



DEFENCE ACQUISITION PROCEDURE 2020

Government of India, Ministry of Defence
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CHAPTER I

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

CHAPTER I

ACQUISITION CATEGORIES, ACQUISITION PLANNING AND INDIGENOUS CONTENT

1. **Aim.** The aim of the **Defence Acquisition Procedure (DAP)**, erstwhile Defence Procurement Procedure (DPP), is to ensure timely acquisition of military equipment, systems and platforms as required by the Armed Forces in terms of performance, capabilities and quality standards, through optimum utilisation of allocated budgetary resources. While enabling the same, DAP will provide for the highest degree of probity, public accountability, transparency, fair competition and level-playing field. In addition, self-reliance in defence equipment production and acquisition will be steadfastly pursued as a focus of the DAP with an ultimate aim to develop India as a global defence manufacturing hub.

2. **Scope.**

(a) The DAP will cover all Capital Acquisitions other than Works and Land undertaken by the Ministry of Defence (MoD) and Service Headquarters (SHQ) both from indigenous sources and ex-import, except for medical equipment. SHQ for the purpose of DAP would include HQ Integrated Defence Staff, Integrated HQ of the MoD (Army), Integrated HQ of the MoD (Navy), Integrated HQ of the MoD (Air Force) and the Indian Coast Guard. Defence Research and Development Organisation (DRDO), Ordnance Factory Board (OFB) and Defence Public Sector Undertakings (DPSUs) will, however, continue to follow their own procurement procedure.

(b) In the event of enactment of new legislation or change or amendment or enforcement of any Act or Law or Policy, rules or regulations or guidelines of MoD or Government of India or body such as Chief Vigilance Commission (CVC), which becomes effective after the date of last amendment to this DAP, the same will automatically be deemed as replacement to the one referred to in this DAP.

Capital Acquisitions

3. **Definition.** Acquisition of goods and services which are booked under the Capital Budget Head will follow the procedure as laid down in the DAP and will be termed as 'Capital Acquisitions'. However, if the SHQ wishes to procure goods and services from the Capital Budget through any other procedure, specific approval of the Defence Acquisition Council (DAC) may be obtained for each such case.

4. Capital Acquisition schemes are broadly classified as, 'Buy', 'Buy and Make', Leasing, 'Make', 'Design and Development (D & D) and Strategic Partnership Model (SPM). Other Capital Procurement Procedure (OCPP) may be followed for overhaul, major refits, upgrades and replacement of items of Capital nature. Under the 'Buy' scheme procurements are categorised as 'Buy (Indian - IDDM)', 'Buy (Indian)', and 'Buy

(Global)’. Under the ‘Buy and Make’ scheme, the procurements are categorised as ‘Buy and Make (Indian)’ and Buy (Global - Manufacture in India).

5. **Priority of Categorisation.** Acquisition of defence equipment under this procedure will be based on the above-mentioned categories. The categories, except Make, Leasing, D & D and SPM, have been prioritised based on their relative importance towards indigenisation. However, there is no embargo on a vendor qualifying in a higher category to participate in the lower category in case all requirements of the lower category are met. In decreasing order of priority, the priority of categories will be as follows: -

- (a) Buy (Indian – Indigenously Designed Developed and Manufactured) i.e. Buy (Indian-IDDM).
- (b) Buy (Indian).
- (c) Buy and Make (Indian).
- (d) Buy (Global - Manufacture in India).
- (e) Buy (Global).

6. **Weapons/Platforms Banned for Import.** With a view to promote domestic and indigenous industry as also align the DAP with the reforms enunciated in the ‘*Atmanirbhar Bharat Abhiyan*’, the MoD has notified a list of weapons/platforms banned for import, as updated from time to time on the MoD website and guidelines thereon, and SHQ will ensure that no weapon/platform figuring on the list is procured ex import. These equipment may, therefore, be procured under the Buy (Indian - IDDM), Buy (Indian), Buy and Make (Indian) (only if Buy quantities are zero) and Buy (Global - Manufacture in India) (only if Buy quantities are zero) categories of acquisition.

