DEFENCE OFFSET GUIDELINES

The provisions in the Defence Procurement Procedure concerning offsets will be implemented as set out in succeeding paragraphs.

1. **Objective of Defence Offsets**

1.1 The key objective of the Defence Offset Policy is to leverage the capital acquisitions and technology to develop Indian defence industry by (i) fostering development of internationally competitive enterprises and (ii) augmenting capacity for Research, Design and Development related to defence products.

2. **Quantum and Scope of Offsets**

2.1 These provisions will apply to all Capital Acquisitions categorized as ‘Buy (Global)’, i.e. outright purchase from foreign/Indian Vendor, or ‘Buy and Make’ categories of procurements where the estimated cost of the acquisition proposal is ₹2000Crore or more as on the date of accord of AoN. They will apply to Indian firms or their Joint Ventures under “Buy (Global)” procurements as explained in Para 5.10.

2.2 30% of the estimated cost of the acquisition in ‘Buy (Global)’ category acquisitions and 30% of the foreign exchange component in ‘Buy and Make’ categories of procurements will be the required value of the offset obligations.

2.2.1 In respect of Shipbuilding cases on competitive basis (Section B, Chapter IV), for the purpose of calculating offset obligation, the total cost shall include basic cost of the vessel, cost of Base and Depot (B&D) spares and the modification cost. Offset obligations may be discharged with reference to eligible products and services as described in Annexure-VI to Appendix-D.

2.3 The (DAC) may consider partial or full waiver of offset clause. In case of a waiver for a particular acquisition case, eligible/selected Indian Vendors need to be exempted from the corresponding IC stipulation.

2.4 The offset condition will form a part of the RFP and subsequently of the main contract. A separate offset contract will be executed simultaneously with the main contract.

2.5 **These provisions will not apply to** (i) procurements under the Fast Track procedure, and (ii) procurements under the ‘Option clause’ where an offset obligation was not stipulated in the original contract. In respect of procurements under the “Option clause” where an offset obligation was stipulated in the original contract, the offset guidelines prevailing at the time of signing of the original contract would be applicable.
3. Avenues for Discharge of Offset Obligations

3.1 In compliance to Para 1 above, offset obligations may be discharged by any one or a combination of the following methods:

(a) Direct purchase of, or executing export orders for, eligible products manufactured by, or services provided by Indian enterprises, i.e. DPSUs, OFB and private and public sector. The list of products and services eligible for discharge of offset obligations is at Annexure VI to Appendix-D.

(b) Investment in defence manufacturing: This could be through FDI or direct investment or joint ventures or through the non-equity route for co-production, co-development and production or licensed production of defence products. Such investment would be subject to the guidelines/licensing requirements stipulated by the Department of Promotion of Industry and Internal Trade (DPIIT)/Ministry of Home Affairs (MHA), Government of India. The list of ‘eligible products’ for discharge of offset obligations is at Annexure VI to Appendix-D.

(c) Investment in ToT to Indian enterprises for manufacture of eligible products. The list of eligible products for discharge of offset obligations is at Annexure VI to Appendix-D. The investment in terms of ToT must cover all documentation, training and consultancy required for full ToT (civil infrastructure and related equipment is excluded). The ToT should be provided without licence fee and there should be no restriction on domestic production, sale or export.

(d) 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-D, including DRDO and OFB/DPSUs (as distinct from Indian enterprises). This will include augmenting capacity for Research, Design and Development, Training and Education but exclude civil infrastructure and related equipment.

(e) Technology Acquisition by the DRDO in areas of critical technology as listed in Annexure-VIII to Appendix-D. Guidelines for this purpose are at Annexure-IX to Appendix-D.

Note: Where ToT is proposed under Para 3.1(c) and 3.1(d) above, Vendor shall ensure that the ToT is comprehensive and all aspects of design, manufacturing know-how and know-why is made available to the IOP.

4. Indian Offset Partner (IOP)

4.1 Indian enterprises and institutions and establishments engaged in the manufacture of eligible products and/or provision of eligible services, including DRDO, are referred to as the Indian Offset partner (IOP).

4.2 The IOP shall, besides any other regulations in force, also comply with the guidelines/licensing requirements stipulated by DPIIT/MHA as applicable.

4.3 The Vendor/Tier-I sub-vendor will be free to select the IOP for implementing the offset obligation provided the IOP has not been barred from doing business by the Ministry of Defence.

