restricted to the procurement cases of cumulative value up to Rs 250 Cr inclusive of repeat order.

For TDF

FOR

Page 342, Chapter III, Para 77, Solicitation of Commercial Offers: RFP will be issued to the TDF DA on clearing 'Single Stage Composite Trials' under Buy (Indian-IDDM) category seeking commercial offer. When one of the DAs clears 'Single Stage Composite Trials', in cases where multiple DAs are developing the same technology; all other DAs may continue the development. However, in such cases, there will be no liability on Service HQs to procure from these other DAs. TDF & SHQs would provide necessary assistance to other DAs for completion of D&D till certification. DAs that clear 'Single stage Composite Trials' would be issued certificate of 'Fit for Military Use' by DRDO.

READ

Page 342, Chapter III, Para 77, Solicitation of Commercial Offers: RFP will be issued to the TDF DA on clearing 'Single Stage Composite Trials' under Buy (Indian-IDDM) category seeking commercial offer. **In case of TDF Pilot procurement, RFP and procurement can be concluded for the TDF Development Agency based on the PSQR only. However, the PSQR may get converted to SQR post spiral development or at any subsequent procurement phase.** When one of the DAs clears 'Single Stage Composite Trials', in cases where multiple DAs are developing the same technology; all other DAs may continue the development. However, in such cases, there will be no liability on Service HQs to procure from these other DAs. TDF & SHQs would provide necessary assistance to other DAs for completion of D&D till certification. DAs that clear 'Single stage Composite Trials' would be issued certificate of 'Fit for Military Use' by DRDO.

77.1 Before declaration of the TDF Development Agency, the Services shall provide the TDF Pilot Procurement Plan for Minimum Pilot Order Quantity (MPQ) to TDF. For Stage 2 of Spiral development (product compliance up to 90%), Procurement may be up to 100% of Total quantity envisaged, but not less than 20% in any case.

In case of repeat order, Chapter II, caption "Procurement of Already Inducted Equipment" (Para 91-96) will be referred suitably.

This amendment shall be restricted to the procurement cases of cumulative value up to Rs 250 Cr inclusive of repeat order.

Amendment 14 Revision in iDEX/ TDF Procurement Timelines

Amendment 14.1

FOR

Pg 374A, Appendix M to Chapter III Proposed Timelines for Procurement as per iDEX –

Ser No.	Stage of Procurement	Timeline as per DAP (in weeks)	Timelines as per DAP (Cumulative timelines in weeks)
1.	Acceptance of Necessity (Date of issue of minutes of DAC/ DPB/ SPB meeting)	3 (within 3 weeks of trials)	T0
2.	Issue of RFP	4	T0+4
3.	Pre Bid Meeting/ Dispatch of Pre bid reply	2	T0+6
4.	Receipt of Responses	4	T0+10
5.	Completion of TEC Report/ Acceptance of TEC Report	4	T0+14
6.	Finalisation of CNC Report	4	T0+18
7.	Obtaining of CFA-CFA-MoD	2	T0+20
8.	Signing of Main Contract	2	T0+22

READ

Pg 374A, Appendix M to Chapter III

A. Proposed Timelines for Procurement as per iDEX and TDF – Pre-RFP Process

Activity	Timeline	Cumulative Timeline
Ratification of SSCT/ Report	2 Weeks	T0-6
SoC Prep and Accord of AoN	4 Weeks	T0-4