7. In addition to the above listed categorisation, the Make, D & D and SPM categorisations aim at developing long-term indigenous defence capabilities. Depending upon factors such as Indian industry’s capability, access to technology, time frame required and available for development, the Make and D & D category of acquisition would be pursued in isolation, in sequence or in tandem with any of the five categories under ‘Buy’ or ‘Buy and Make’ classifications, with a separate heading under Defence Capital Acquisition Plan (DCAP) and Annual Acquisition Plan (AAP).

Definition of Acquisition Categories

8. **Buy (Indian-IDDM).** ‘Buy (Indian-IDDM)’ category refers to the acquisition of products from an Indian vendor that have been indigenously designed, developed and manufactured with a minimum of 50% Indigenous Content (IC) on cost basis of the base contract price i.e. total contract price less taxes and duties.

(a) The Request For Information (RFI), incorporating questions to confirm that the equipment has been indigenously designed and developed, shall be formulated by SHQ, in consultation with DRDO and/or other experts from IIT/IISc and other Government agencies. Post receipts of responses from interested vendors, a Committee convened by SHQ shall examine the responses received from vendors and recommend categorisation as 'Buy (Indian – IDDM). The Committee shall also recommend documentation and other requirements which the vendor shall have to submit with their technical bids.

(b) These documents and other requirements to be produced by the vendor along with the technical bid shall be specified in the Request For Proposal (RFP) and shall be scrutinised at the Technical Evaluation Committee (TEC) stage. Vendors should also furnish an undertaking (format attached at Appendix A) for their claim to indigenous design. The TEC may include a DRDO representative/ other experts from IIT/IISc and other Government agencies to verify vendor claims of indigenous design only. However, on a case to case basis, TEC may carry out on site verification to ascertain any aspect of the vendor's claims on indigenous design and development.

9. **Buy (Indian).** 'Buy (Indian)' category refers to the acquisition of products from an Indian vendor which may not have been designed and developed indigenously, having 60% IC on cost basis of the base contract price. Vendors eligible in 'Buy (Indian-IDDM)' category will also be permitted to participate in this category with indigenous design and a minimum of 50% IC on cost basis of the base contract price.

10. **Buy and Make (Indian).** 'Buy & Make (Indian)' category refers to an initial acquisition of equipment in Fully Formed (FF) state in quantities as considered necessary, from Indian vendor(s) engaged in a tie-up with a foreign Original Equipment Manufacturer (OEM), followed by indigenous production in a phased manner involving Transfer of Technology (ToT) of critical technologies as per specified range, depth and scope from the foreign OEM. Under this category of acquisition, a minimum of 50% IC is required on cost basis of the Make portion of the contract less taxes and duties. Acquisition under this category can also be carried out without any initial procurement of equipment in FF state.

11. **Buy (Global - Manufacture in India).** Buy (Global - Manufacture in India) category refers to an outright purchase of equipment from foreign vendors, in quantities as considered necessary, followed by indigenous manufacture of the entire/part of the equipment and spares/assemblies/sub-assemblies/Maintenance along with Repair and Overhaul (MRO) facility (only in cases these are part of the main contract) for the equipment, through its subsidiary in India/through a Joint Venture/through an Indian Production Agency (PA) (with ToT of critical technologies as per specified range, depth and scope to the Indian PA), meeting a minimum of 50% IC on cost basis of the Base Contract Price. Indian vendors will be permitted to participate in Buy (Global - Manufacture in India). Acquisition under this category can also be carried out without any initial procurement of

equipment in FF state. All payments for the ‘Manufactured’ portion will be paid to the vendor in Indian Rupees as per contract provisions.