4.4 In relation to the discharge of offset obligation, the agreement between the Vendor/Tier-1 sub-vendor and the IOP shall be subject to the laws of India.
5. Discharge of Offset Obligations

Vendor Responsibility

5.1 The vendor of the main procurement contract will be responsible for the fulfilment of offset obligations. The vendor may allow his Tier-1 sub-vendors under the main procurement contract to discharge offset obligations, to the extent of their work share (by value), on behalf of the vendor. However, overall responsibility and liability for the full discharge of offset obligations shall continue to remain with the vendor. Any shortfall by the Tier-1 sub-vendor shall be made good by the vendor, failing which the vendor shall be liable for penalty and debarment as stipulated in the offset guidelines.

5.1.1 In respect of Para 3.1(b), 3.1(d) and 3.1(e) offset discharge can be permitted by entities other vendor/Tier-1 Sub-vendor on a case to case basis.

Period for Discharge

5.2 Offset obligations are to be discharged within a time frame that can extend beyond the period of the main procurement contract by a maximum period of two years.

Performance Bond

5.3 Where the period for discharge of offset obligations exceeds the period of the main procurement contract, the vendor will be required to furnish an additional Performance Bond to Defence Offset Management Wing (DOMW) in the form of a Bank Guarantee covering the full value of the undischarged offset obligations falling beyond the period of the main procurement contract. This Performance Bond shall be reduced annually, until full extinction, based on the pro rata value of the discharged offset obligation accepted by DOMW. The additional Performance Bond shall be submitted six months prior to expiry of the main Performance-cum-Warranty Bond.

5.4 In cases where the main procurement contract is signed on the basis of an Inter-Governmental Agreement (IGA) under Para-104 of Chapter II (e.g.) through Foreign Military Sales (FMS) by the US Government, but offset contract is signed with the OEM/Vendor, the OEM/Vendor shall be required to furnish a Performance Bond equal to 5 percent of the offset obligation which is required to be fulfilled during the period of the main procurement contract. An additional Performance Bond would be required in case the period for discharge of offset obligation exceeds the period of the main procurement contract as indicated in Para 5.3 above.

Offset Credits for Investment in Defence Manufacturing

5.5 Where the discharge of offset obligation is proposed in terms of Para 3.1(b) it must provide a Detailed Project Report (DPR) with cost break-up. Offset discharge shall be subject to physical completion of the project and verification of audited accounts of the company setting up the manufacturing unit.

Offset Credits for Investment in ToT

5.6 Where technology is proposed to be transferred under Para 3.1(c), a third party valuation from the recognized/certified valuation firms duly accepted by the IOP to be submitted. The valuation so determined should be supported and justified through following approaches:
Cost Approach

(i) Current cost estimate of technology development effort  
(ii) Cost saving due to local purchase vs Global purchase  
(iii) Net present value of the expected proceeds from future sales

Market Approach:

(i) Revenues generated from the technology till date  
(ii) Exclusive use or territorial protection  
(iii) Creation of new market for IOP  
(iv) Jobs creation (Direct & Indirect)

Note: Cost of the valuation will be borne by the vendor and no offset credits will be admissible for the cost of valuation. It would be appropriate if the same is transferred by the vendor to the government and it then hires the valuer jointly with the vendor. Another option is for the valuer to be hired by the vendor in consultation with the Government.

Value Addition

5.8 The concept of value addition will apply only for direct purchase/export of eligible products. Value Addition will be determined by subtracting (i) value of imported components (i.e.) import content in the product and (ii) any fees/royalty paid.

‘Buy (Global)’ Procurements

5.9 For ‘Buy (Global)’ category procurements, if an Indian firm including a Joint Venture between an Indian Company and its foreign partner is bidding for the proposal, the clause relating to offset obligation will not be applicable if the IC in the product is more than 30 percent. In case the IC in the product is less than 30 percent, the Indian firm or the Joint Venture has to ensure that offset obligations are fulfilled to the tune of ‘30% - (minus) IC percentage’ (IC is to be declared upfront at the time of submission of bid). In such a case, the Indian firm will clearly delineate the IC and offset portions in the offset contract and in offset claims.

Note: IC aspects are as given at Para 6-8 and Appendix A to Chapter I

Multiplier

5.10 In the discharge of Offset obligation under 3.1 (a), the following multiplier will be permitted:

(a) Eligible products - Multiplier of 1.0  
(b) Components of eligible products - Multiplier of 0.5

Provided, where Indian Offset Partner (IOP) is a Micro, Small and Medium Enterprise (MSME) and discharge of offset obligation is proposed under Para 3.1(a), a multiplier of 1.5 will be permitted. MSMEs are as defined by Ministry of Micro, Small and Medium Enterprises, Government of India from time to time.

5.11 In the discharge of Offset obligation under 3.1 (b), a multiplier of 1.5 will be permitted. Provided where the investment is under Para 3.1(b) in Defence Industrial Corridors notified by the Department of Defence Production, a multiplier of 2 will be permitted.
5.12 In the discharge of Offset obligation under 3.1(c), a multiplier of 2 will be permitted.