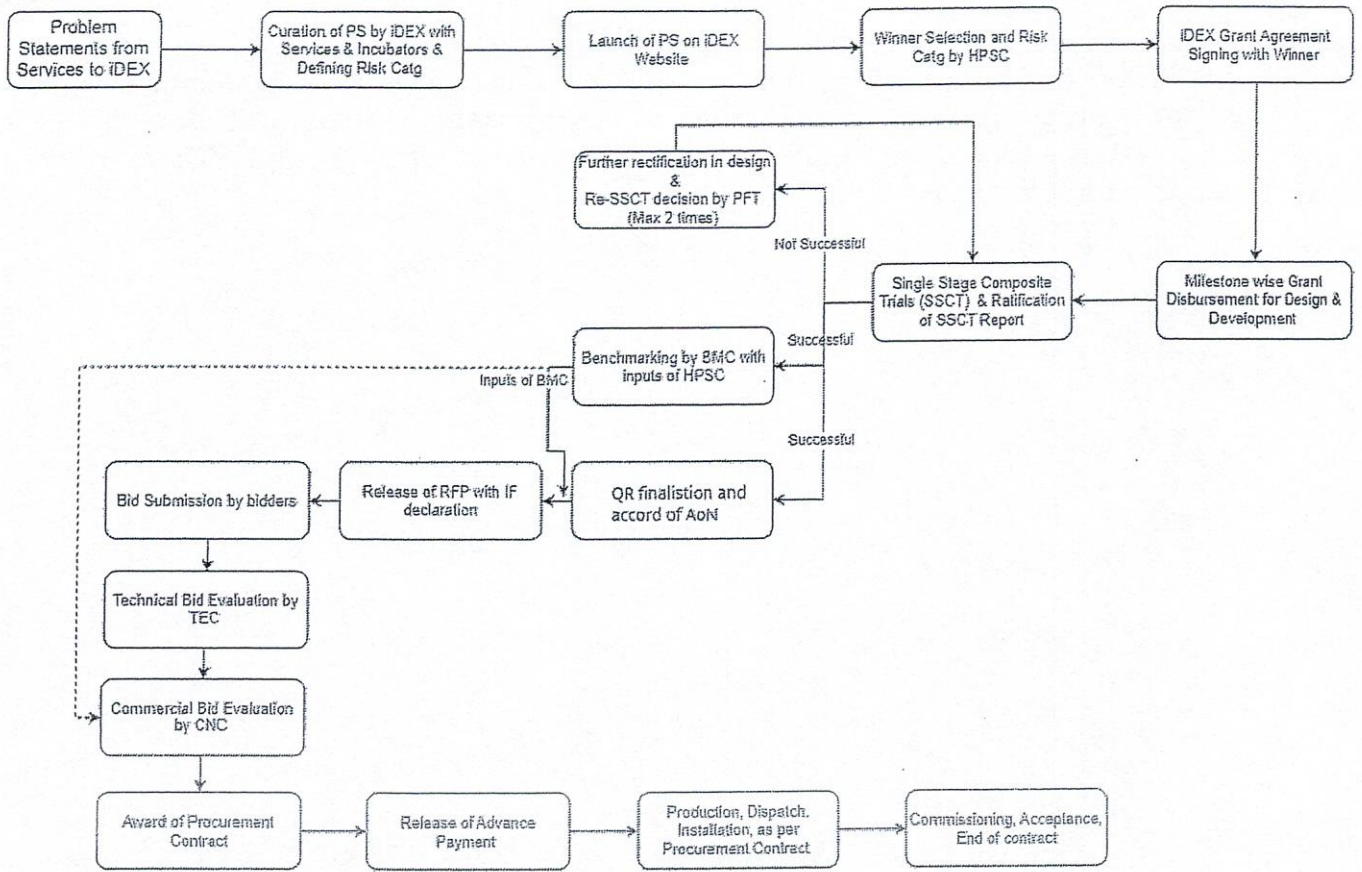
Post Accord of AoN Process

Ser No.	Activity	Timeline	Cumulative Timeline
1	Accord of AoN	T0	T0
2	Release of RFP	2 Weeks	T0+2
3	Response to RFP including pre-bid meeting	4 Weeks	T0+6
4	Finalization of CNC*	4 Weeks	T0+10