12. **Buy (Global).** ‘Buy (Global)’ category refers to outright purchase of equipment from foreign or Indian vendors. In case of procurement through foreign vendors, Government to Government (G2G) route/Inter Government Agreement (IGA) may also be adopted, for equipment meeting strategic/long term requirements. An Indian Vendor participating in this category would be required to meet minimum 30% IC, failing which such vendor would be required to discharge offsets as applicable in the case. Foreign vendors will need to discharge offsets in all Buy (Global) cases with Acceptance of Necessity (AoN) cost of ₹ 2000 crores or more, other than all ab-initio Single Vendor Cases, including procurements based on IGA/FMS.

13. **Participation in Lower Category.** Vendors eligible for participating in a higher category will be permitted to participate in the lower category, provided they meet the requirements for the same.

14. **Applicability of Offsets.** The Offsets clause would be applicable for Buy (Global) categories of procurement where the estimated AoN cost is ₹ 2000 crores or more. An Indian Vendor participating in the Buy (Global) category would be required to meet minimum 30% IC, failing which such vendor would be required to discharge offsets as applicable in the case. In certain cases, the DAC may consider partial or full waiver of the Offsets clause. In case of a waiver for a particular acquisition case, eligible/selected Indian vendors need not be exempted from the corresponding IC stipulations. No offsets will be applicable in all ab-initio Single Vendor Cases, including procurements based on IGA/FMS.

15. **Make and Innovation.** Acquisitions covered under the Make and Innovation including Innovation in Defence Excellence (iDEX) and Technology Development Fund (TDF) categories refer to equipment/system/sub-system/assembly/sub-assembly, major components, or upgrades thereof, to be designed, developed and manufactured by an Indian vendor/processed by the Services through their internal organisations, such as Base Workshop/Dockyards/ Base Repair Depots etc. with or without participation of Private industry, as per procedure and norms in Chapter III.

16. **Design and Development (D & D).** Design and Development (D & D) cases progressed by DRDO/DPSUs/OFB for acquisitions of equipment/system/sub-system/assembly/sub-assembly, major components, or upgrades thereof, to be designed, developed and manufactured by an Indian vendor, will be as per procedure and norms in Chapter IV of this DAP.

17. **Strategic Partnership Model (SPM).** Acquisitions under the Strategic Partnership model refer to participation of private Indian firms along with foreign OEM in ‘Make in India’ in defence and play the role of a System Integrator by building an extensive eco-system comprising development partners, specialised vendors and suppliers, in

particular, those from the MSME sector. Strategic Partnerships will seek to enhance indigenous defence manufacturing capabilities through the private sector over and above the existing production base. Detailed norms and procedures of the same are as given in Chapter VII of this DAP.

18. **Leasing.** Leasing has been introduced as another category for acquisition in addition to the existing 'Buy' and 'Make' acquisition categories as it provides for an innovative technique for financing of equipment/platforms. Leasing provides means to possess and operate the asset without owning the asset and is useful to substitute huge initial capital outlays with periodical rental payments. Leasing would be permitted in two sub categories i.e. Lease (Indian), where Lessor is an Indian entity and is the owner of the asset, and Lease (Global). The procedure for Leasing will be as laid down in Chapter IX of the DAP.

19. **Other Capital Procurement Procedure (OCPP).** Overhaul, major refits, upgrades and replacement of items of Capital nature, will be procured following a simplified procedure as laid down in Chapter X of this DAP.

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

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

(b) **Control by Resident Indian Citizens(s) (As defined in Companies Act 2013).** 'Control' shall include the right to appoint majority of the directors or to

control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

21. **Indigenous Content (IC)**. For IC referred to in Paragraphs 8–12(Chapter I) and stipulated in the RFP for Strategic Partnership model cases, the vendor will ensure compliance as detailed in Appendix B to Chapter I. The category wise (less Strategic Partnership model cases) summary of IC as per cost of the **Base Contract Price (i.e. Total Contract Price less taxes and duties)** will be as under: -