5.13 In the discharge of Offset obligation under 3.1(d), a multiplier of 3 will be permitted.

5.14 In the discharge of offset obligations under para 3.1(e), relating to critical technology acquisition by DRDO, a multiplier of 4 will be permitted.

Note: Clubbing of multipliers is not permitted.

**Valuation of Offsets**

5.15 All investments made after signing of the main procurement contract shall only be reckoned for discharge offset obligations. For the purpose of these offset guidelines, the date of discharge of offset obligations under Para 3.1 shall be the date of completion of the transaction, based on documentary evidence as the date of discharge of offset obligation. The value of the offset components for which offset credits are sought would have to be supported by documentary evidence.

5.16 Only Contracts for direct purchase or export of eligible products or investments made in eligible products after signing of the main procurement contract shall be reckoned for discharging offset obligations. For the purpose of these offset guidelines, the date of discharge of offset obligations under Para 3.1 (a) shall be reckoned as the date of invoice or the date of final payment whichever is later. In case of equity investment under Para 3.1 (b) or other investments or ToT and Technology Acquisition covered under paras 3.1 (c), (d), and (e), the date of completion of the transaction, based on documentary evidence shall be reckoned as the date of discharge of offset obligation. The value of the offset components for which offset credits are sought would have to be supported by documentary evidence. Only transactions undertaken after signing of the offset contract will be reckoned for discharging offset obligations.

**6. Management of Offsets**

**Acquisition Wing**

6.1 The Acquisition Wing in the Department of Defence will be responsible for (i) technical and commercial evaluation of offset proposals received in response to RFPs and (ii) conclusion of offset contracts.

**Defence Offsets Management Wing (DOMW)**

6.2 Defence Offsets Management Wing (DOMW) under the Department of Defence Production will be responsible for formulation of Defence Offset Guidelines and all matters relating to post contract management. The functions of DOMW will include:

(a) Formulation of Defence Offset guidelines

(b) Monitoring the discharge of offset obligations, including audit and review of yearly progress reports received from vendors;

(c) Participation in Technical and Commercial evaluation of offset proposals as members of TOEC and CNC;
(d) Administration of penalties under offset contracts in consultation with Acquisition Wing;
(e) Assisting vendors in interfacing with Indian industry; and
(f) Other responsibilities assigned under the offset guidelines or entrusted by the Government.

6.3 The DOMW may avail the assistance of any appropriate entity to discharge its functions.

6.4 The DOMW will work in close collaboration with Acquisition Wing for smooth implementation of the Offset guidelines.

7. Submission of Offset proposals

7.1 Para 45 of Chapter II read with Schedule I of DPP 2020 prescribes the standard RFP document. Para 10 of the RFP format will apply when offsets are attracted. At the stage of submission of the techno-commercial proposal, the vendor will submit a written undertaking in the format at Annexure I to Appendix-D to the effect that he will meet the offset obligations laid down in the RFP as per the Defence Offset Guidelines. This undertaking will be included in the envelope containing the vendors’ technical bid. It will be binding on the vendor and will clearly state that failure on the part of the vendor to comply with the offset guidelines at any stage may result in disqualification of the vendor from any further participation in the tender/contract. It may also result in imposition of penalties indicated in Para 8.13 and render the vendor liable for debarment from participating in future procurement contracts for a period up to five years as indicated in Para 8.14. Failure to submit the undertaking in Annexure-I to Appendix-D shall render the bid non-responsive and liable to be rejected.

7.2 The Technical and Commercial offset proposals have to be submitted by the vendor by a date to be specified in the RFP, which would normally be 12 weeks from the date of submission of the main technical and commercial proposals. Exact date as calculated and given in the RFP or intimated later by the Technical Managers will be binding. The technical and commercial offset proposal should be submitted in two separate sealed cover to the Technical Manager of Acquisition Wing. The Technical Offset proposals and the Commercial Offset proposal should be submitted as per formats at Annexure II and Annexure III to Appendix ‘D’ respectively. The commercial offset proposal must provide details of the business model for proposals relating to Paras 3.1(c) of the offset guidelines in case offset credits are being sought under these specific provisions. The Technical and Commercial Offset proposal for Technology Acquisition by DRDO under Para 3.1(e) of the Offset Guidelines will forwarded by the Technical Manager to DRDO. In case any offset credits are claimed under Para 3.1(e) of the Offset Guidelines, the Technical and commercial proposal should be submitted in a separate envelope as per format at Annexure-IX to Appendix ‘D’. Failure to submit offset proposals within the stipulated time frame shall render the bid non-responsive and liable to be rejected. The technical and commercial offset proposals will be forwarded by the Technical Manager (TM) to the concerned SHQs and Acquisition Manager respectively.