5	CFA Approval for Procurement	2 Weeks	T0+12
6	Award of Contract	2 Weeks	T0+14

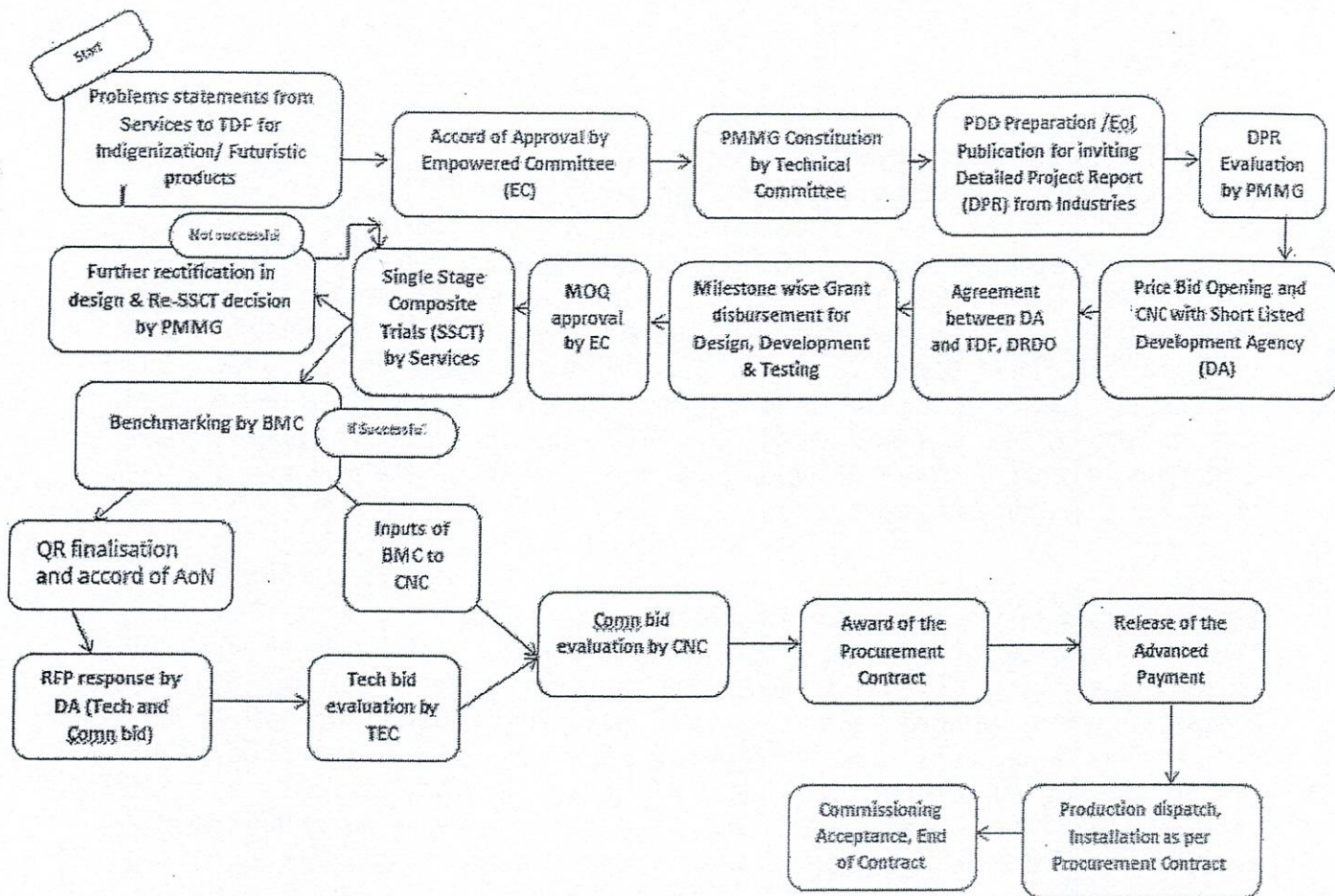
*CNC report shall include the detailed considerations of BMC for product development cost, profit given to the iDEX winner/ TDF Development Agency, order value and any other relevant parameters worked out during the benchmarking process. The report shall be shared with iDEX DIO/ TDF for their future actions.

B. Flowchart: Procurement as per iDEX/ TDF (Flowchart 1)



Detailed Flowchart 1(a) - iDEX

Detailed Flowchart (1b) - TDF



Amendment 14.2

For iDEX

FOR

Pg 341, Para 69 Development of Prototype

Development of Prototype: A Project Facilitation Team (PFT) or nodal officer will be nominated by the SHQs for each iDEX case. PFT/Nodal officer will act as the primary interface between the SHQ and the industry during the design and development stage. After the prototype has been developed as confirmed by the PFT in a collegiate manner, the PFT with requisite empowered members, would carry out the Single Stage Composite Trials of the prototype and ratify the same within one week of completion of composite trials. The Trial report will be accepted by the appropriate authority within the SHQs in three weeks. Project, where prototype of only a single firm/individual has cleared the trials, would also be progressed as resultant single vendor.