<u>Ser</u>	<u>Category</u>	<u>IC</u>
(a)	Buy (Indian-IDDM)	Indigenous design and $\geq 50\%$
(b)	Buy (Indian)	In case of indigenous design $\geq 50\%$, otherwise $\geq 60\%$
(c)	Buy and Make (Indian)	$\geq 50\%$ of the 'Make' portion
(d)	Buy (Global - Manufacture in India)	$\geq 50\%$
(e)	Buy (Global)	Foreign Vendor – Nil Indian Vendor $\geq 30\%$

22. In case where niche technology-based equipment, like in aerospace, with no or miniscule availability of desired material in the country, the SHQ may recommend lower IC than that stipulated in the category. In such cases, if IC becomes less than 30% IC of the base contract price, discharge of Offsets will be applicable. The AoN according authority may approve higher or lower threshold of IC than that stipulated for various categories. Detailed justification for the same should be submitted while seeking AoN. In cases involving BNE, the cost of the BNE will be excluded from the base contract price for the purpose of calculating IC.

23. **Upgrades/Life Extension**. Cases involving upgrade to 'in service' weapon systems /equipment/assemblies/sub-assemblies/sub-systems and life extension of 'in service' weapon systems/equipment will also be covered by this procedure. Categorisation of the proposal may be carried out depending on scope, availability of indigenous technology and need for seeking critical technologies from foreign vendors.

Acquisition Planning Process

24. To address the current and futuristic security needs, the Services will need to engage in capability development in a prioritised manner based on long term perspective plan from which should flow procurements planned for modernisation of the Services based on Capital Acquisition Plans. Proposals for acquisition of capital assets will cover the long-term, medium-term and short-term perspectives as under: -

- (a) 10 years Integrated Capability Development Plan (ICDP).
- (b) Five years Defence Capital Acquisition Plan (DCAP).
- (c) Two years Annual Acquisition Plan (AAP).

25. **Planning Process.** The planning process would evolve from the National Security Strategy/Guidelines (as and when promulgated) and Raksha Mantri's Operational Directive. The following planning process would be adopted to address the current and future needs of the Services: -

- (a) HQ IDS will prepare a 10-year ICDP in consultation with the SHQ, every (five years), comprising of two five-year plans. This will be prepared, along with a Technology Perspective and Capability Roadmap (TPCR) reflecting the details of technologies and capabilities that could be made public for use by the industry. The ICDP will be approved by the Defence Acquisition Council (DAC) prior to promulgation. ICDP would be translated into appropriate problem definition statements and R&D establishment and industry would be given time and resources to enable transition from technology development for testing, trials and production to take place. This would help set the requirements clearly and help in deriving the system specifications so that grant of AoN for major systems included in the ICDP, take note of the lead times needed to develop, test, evaluate and productionise the systems required.
- (b) HQ IDS will thereafter prepare the DCAP based on recommendations of SHQ, which will include acquisitions planned for the next five years culled out from the ICDP, based on prioritised operational requirements. The DCAP will be approved by the DAC prior to promulgation. The ICG Capital Acquisition Plan will be processed separately by HQ ICG along with the DCAP for approval of DAC.
- (c) Based on the DCAP, each SHQ shall prepare a two-year roll-on acquisition plan, to be called Annual Acquisition Plan (AAP), before the commencement of each financial year, which shall form the basis for initiation of every acquisition proposal for AoN. The draft AAP will be submitted by the SHQ to HQ IDS by 31st of December each year, after obtaining comments of the concerned Joint Secretary & Acquisition Managers (JS & AMs), Additional Director Generals (ADGs) Acquisition Technical and Finance Managers (FMs) of the MoD (Acquisition).
- (d) A consolidated AAP will be prepared by HQ IDS along with prioritisation of schemes based on the overall financial limits linked to the anticipated budget (limits being fixed in consultation with MoD (Fin)). HQ IDS will obtain approval of the AAP from Defence Procurement Board (DPB) latest by 15th of March. Approval of DPB of AAP in respect of Indian Coast Guard (ICG) will be processed by HQ ICG after due prioritisation, for approval of DPB.