8. Processing of Offset Proposals
**Technical Evaluation**

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

8.2 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. During TOEC, the vendor is expected to provide details pertaining to IOP wise work share, specific products and supporting documents indicating eligibility of IOPs in addition to conformity with other clauses in the offset guidelines. If the vendor is unable to provide these details at the time of the TOEC, the same may be provided to DOMW either at the time of seeking offset credits or one year prior to discharge of offset obligations through that IOP.

a) If the vendor submits the required documents at the time of seeking offset credits, DOMW will establish eligibility of IOP, product and offset discharge avenue along with other compliance issues and if found ineligible on any count, penalty will be imposed by treating the transactions as invalid.

b) If the vendor submits the required documents one year prior to discharge of offset obligations through a particular IOP, the final decision regarding admissibility of proposal shall be intimated by DOMW within three months of receipt of complete documents. If the proposal is found ineligible the vendor incurs the risk of re-phasing with consequent enhancement of 5% in obligations, in case, the annual commitments change due to such ineligibility.

The TOEC will be expected to submit its report within 4-8 weeks of its constitution.

Note: The vendors are free to select option under Para 8.2. Once approved; no change in option shall be permitted during the contract period.

**Technology Acquisition**

8.3 Offset Proposals relating to Para 3.1(e) will be assessed by a Technology Acquisition Committee (TAC) to be constituted by the DRDO with the approval of Scientific Advisor to RakshaMantri. The assessments will cover both technical as well as financial parameters, including valuation of technology, and also indicate the time frame and strategy for utilizing the technology. The TAC will send its recommendations, duly approved by SA to RM, to the TM within a period of 4-8 weeks of its constitution, for incorporation in the TOEC Report. Guidelines for processing Technology Acquisition proposals are at Annexure-IX to Appendix-D.
**Commercial Evaluation**

8.4 The Commercial Offset Offer will contain the detailed offer specifying the value of the total offset commitment components, with a yearly breakdown of the details, phasing, IOPs. The commercial offset offer will be opened along with the main commercial offer after the TOEC report has been accepted by the DG (Acquisition). The commercial offset offer will have no bearing on determination of the L-1 Vendor.

8.5 The CNC for the main procurement case will verify that the Commercial Offset Offer meets the stipulated offset obligations. Only the commercial offset offer of the L-1 vendor in the main procurement proposal will be evaluated by the CNC. The L-1 vendor may amend the commercial offset offer at this stage, to align the proposal with the technical offset proposal, if required. For evaluation of the commercial offset proposals, the CNC will include a representative of DOMW as member. The commercial valuation of Technology Acquisition by TAC (refer Para 8.3) will be incorporated in the CNC Report.

**Approval Authority**

8.6 All Offset proposals will be processed by the Acquisition Manager and approved by RakshaMantri, regardless of their value. Offset proposals will also be incorporated in the note seeking approval of Competent Financial Authority (CFA) for the main procurement proposal for information of the CFA. The offset contract will be signed by the Acquisition Manager along with the main procurement contract. Signed copies of the offset contract will be made available to DOMW for its implementation.

**Model Offset Contract**

8.7 A model Offset Contract is at Annexure-IV to Appendix-D. It may be modified depending on the facts and circumstances of each case. However, any deviation from the standard terms considered necessary by the CNC should be highlighted by the Acquisition Manager while seeking approval of the RakshaMantri. The offset contract shall be subject to the laws of India.

**Submission of Offset Discharge Claims**

8.8 The vendor shall submit offset discharge claims in the format in Annexure-V to Appendix D to the DOMW through the online portal. DOMW may conduct an audit by a nominated officer or agency to verify the actual status of implementation.

**Discharge of Offset Obligations**

8.9 On approval of offset claims by the competent authority from time to time, DOMW shall convey discharge of offsets to the vendors.

**Yearly Offset Obligations**

8.10 A vendor shall be required to fulfill offset obligations in accordance with the annual phasing plan as agreed in the offset contract.
**Penalties**

8.11 If a vendor fails to fulfill the offset obligation in a particular year in accordance with the annual phasing as agreed in the offset contract, a penalty equivalent to five percent of the unfulfilled offset obligation will be levied on the vendor. The unfulfilled offset value will re-phased as per Para 8.14. The penalty may either be paid by the vendor or recovered from the bank guarantee of the main procurement contract or deducted from the amount payable under the main procurement contract or recovered from the Performance Bond of the offset contract. The overall cap on penalty will be 20 percent of the total offset obligation during the period of the main procurement contract. There will be no cap on penalty for failure to implement offset obligations during the period beyond the main procurement contract. The penalties will be administered by DOMW in consultation with Acquisition Wing, as required.