READ

Pg 341, Para 69 Development of Prototype

Development of Prototype: A Project Facilitation Team (PFT) or nodal officer will be nominated by the SHQs for each iDEX case. PFT/Nodal officer will act as the primary interface between the SHQ and the industry during the design and development stage. After the prototype has been developed as confirmed by the PFT in a collegiate manner, the PFT with requisite empowered members, would carry out the Single Stage Composite Trials of the prototype. **The ratification and acceptance of the SSCT report shall be completed in 2 weeks.** Project, where prototype of only a single firm/individual has cleared the trials, would also be progressed as resultant single vendor.

In addition to the above process, if any SHQ intends to procure an item developed under iDEX by any other Service, they can do so using the SSCT conducted by the other Service or by conducting SSCT if necessary on case to case basis. This amendment shall be restricted to the procurement cases of cumulative value up to Rs 250 Cr inclusive of repeat order.

For TDF

FOR

Pg 342, Para 77 Development of Prototype

Development of Prototype: Projects pursued under the category of Technology Development Fund (TDF) Scheme of DRDO will be progressed for acquisition under innovation Category. The details of TDF scheme are given out at website <https://tdf.drdo.gov.in>. The procurement will be made under the 'Buy (Indian- IDDM)' Category. A nodal officer from the user will be nominated by the SHQs for each requirement from SHQ under TDF Schemes who will be the member of the Project Monitoring and Mentoring Group (PMMG) and will act as the primary interface between the SHQ and the industry during the design and development stage. The PMMG with requisite members would first confirm the readiness of prototype for

trials and then subsequently carry out the 'Single Stage Composite Trials' of the prototype as per extant SHQ mandate described in the PDD document and ratify the same post scrutiny within one week of completion of 'Single Stage Composite Trials'. The trial report will be accepted by the appropriate authority within the SHQ in three weeks. Project, where prototype of only a single firm/individual has cleared the trials, would also be progressed as resultant single vendor.

READ

Pg 342, Para 77 Development of Prototype

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In addition to the above process, if any SHQ intends to procure an item developed under TDF by any other Service, they can do so using the SSCT conducted by the other Service or by conducting SSCT if necessary on case to case basis. This amendment shall be restricted to the procurement cases of cumulative value up to Rs 250 Cr inclusive of repeat order.

Amendment 14.3

For iDEX

FOR

Pg 341, Chapter III, Para 70

Since the development of prototypes under iDEX is based on the Project Definition Statements (PDS) and the Product Requirement Units (PRU), articulated by the Services, the PRUs will be converted to PSQRs prior to the 'single stage composite trials', dispensing the RFI based SQR formulation process detailed in the Chapter-II of DAP-2020. The 'single stage composite trials' will then be based on the PSQRs and if found acceptable, the PSQRs will be automatically converted to SQRs. SoC for accord of AoN by the respective AoN according authority, for successfully developed prototypes through the iDEX framework, will be taken up by the SHQs based on these SQRs. The SoC will be prepared by the SHQs, within four weeks of successful trials, for approval by the AoN according authority. The requirement of obtaining comments of other agencies is dispensed with, to facilitate timely completion of SOC

READ

Pg 341, Chapter III, Para 70

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SoC preparation and accord of AoN shall be concluded by the SHQs in 4 weeks post ratification of SSCT/ Report.