Annual Acquisition Plan (AAP)

26. The AAP will comprise of four sections; Part A will contain a list of all carry-over acquisition proposals from the previous year and those for which AoN has been accorded during the year, Part B will include acquisition proposals likely to be initiated for AoN in the forthcoming year, Part C will list out cases under the ‘Make’ and ‘Design & Development’ category and Part D will list out procurements planned under OCPP.

27. Acquisition proposals not included in the AAP may also be initiated by SHQs on account of unforeseen circumstances and will be included in the relevant section of the AAP after grant of AoN. However, AoN for such cases being processed within the overall budget estimates as prescribed for AAP. The AAP will be accordingly revised and brought up for approval of the DPB as per next scheduled revision.

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

29. **Miscellaneous Issues.**

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

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

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

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

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

(c) **Institutionalised Training of Personnel.** In order to increase efficiency of all entities involved in the acquisition cycle, personnel of SHQ and various departments of MoD, including MoD(Finance) associated with the acquisition process will be imparted training with regards to the nuances of all acquisition processes at training institutions in the country and abroad. Subsequently, formalised training on the subject will be planned as part of the curriculum of Indian National Defence University (INDU). Industry associations should also conduct training of their personnel on the nuances of the Acquisition process and the DAP from time to time.

(d) **Incorporation of Artificial Intelligence (AI).** AI is a rapidly growing field of technology with potentially significant implications for national security. HQ IDS will examine the possibility of inclusion of AI in various platforms/systems and apprise the SHQ of the same from time to time.

(e) **Military Materials.** Indigenous availability of high-end Military Materials and Special Alloys is an important facet of self-reliance in defence sector. Guidelines for promotion of use of materials already available in the country and development/manufacture of materials for future needs are as follows: -

(i) **Ongoing Projects.** In order to promote the use of Military Materials known to be available in the country, acquisition projects, other than 'Buy Global' projects, for platforms and major equipment, with substantial material component may be examined by SHQ at RFI stage, to ascertain the feasibility of using and rewarding use of indigenous materials. In case of 'Buy and Make' category, if the material is not being manufactured in the country, ToT for manufacture of materials may be sought.

(ii) **Development for Future Needs.** As an ongoing process to achieve phased development/ manufacture of materials within the country for use in future projects, DPSU/ PSU platform manufacturers, R&D establishments and SHQ are to carry out environment scan and identify various materials that can be developed in the country by various methods including, but not limited to the following: -

(aa) Phased development of materials by platform manufacturers and R&D establishments through own resources or Indian Industry.

(ab) Inclusion of ToT for manufacture and validation of materials in licensed manufacture projects by Production Agencies (PAs) or suitable Indian Material Manufacturers.

(ac) Seeking and prioritising/ promoting ToTs for military materials against Offsets through Indian industry.

(ad) Taking up Make or Technology Development Fund (TDF) projects for development of materials.

(iii) **Development For Future Needs of Indian Material Manufacturers.**

Indian Material Manufacturers can identify suitable military materials to meet the future requirements and share the details with DPSU/PSU platform manufacturers, Research and Development (R & D) establishments and SHQ for factoring in their developmental plans. Further, they may take up projects under Technology Development Fund (TDF)/iDEX for consideration by stakeholders.

(f) **Indigenous Software.** In order to leverage the highly developed indigenous software expertise existing in the country, it is pertinent that maximum equipment should function with indigenous software (certification by the Statutory Auditor of the Bidder that the software has been developed within India) driving the desired applications while the backend software i.e. Operating Systems continues to be OEM defined. The RFI process should clearly identify availability of indigenous software for running applications on the equipment/system and should be included in Buy (Indian – IDDM) and Buy (Indian) cases mandatorily or as Enhanced Performance Parameters (EPP).