**Re-phasing of offset obligations**

8.12 A vendor may, by giving reasons, request re-phasing of the offset obligations within the period of the offset contract. The re-phasing request of the vendor will be processed without any disincentives if the shortfall is re-phased to the following year. However, if the re-phasing of offset value is proposed over the subsequent years, then 5% additional obligation will be imposed on re-phased value of every year. The re-phasing request for second and subsequent attempts will be processed by imposing additional 5% on proposed yearly re-phased offset value irrespective of the spread of re-phasing. This yearly additional 5% offset obligation for processing re-phasing request will be over and above the outright financial penalty on shortfall specified at Para 8.13 of Defence Offset Guidelines. JS (DOMW) may allow the request, with the approval of Secretary (Defence Production). Re-phasing will not be permitted beyond the period stipulated in Para 5.2 of the guidelines.

**Change in IOP or Offset Component**

8.13 DOMW may recommend change in offset partner or offset component on being convinced that the change is necessary to enable the vendor to fulfil offset obligations. The vendor will be required to submit such request through DOMW online portal and which shall be disposed of within 03 months. Any change in IOP/offset component of a Tier-1 sub-vendor will have to be forwarded to DOMW through the vendor. The overall value of offset obligations shall, however, remain unchanged. Any change in the IOP and offset component shall be approved by the Secretary (Defence Production).

**Offset Contract Amendment**

8.14 Any amendments to the offset contract due to changes in paras 8.10 and 8.11 shall be incorporated by the JS (DOMW) in the offset contract through a Supplementary Contract. JS(DOMW) shall intimate such changes to the concerned Acquisition Manager immediately after they have been approved.

**Debarment**

8.15 Any vendor failing to implement the offset obligations will be liable for action under Para 93 of chapter II.
**Clarifications**

8.16 Any clarifications relating to offset proposals at the pre-contract stage will be provided by the Acquisition Wing in consultation with DOMW as required. Any clarifications at the post-contract stage will be provided by DOMW in consultation with Acquisition Wing as required.

8.17 Any differences or disputes with vendors will be settled through discussion and, if not resolved, will be referred to the Independent Monitors (IMs) for advice with the approval of Secretary (Defence Production). IMs would provide their advice preferably within 02 months. The decision of the Acquisition Wing and of the DOMW in respect of matters relating to offsets within their respective jurisdiction shall be final.

**Miscellaneous Provisions**

8.18 It is clarified that any general term/clause that is not included in the offset contract but is included in the main procurement contract (e.g. Force Majeure, Arbitration, jurisdiction of Indian Courts, use of undue influence, agents, etc.) would ipso facto apply to the offset contract.

8.19 Defence Offset Guidelines will apply in harmony with and not in derogation of any rules and regulations stipulated by various agencies of the Government of India, including DPIIT, MHA, Department of Commerce and Ministry of Finance, etc.

8.20 These Defence Offset Guidelines shall come into force with effect from …………..

*****
UNDERTAKING TO COMPLY WITH OFFSET OBLIGATIONS

1. The Bidder (name of the company) hereby

(a) Undertakes to fulfil the offset obligation as stipulated in the Request for Proposal and Defence Offset guidelines at Appendix-D to Chapter-II of DPP.

(b) Undertakes to ensure timely adherence to fulfilment of offset obligations failing which the vendor will be liable for penalties as per the Defence Offset Guidelines.

(c) Accepts that any failure on the part of the vendor to meet offset obligations may result in action under Para 93 of Chapter II.

(d) Undertakes to furnish technical and commercial offset proposals as per formats at Annexure-II and III of Appendix-D within the time period stipulated in the RFP.

Note: Failure to submit the Undertaking along with the main Technical Bid shall render the bid non-responsive and liable to be rejected.

****
Annexure-II to Appendix D  
(Refer to Para 7.2 of Appendix-D)

**FORMAT FOR SUBMITTING TECHNICAL OFFSET OFFER**

1. The bidder …………………..hereby offers the following offsets in compliance with the technical offset obligations in the RFP: -

<table>
<thead>
<tr>
<th>SI No</th>
<th>Eligible Offset Products /Services Being Offered</th>
<th>Avenue for Discharge (quote sub Para of 3.1)</th>
<th>Multiplier Applicable (quote applicable Para)</th>
<th>Percentage of Total Offsets</th>
<th>IOP /agency for discharge</th>
<th>Time Frame for Discharge of Offset</th>
<th>Whether Related to Main Equipment Being Supplied (Yes/No)</th>
<th>Remarks</th>
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**Note:** Bidder to provide following along with technical offset offer: -

a) **Undertaking that IOP is an eligible offset partner as per applicable guidelines.**

b) **Company profile of IOP/agency.**

c) **Details with quantities of the proposed offset.**

d) **Letter of IOP/agency confirming acceptance of the offset project in case of direct purchase or investment.**

e) **List of Tier-1 sub-contractors, if any, through whom offset obligations are proposed to be discharged, with percentage of discharge.**

f) **Proposals for Technology Acquisition by DRDO under para 3.1(e) of Appendix D should be submitted separately in the format at Annexure IX to Appendix D.**