For TDF

FOR

Pg 341, Chapter III, Para 76

Once the prototype(s) have been successfully developed through TDF Scheme, Empowered Committee (EC) of Technology Development Fund (TDF) Scheme will decide on the project(s) where Minimum Order Quantity (MOQ) should be procured by SHQ. For such project(s), the Project Definition Document (PDD) will be converted into PSQRs prior to 'Single Stage Composite Trials', dispensing the RFI based SQR formulation process detailed in the Chapter-II of DAP-2020, since the development of prototype(s) under TDF is based on 'Technical Parameter Requirement (TPR)' and 'Project Definition Document (PDD)', articulated by the SHQ. The 'Single Stage Composite Trials' will then be based on these PSQRs, and if found acceptable, the PSQRs will be converted to SQRs. SoC for accord of AoN by the respective AoN according authority, for successfully developed prototypes through TDF framework, will be taken up by the SHQ based on these SQRs. The SoC will be prepared by the SHQs, within four weeks of successful trials, for approval by the AoN according authority. Quantity vetting and scaling is to be dispensed with for initial procurement in TDF cases.

READ

Pg 341, Chapter III, Para 76

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approval by the AoN according authority. Quantity vetting and scaling is to be dispensed with for initial procurement in TDF cases.

SoC preparation and accord of AoN shall be concluded by the SHQs in 4 weeks post ratification of SSCT/ Report.

D. Transition from iDEX/ TDF to Make-I

Amendment 15: Relaxations in eligibility criteria for Startups to participate in Make-I and issuance of RFP to relevant iDEX winners/ TDF DAs

FOR

Pg 322, Chapter III Para 6, Eligibility & Categorisation

(a) Make-I.

(i) Eligible for Indian vendor defined at Paragraph 20 including additional conditions at Paragraph 20(a) and Paragraph 20(b) of Chapter I.

(ii) Other technical and financial criteria will be as per Appendix F of Chapter III.

READ

Pg 322, Chapter III Para 6, Eligibility & Categorisation.

(a) Make-I.

(i) Eligible for Indian vendor defined at Paragraph 20 including additional conditions at Paragraph 20(a) and Paragraph 20(b) of Chapter I.

(ii) Other technical and financial criteria will be as per Appendix F of Chapter III.

(iii) Graduation of iDEX/ TDF Projects into Make-I: If an iDEX/ TDF project has potential of a next level development, in such a case, SHQ can 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 prototype development and procurement phase, however DA selection process post RFP shall remain same.

(iv) Relaxation in Eligibility Criteria for Startups:

For the defence technologies which are absolutely needed or the MoD determines that the technology is required for the country, and Startups demonstrate the capability to develop such technology, the financial eligibility and technical eligibility criteria laid down at Appendix-F to Chapter-III shall be relaxed for issuance of EoI as per the given tables:

A. Financial Eligibility Criteria relaxations

Sl. No	Attribute	Existing Criteria		Proposed criteria for Start-ups
		Industry (Other than Startups & MSMEs)	MSMEs	
1	Registration	Registered for minimum 5 years.	Registered for minimum 3 years.	Any Startup registered with DPIIT.

2	Credit Rating	Long term issuer credit rating equivalent to CRISIL or ICRA Ltd. "BBB" accorded by Reserve Bank of India / Security Exchange Board of India approved agencies. Rating report should not be older than 12 months and be the latest available rating.	Minimum Rating should be SME 4. Rating report should not be older than 12 months and be the latest available rating.	Exempted.
3	Profitability	Profitable (Profit after tax) for at least three out of last five years.	Profitable for at least one out of last five years.	Exempted.
4	Net worth	Net worth, ending 31st March of previous financial year, should not be less than 5% of estimated cost of Project. In Capital Acquisition cases where estimated cost is Rs. 300 crore and below, Net worth of entity should not be negative.		Exempted.