(g) **Aero-engines and Fabrication Plants (Fab).** Aero engines and *Fab*(facilities manufacturing silicon wafers) manufacture need to be taken up as projects of National importance. Aero engines and *Fab* manufactured in India will mandatorily be procured for applicable defence equipment as Buyer's Nominated Equipment (BNE)/ sub-assemblies. These procurements will not be considered as Single Vendor Cases (SVC).

Project Management Unit (PMU)

30. As part of the Defence Reforms announced in the *Atmanirbhar Bharat Abhiyan*, setting up of a PMU has been mandated to support contract management so as to usher in faster decision making and time bound defence acquisition process. The PMU will facilitate obtaining advisory and consultancy support in specified areas to streamline Acquisition process. The case for establishment of the PMU and its charter and responsibilities are being processed separately and further details will be promulgated accordingly.

Re-designations in MoD (Acquisition)

31. The following appointments of the MoD (Acquisition), headed by the Additional Secretary and Director General (Acquisition), will hence forth be re-designated as under: -

<u>Ser No</u>	<u>Current Appointment</u>	<u>Re-designation</u>
(a)	Technical Manager (Land Systems)	Additional Director General Acquisition Technical (Army)/ ADG Acq Tech (Army)
(b)	Technical Manager (Maritime & Systems)	Additional Director General Acquisition Technical (Maritime & Systems)/ ADG Acq Tech (Maritime & Systems)
(c)	Technical Manager (Air)	Additional Director General Acquisition Technical (Air)/ ADG Acq Tech (Air)
(d)	Deputy Technical Manager (Army/Maritime & Systems/Air)	Deputy Director General Acquisition Technical (Army/Maritime & Systems/Air)/ DDG Acq Tech (Army/Maritime & Systems/ Air)

Applicability of DAP

32. Defence Acquisition Procedure 2020 would be in supersession of Defence Procurement Procedure 2016 and will come into effect from 01 October 2020. This DAP would remain in force till 30 September 2025 or till reviewed.

33. **Applicability of DAP 2020 to Ongoing Cases.** Applicability of provisions of DAP to ongoing cases will be as under:-

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

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

(i) In cases where AoN has not been granted, an addendum to the SoC, as per provisions of DAP 2020, will be circulated by SHQ to all stakeholders and AoN processed under DAP 2020.

(ii) In cases where SQRs have already been approved, as a onetime measure, AoN may be taken within one year of promulgation of DAP 2020, irrespective of time lapsed.

(iii) In cases, other than FTP and Emergency Powers cases, where AoN has been accorded but RFP has not been issued, all AoNs granted under previous

versions will automatically be deemed to be issued under provisions of DAP 2020 and suitably aligned to DAP 2020. AoN validity will automatically be increased by three months and RFP in these cases will be issued as per DAP 2020.

- (c) **RFP Issued.** All cases, where RFP has been issued, will be progressed as per provisions of the earlier DPP under which the AoN has been accorded.

Note:- Waiver to any of the provisions above at Paragraphs 33 (a) to (c) may be obtained by SHQ from DG(Acquisition) on a case to case basis.

- (d) **Make and D & D Cases.** All Make and D & D cases, where commercial RFP has not been issued, will be migrated to DAP 2020 and AoN will be automatically deemed to have been accorded under provisions of DAP 2020 and suitably aligned.

- (e) In case of clarifications with regards to clauses and provisions of the DAP as also their applicability, the same would be examined by the MoD (Acquisition), in consultation with MoD (Finance) and guidelines issued accordingly.

34. **Amendments to DAP 2020.** MoD (Acquisition), in consultation with MoD (Finance), will be authorised to issue clarifications required to remove difficulties arising due to typographical, referencing and syntax errors. The DAC will be informed of all such clarifications carried out by the MoD (Acquisition) after one year. Any amendments to the DAP 2020 will be approved by the DAC, post recommendations of the DPB, based on proposals initiated by the MoD (Acquisition). All guidelines referred to in the DAP will, however, be amended based on the approval of the guidelines according authority. Amendments to various templates, formats, flowcharts etc. included in the DAP may be amended by the MoD (Acquisition) as required.