****
### Annexure-III to Appendix D  
(Refer to Para 7.2 of Appendix-D)  

**FORMAT FOR SUBMITTING COMMERCIAL OFFSET OFFER**

1. The bidder ……………….hereby offers the following offsets in compliance with the commercial offset obligations:

<table>
<thead>
<tr>
<th>Sl No</th>
<th>Eligible Offset Products /Services Being Offered</th>
<th>Avenue for Discharge (quote sub Para of 3.1)</th>
<th>Multiplier Applicable (quote applicable Para)</th>
<th>Percentage of Total Offsets</th>
<th>IOP/agency for discharge</th>
<th>Time Frame for Discharge of Offset</th>
<th>Whether Related to Main Equipment Being Supplied (Yes/No)</th>
<th>Remarks</th>
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**Note:**  *Bidder to provide following along with commercial offset offer: -*

a) **Undertaking that IOP is an eligible offset partner as per applicable guidelines.**

b) **Company profile of IOP/agency.**

c) **Details with values of the proposed offset, including details of Tier-I sub-contractors, if any.**

d) **Letter of IOP/agency confirming acceptance of the offset project in case of direct purchase or investment.**

f) **Value of investment supported by documentary evidence.**

g) **Bidder to provide Detailed Project Report (DPR) with cost break-up relating to Para 3.1(b) and(c) of the offset guidelines at Appendix D to Chapter II should be indicated, as applicable**

****
OFFSET CONTRACT

Contract No. ______ Dated ____________

This Offset Contract entered into this day of ________________ hereinafter referred to as the “Effective Date”, is by and between

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

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

Whereas, the Seller has been awarded a Contract, Contract Number __________ dated __________ for the Project titled ________________, and the Procurement Contract stipulates a total amount of __________ to be paid by the Ministry of Defence, Government of India for the provision of the seller’s goods and/or services and

The Seller clearly understands and agrees to the Offset Clause given in the RFP and the Defence Offset Guidelines at Appendix-D of Chapter-II of the DPP, referred to as the Defence Offset guidelines.

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

(1) The Seller understands and agrees that the Procurement contract No. ________________ dated ______ is subject to the fulfilment of the offset obligations laid down in the RFP. The total amount of this Offset Obligation is ________________ which is(specified) percent (# %) of the supply contract value.

(2) In the event that the Procurement contract value is increased or reduced, the Seller’s Offset Obligation shall be adjusted proportionately.

(3) The Offset start date applicable to the Offset Obligations hereunder shall be the effective date of Procurement contract number ____________ dated ____________.

(4) The Seller agrees and promises to discharge its Offset Obligations in accordance with the Offset Schedule attached to this contract. The Offset Schedule may not be changed or amended in any way without the prior written agreement of the Defence Offsets Management Wing (DOMW).

(5) Within ninety (90) calendar days from the Effective Date of this contract, the Seller shall, in writing, provide the DOMW, Department of Defence Production, with a copy of the offset programme contracts entered into with Indian offset partners and a list of the Company’s official contact persons for all matters related to this agreement and the performance of the Seller’s Offset Obligation. The list shall specify the name, mailing address, street address, telephone, and facsimile numbers of the official contact and shall be limited to three (3) official contacts. Any and all communications and correspondence by the DOMW with any of the said official contacts shall be deemed as if by the Ministry of Defence with the Seller.
(6) In the event of force majeure, representative of the DOMW and the Seller’s representative will meet to assess progress under the programme prior to the date of the force majeure event and determine a mutually agreeable manner and schedule for fulfilment of the Seller's remaining Offset obligations.

(7) This Contract, and any and all matters relating to the fulfilment of the Seller’s Offset Obligations and performance under the programme, shall be interpreted and be subject to the Laws of the Republic of India.

(8) The provisions in the main Procurement contract No.___________ dated______ regarding arbitration will be applicable to the offset contract.

(9) It is clarified that any general term/clause that is not included in the offset contract but is included in the main Procurement contract (e.g. Force Majeure, jurisdiction of Indian Courts, use of undue influence, agents, etc.) would ipso facto apply to the offset contract.