B. Technical Eligibility Criteria relaxations

Sl. No	Attribute	Existing Criteria		Proposed criteria for Start-ups
		Industry (Other than Startups & MSMEs)	MSMEs	
1	Integration Capability	<p>For large and complex projects (particularly under Make-I category), only companies with demonstrated technical capability of integration of "System of Systems", which refers to any system with multiple technologies of major systems in aerospace (including aircraft, helicopter, remotely piloted aircraft, spacecraft), ships and crafts, submarine, weapon systems (including command & control systems), etc may be considered. To establish the same, the company should have:</p> <p>(i) Successfully commissioned at least one Project with a capital expenditure of not less than Rs 500 crores (Rs. Five Hundred crores only) on each such plant/project.</p> <p>OR</p> <p>(ii) Successfully signed at least one contract in the product or related domain (eg Aerospace/ shipbuilding/ armoured fighting vehicles/ Weapon systems/ command & control systems, as the case may be of value not less than 300 crores (Rupees Three Hundred crores) during the last seven (07) financial years.</p>	<p>The Technical Gates for MSMEs will be decided on case to case basis by SHQ, contingent upon complexity of the project.</p>	Exempted for Startups registered with DPIIT.
2	Domain Specific Criteria	<p>The minimum acceptable technical criteria in the product/solution domain are to be decided by SHQ in consultation with DDP, these could include, inter alia, the following:</p> <p>(i) Special static facilities necessary for development, fabrication or assembly of the product.</p> <p>(ii) Design and manufacturing capabilities such as design simulators/software, tempering and machining, specialised welding technology, high-end control systems etc.</p>		

Annexure 1.1 to Appendix M to Chapter II

1. Benchmarking guidelines for BMC and HPSC for iDEX & TDF

The following guidelines will help the Benchmarking Model Committee (BMC) and High Powered Selection Committee (HPSC) in deciding the benchmark price for the innovation category products under iDEX:

Benchmark price includes two components *Base Price & Innovation Advantage Factor (IF)*

$$\text{Benchmark Price} = \text{Base Price} \times (1+IF)$$

B. Base Price = (Raw Material & Manpower cost for production of the defined quantities in procurement contract) + (Design & Development cost in iDEX/ TDF)

a. Design and Development Cost in iDEX/ TDF considers the cost of product development including cost of manpower, input costs/ costs of components, testing, software and other infrastructure set up, etc. for the purpose of product development

C. Innovation Advantage factor:

a. **Risk categorization by Services/ HPSC**

i. The following matrix can be used by the Services/ HPSC for defining Degree of Risk in Innovation (Low/ Moderate/ High)

Sr. No.	Parameter	Definition/ Criteria [#]
1	IP Value	<ul style="list-style-type: none"> • IP Valuation * <ul style="list-style-type: none"> ○ Value <60 Cr – Low ○ Value 60-120 Cr – Moderate ○ Value >120 Cr – High <p>* As certified by a certified IP valuer appointed by HPSC IP valuation will be concluded by HPSC/ Technical committee before Benchmarking initiation by BMC and based on that revised IF will be shared with BMC as an input.</p>
2	Functional Advantage	Importance of the intended product (High / Moderate / Low) for the operations of the services (as defined by services at the stage of the challenge)
3	Domestic Capability Development	<ul style="list-style-type: none"> • <u>Unique Domestic capability development</u> <ul style="list-style-type: none"> ○ If no equivalent solution available domestically: High ○ Less efficient solution* available domestically: Moderate ○ Similar/ Equivalent solution* available domestically: Low • *The solution here means the technology sought to be developed/ indigenized shall be available with an Indian entity (both know-how & know-why)
4	Import Substitution	<ul style="list-style-type: none"> • <u>Reliability and Flexibility of Existing Source of Import</u> <ul style="list-style-type: none"> ○ Assessment of reliability and flexibility of existing source of import through three factors

Sr. No.	Parameter	Definition/ Criteria#
		<ul style="list-style-type: none"> i. Has existing source of Import (country/ company) defaulted previously in any defence contract or who have imposed sanctions/ embargo against India or have denied supply of certain technologies or have controlled exports from their country citing regulations (ITAR, NASC, BAFA, other trade / security regulations) ii. Has existing source of Import (country/ company) delayed or refused integration of domestic equipment/ weapons with their systems iii. Has existing source of Import (country/ company) denied/ refused to supply spares stating stoppage of production or unwillingness of their vendors to supply in the past <ul style="list-style-type: none"> o Definition of degree of risk based on three factors on import reliability and flexibility • If answer to none of the 3 questions is 'Yes' – Low • If answer to any 1 or more out of the 3 questions is 'Yes' – High