Appendix A to Chapter I
(Refers to Para 8(b) of Chapter I)

UNDERTAKING TO COMPLY WITH INDIGENOUS DESIGN

We, _____ (“Name of Vendor”), do hereby certify, undertake and confirm that:

1. The Design of _____ (“Named Product”), as claimed by us in response to the RFP No _____ dated _____ is owned partly or wholly by us/by an Indian entity.

2. Further, we confirm that the Design of the Named Product, as claimed by us, has not been licensed from a foreign third party except for standard software licences such as, but not limited to OS / Database / _____ (Strikeout / Specify as applicable).

3. The ownership of the Design, as claimed by us, enables us to manufacture, realise, sell, provide Through Life Support, modify and upgrade the Named Product without any encumbrances, except as specified below: (If any form of encumbrances exist on the product or any of its subsystems these should be elaborated here)

4. We further claim that we own the following Intellectual Property (IP) Rights in relation to the design of the Named Product: (Specify any Patents, Registration of Designs, if any, held by the Vendor)

5. We also undertake to permit MoD/MoD appointed Specialists Committee, to inspect/ carry out technical verification at our premises of the applicable documents, such as Design Reports, Drawings, Specifications, Software Documents & Codes , Gerber files, etc, as may be reasonably necessary and required to prove the above claim of ownership of the Design of the Named Product. (Examination on site at company’s premises only. Documents, in any form, are not be sought nor required to be submitted for examination outside the Company’s premises)

6. Failure on our part to prove the ownership of the Design of the Named Product by us/by an Indian entity or submission of any false undertaking or claim as indicated in the response at any post contract stage of the intended procurement may make us liable to forfeiture of the PWBG to the extent of any direct losses or damages suffered by the MoD as a consequence of such false undertaking or failure to prove the ownership of the Design.

Appendix B to Chapter I
(Refers to Para 21 of Chapter I)

INDIGENOUS CONTENT ASPECTS

Definitions

1. For the purposes of the DAP, Indigenous Content (IC) for acquisition case shall be arrived at based on the Base Contract Price (i.e. the Total Contract Price less taxes and duties) of that equipment/item by excluding the following elements of manufacturing/production/assembly: -

(a) Direct costs (including Custom Duties, Freight/transportation and insurance) of all materials, components, sub-assemblies, assemblies and products imported into India.

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

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

2. The format for computation of IC, 'Indigenous Content (IC) Proforma' by the Prime Vendor is placed as Annexure 1 to this Appendix. The Prime Vendor i.e. the vendor with whom the contract is signed, is required to maintain this Proforma for the purpose of any Verification by the MoD during the tenure of the contract.

3. Further, in all cases where IC is stipulated, it shall imply that IC is required at base contract price i.e. total contract price less taxes and duties as specified in the DAP, read in conjunction with additional specific requirements in this regard, if any, mentioned in the RFP. In cases involving BNE, the cost of the BNE will be excluded from the base contract price for the purpose of calculating IC.

Reporting Requirements

4. An Indigenisation Plan for Buy (Indian-IDD), Buy (Indian), Buy & Make (Indian) and Buy (Global – Manufacture in India) cases will be required to be submitted by the vendor as part of his bid to meet the requirement of IC as specified in Para 8 to 11 of Chapter I of DAP. Considering the vast set of vendors in multiple tiers involved in production of Defence System/Equipment/item, the requirement for reporting IC are framed such that maximum coverage is achieved with practical & reasonable efforts for ensuring compliance. IC should be mandatorily reported (as per Annexure 1 and 2) by the Prime Vendor and by all tier vendors, who meet either of the under-mentioned conditions, whichever is lower: -

(a) Base Contract price of the Tier Vendor exceeds ₹10 crores; or

(b) Base Contract price of the Tier Vendor is greater than 5% of the base contract price of the Prime Vendor.