****
REPORT ON FULFILMENT OF OFFSET OBLIGATIONS

1. MAIN CONTRACT NO AND EFFECTIVE DATE_______________________
2. INDIAN OFFSET PARTNER ________________________________
3. OFFSET CONTRACT NUMBER _______
4. PRODUCT NUMBER AND NAME______________________________
5. SCHEDULE OF OFFSET OBLIGATIONS AND FULFILMENT

<table>
<thead>
<tr>
<th>No (1)</th>
<th>Eligible Products/Services Offered (2)</th>
<th>Value of Offset Committed (3)</th>
<th>Date by Which to Be Fulfilled (4)</th>
<th>Actual Value fulfilled by reporting date (5)</th>
<th>Remarks including penalties, if any (6)</th>
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6. Explanatory notes, if any

7. Supporting enclosures with respect to column 5 above for actual value fulfilled.

8. Value of investment must be supported by documentary evidence.

9. In respect of Technology Acquisition proposals under Para 3.1 (e) of Defence Offset Guidelines, a copy of this report may also be sent to DIITM/DRDO.

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LIST OF PRODUCTS ELIGIBLE FOR DISCHARGE
OF OFFSET OBLIGATIONS

1. **Arms**
   Small arms, mortars, cannons, guns, howitzers, anti-tank weapons.

2. **Ammunition and Explosives**
   (a) Bombs, torpedoes, rockets, missiles.
   (a) Energetic materials, explosives, propellants and pyrotechnics.

3. **Armoured Vehicles**
   Tracked and wheeled armoured vehicles, vehicles with ballistic protection designed for military applications, mine protected vehicles.

4. **Naval Platforms**
   (a) Vessels of war and special naval systems.
   (b) Weapons, sensors, armaments, propulsion systems, machinery control systems, navigation equipment/instruments, hull forms of warships, submarines, auxiliaries related to Para 4(a) above.
   (c) Other Vessels/crafts/boats related to Para 4(a) above.

5. **Aircraft:**
   (a) Aircraft including helicopter, unmanned airborne vehicles, aero engines for military use.
   (b) Maintenance, Repair and Overhaul (MRO) related to aircrafts and helicopters.

6. **Electronics and Communication equipment**
   Electronics and communication equipment specially designed for military use such as electronic counter measure and countermeasure equipment surveillance and monitoring, data processing and signaling, guidance and navigation equipment, imaging equipment and night vision devices, sensors.
7. **Other Defence Products:**

(a) Forgings, castings and other unfinished products which are specially designed for products for military applications.

(b) Personal Protective Equipment.

(c) Troop Comfort Equipment.

(d) Parachutes

(e) Direct energy weapon systems, counter-measure equipment, super conductive equipment.

**Note:**

(i) Components related to above categories are also eligible for offset discharge

(ii) *Investment in civil infrastructure and related equipment is excluded from the list of eligible products and services, unless specifically indicated.*

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Annexure VII to Appendix D  
(Refer to Para 2.2 and 3.1(d) of Appendix D)  

LIST OF TECHNOLOGY ELIGIBLE FOR DISCHARGE  
OF OFFSET OBLIGATIONS  

i. 250 KW Silver Zinc Battery  

ii. Guidance wire for Torpedo  

iii. Helicopter Fire Control System  

iv. Mine Counter Measure Vessel  

v. Early Warning Suite for fighter aircraft  

vi. Diesel engine technology for ships  

vii. Powder Metallurgy Technology (for 3D printing – TI Alloys, Tungsten Alloy and Super Alloy)  

viii. Single crystal/Dissolved crystal  

ix. Magnetic signature duplicator (MSD) or Electro-magnetic device (EMD) for use in conjunction with mine plough attachments for main battle tank.  

x. Light weight armoured composite material and fabrication/manufacturing technology.  

xi. Engine for Futuristic Infantry Combat Vehicle.  