- ii. Overall degree of risk in innovation is defined as
 1. High : If atleast 2 out of the 4 parameters are classified as 'High'
 2. Moderate : If atleast 2 out of the 4 parameters are classified as 'Moderate' and not more than 1 is classified as High
 3. Low : If none of the above two conditions is met
- b. *Based on the above risk categorization, IF can be decided as defined in Amendment 1 - (20/30/40 percentage)*
- c. Innovation Advantage Factor (IF) for iDEX shall be determined by a High-Powered Selection Committee (HPSC) constituted through iDEX-DIO including representatives from Services, at the stage of submission of Problem Statements by the Services. No downgrading in risk category is acceptable after declaration of results. The same process shall be followed by Technical committee in case of TDF projects.
- d. Based on requirements, from time to time, the above can be updated as per extant iDEX & TDF guidelines.

Annexure 1.2 to Appendix M to Chapter II

1. Safeguards at Advance Payment Stage

- The startup has already invested time and money (at least 50% of Design and Development (D&D) cost as matching contribution) and has skin in the game to honor the procurement contract.
- The advance payment will be backed by 100% in form of BG/ Surety Bond / mortgage of proportional rights on IP or a combination of the above, as determined by the iDEX winner.
- IP will be valued by the HPSC/ Technical committee. In case of default by the iDEX Winner/ TDF DA, proportional IP rights will be transferred to the MoD/ concerned Authority.
- Further, PWBG of 3% of base contract value will be submitted by the iDEX winner before release of the II milestone payment along with the audited expenditures
- The advance payment guarantee for advance payment utilized by the iDEX Winner/ TDF DA will be discharged on completion of II milestone and release of the stage payment, as defined in the contract

2. Adequacy of checks and balances in making payment against Raw Material procurement

Pre-Procurement Contract

- The startup is already involved in the iDEX ecosystem for design and development process and the procurement stage is post successful trial validation. Therefore, even before the release of the RFP, the product has been validated by the Services in Single Stage Composite Trial (SSCT)
- Also, startup has invested Time (Development duration more than 12 months), Resources and Money (at least 50% of D&D cost as Matching contribution) and has skin in the game to honor the procurement contract.

Post Procurement Contract

- The following checks and balances are in place to minimize impact of default by iDEX winner, post payment of cost of raw material procurement
 - The milestone payment being made to the iDEX winner/ TDF DA will be limited to the cost incurred for raw material component & essential input resources, as finalized by the CNC and as agreed in the terms of the contract
 - The cost incurred for raw material component & essential input resources will be audited by the company's statutory auditor and shall be released based on the invoice submission.
 - In case of default of iDEX winner/ TDF DA, post the milestone payment, termination and blacklisting of the iDEX winner is available with the procurement agency.
 - Performance Cum Warranty Security will be submitted before release of this payment.

Annexure 1.3 to Appendix M to Chapter II

Methodologies for IP Valuation

The following methods are available for the IP valuation¹ :-

Income method: The income method is the most commonly used method for IP valuation. It values the IP asset on the basis of the amount of economic income that it is expected to generate over the life of the IP asset, adjusted to its present-day value. This method is easiest to use for IP assets with positive cash flows, for those whose cash flows can be estimated with some degree of reliability for future periods, and where a proxy for risk can be used to obtain discount rates.

Market method: The market method is based on a comparison with the actual price paid for the transfer of rights to a similar IP asset under comparable circumstances. This method had the advantage of being simple and based on market information, so it is often used to establish approximate values for use in determining royalty rates, tax, and inputs for the income method.

Cost method: The cost method establishes the value of an IP asset by calculating the cost of a similar (or exact) IP asset. The cost method is particularly useful when the IP asset can be easily reproduced and when the economic benefits of the asset cannot be accurately quantified.

The curation stage of the challenges shall be able to provide following illustrative insights:

- Need of the proposed challenge
- Addition to the operational strength of armed forces
- Preliminary scope of solution being developed
- Global competitive nature of the problem including novelty of the solution
- Potential market for product/technology with reference to MPQ (Minimum Pilot order Quantity as per proposal)
- Expected success rate

Based on the all above details, an indicative IP valuation of the challenges can be estimated at the stage of the challenge curation and launch.

1 – Ref: Valuating Intellectual Property Assets by WIPO
<https://www.wipo.int/sme/en/ip-valuation.html>