xii. Marine Gas turbine for warship propulsion  

xiii. Propeller and Shafting  

xiv. Magazine Fire Fighting System  

xv. Propulsion Motor Technology  

xvi. Cognitive Computing  

xvii. Waveforms for Cognitive Radios  

xviii. WIFI Technology for Smart Next Generation Radios  

xix. Advance OFDM Waveform with MANET features  

xx. RAS equipment’s & NATO Probes  

xxi. Machine Learning  

xxii. Cyber Technologies  

xxiii. AESA Radar  

xxiv. Optics  

xxv. RLG Sensors  

xxvi. Flight Control Servers  

xxvii. HUMS- sensors technology, integration, data storage and analysis
xxviii. Smart MFDs Algorithms, open system architecture
xxix. Large Area Displays with touch screens- display, data handling
xxx. Electro-Optic Sensors technology and integration
xxxi. Infra-Red Sight and Target sensors technology and integration
xxxii. Encryption Techniques for Video/ Audio/ Digital Data in Variable Frequency Bands
xxxiii. Encryption Techniques for Secured Data Links
xxxiv. Digital Flying Controls computational techniques
xxxv. Automatic Flying Controls Systems and sensors—Design Process
xxxvi. Light weight rugged ship borne radar antenna design technology
xxxvii. Intermediated Frequency Stage Video Extractor for Radar.
xxxviii. Light weight Base Line Interferometry (BLI) and Circular Interferometry (CI) wide band ESM antenna
xxxix. Active sonar system with multi-static capability
   xl. Flex-tensional low frequency transducer.
   xli. Micro Electro Mechanical System (MEMS) elements and fiber optic sensor based underwater transducer
   xlii. Acoustic sensor with passive Target Motion analysis (TMA) capabilities
   xliii. Mine and Obstacle avoidance Tools
   xliv. Artificial Intelligence Enabled Systems Technology
   xlv. MPMSDF/TERA
   xlvi. Unmanned Under Water Vehicles (UUVs)
   xlvii. Al Enabled Automatic Test Equipment
   xlviii. Air Independent Propulsion (AIP) like Fuel Cells and Sterling Engine System for marine application
   xl ix. Non-Hull penetrating Masts for submarines.
      l. Li-Ion Batteries for submarines
      li. Radar absorbent paints for submarine and masts
      lii. Multi-phased generators and special rectifiers
      liii. Specialized cables associated with weapons and sensors.

Note:
(i) All items above will be restricted to defence and synergistic sectors like civil aerospace and internal security only.
(ii) Investment in civil infrastructure is excluded unless specifically indicated.
LIST OF CRITICAL DEFENCE TECHNOLOGY AREAS AND TEST
FACILITIES FOR ACQUISITION BY DRDO THROUGH OFFSETS
(To be reviewed periodically)

Critical Technology Areas*

(i) Seeker Technology
(ii) Jet engine above 90KN
(iii) Technology Modules for High Performance Drones
(iv) MMIC for usage in high performance RF Design for Radios
(v) Robotics for smart Ammunition
(vi) Balance life assessment technology/Medium Refit Life Certification
(vii) Graphite Block with high flexural strength for application in nozzles for rockets.
(viii) Smart Ammunition including precision guided ammunition, course correction fuzes.
(ix) Fiber Optics data bus (CANBUS/ARINC 818 /AFDX), Data Bus cards and associated accessories
(x) Single Crystal Blade Manufacturing Process
(xi) Stealth Technology
(xii) Variable Exhaust Nozzle actuation mechanisms for straight and Vectored Thrust application
(xiii) Sensors, actuators, RF devices, Focal plane arrays.
(xiv) Nano technology based sensors and displays.
(xv) EM Rail Gun technology.
(xvi) High efficiency flexible Solar Cells technology.
(xvii) Molecularly Imprinted Polymers.
(xviii) Technologies for Hypersonic flights (Propulsion, Aerodynamics and Structures).
(xix) Technologies for generating High Power Lasers and CW Fiber Lasers.
(xx) Pulse power network technologies.
(xxi) Tera Hertz Technologies.
(xxii) Surface Coated Double Base (SCDB) Propellant
(xxiii) Shock Hardened Sensors
(xxiv) Shared Aperture Antenna
(xxv) Space Time Adaptive Processing (STAP) methodologies
(xxvi) Optical TRMM’s/optical to RF units
(xxvii) Aramid Fiber & High Performance Polyethylene Fiber Production Technology.
(xxviii) Manufacturing of 1,2,4-Butanetriol by Microbial synthesis (Biotechnology)
(xxix) Super Capacitors
(xxx) Tactical sensors for detecting biological agents.
(xxxi) Artificial Intelligence based underwater target detection.
(xxxii) Extended Range Guided Munition (ERGM) projectiles for larger calibre guns.

*Visit DRDO website (www.drdo.org) for more details.
GUIDELINES FOR TECHNOLOGY ACQUISITION

1. Technology Acquisition (TA) proposals are a valid method for discharge of offset obligations under Para 3.1(e) of Appendix-D.

2. All offset proposals will be submitted by the Vendors to the concerned Technical Manager in Acquisition Wing as per Para 7.2 of the Defence Offset guidelines. Proposals submitted under Para 3.1(e) 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 Technical Manager 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.

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 Technical Manager. Recommendations of TAC will be incorporated in the TOEC report under Para 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.

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 3, with detailed justification, as indicated in Para 5.12 of the Offset guidelines.

8. Recommendations of TAC will include the following:-

   (i) Merits of the Technology Acquisition proposal, including timeframe for absorption, with phasing.

   (ii) Value of offset credits to be assigned for the proposal with detailed justification.

   (iii) 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.

10. TAC will forward its recommendations to the Technical Manager after approval by SA to RM within a period of 4-8 weeks of its constitution.

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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.