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

5. For supplies from the balance tier suppliers and components/equipment bought through traders, stockists and/or local agents of foreign suppliers, the foreign content shall be aggregated in the IC Proforma by the Prime Vendor, under the head 'Others' at a flat estimated rate of 90% of the total value of supplies. In case the Prime Vendor desires, he may include import certification for suppliers covered in 'Others', over and above the tier suppliers considered in paragraph 4 above.

6. All Contracts, sub-contracts, agreements and MoUs made by the Prime Vendor with their business partners/vendors, in so far as they relate to the main contract of the Prime Vendor, shall mandatorily incorporate the definition and reporting requirements for IC as above. Similarly, these business partners/vendors shall sequentially incorporate these definitions and reporting requirements with their next levels of business partners/vendors and so on, covering lower tiers in the manufacturing/production/assembly chain, in respect of those tier vendors who meet the conditions mentioned above.

7. The Prime Vendor should use the inputs received from all applicable Tier Vendors as per Paragraph 4 and 5 above, to compute IC as per Annexure I and II.

Computation of IC

8. The Foreign Content (FC) for the Prime Vendors is included in every contract along with break-up for each currency. Further, the FC is also monitored while the vendor seeks adjustments for Foreign Exchange Rate Variation (FERV) from the Ministry of Defence (MoD) as well as at the stage of filing for GST. The final aggregation of FC and thus the Computation of IC, shall be undertaken by the Prime Vendor, with whom the contract is signed by the MoD/SHQ, as per Annexure -1 to this Appendix. This will be based on certifications and inputs received by the Prime Vendor from its' lower Tier Vendors applicable as per paragraph 4 above, as well as on the basis of Prime Vendor's own acquisition actions and manufacturing activities undertaken.

Payments

9. In Buy (Global – Manufacture in India) cases, all payments for the Manufactured portion will be paid to the vendor in Indian Rupees as per contract provisions.

Verification

10. The MoD can exercise its right to conduct verification with reasonable notice of relevant certifications and costs pertaining to imports for the Contract at all or any stages (tiers) of manufacturing/production/assembly, starting from the Prime Vendor downwards. The Verification could be conducted by the MoD itself and/or by an agency/institution/officer(s) nominated by the MoD, as may be decided by the MoD during the tenure of the Contract and completed within one year of the last delivery under the contract. However, financial records will only need to be maintained for duration as stipulated by the existing Income Tax regulations at the time of signing of contract. Verification of IC will mandatorily be carried out in case where incentivisation/reward for higher IC is to be granted and in all Make cases above ₹ 500 crores.

Certification

11. All relevant deliveries made under contract shall be accompanied by a certificate of IC issued by the 'Responsible Designated Official' i.e. the Contract Signing Authority, Authorised Signatory etc., of the Prime Vendor and certified by the Statutory Auditor or Cost Auditor of the Company (in case of companies) or by a practising Cost Accountant or practising Chartered Accountant (in respect of suppliers other than companies). Further, the equipment offered for trial shall be accompanied with a certificate of IC issued similarly, in case the RFP mandates IC content during trials. The format for certification of IC by the 'Responsible Designated Official' and Statutory Auditor/Cost Auditor/ certified or licensed Cost Accountant/Chartered Accountant shall be as per Annexure II to this Appendix.

12. Performance cum Warranty Bank Guarantee (PWBG) shall be released only after the submission of a certificate (as per Annexure II) of meeting the overall IC at Contract level furnished by the 'Responsible Designated Official' of the Prime Vendor, after completion of all the contractual deliveries, in addition to any other requirements specified elsewhere in the contract.

13. Deliveries by the final stage of contract must conform to IC requirements and categorisation relevant to that particular stage. The Performance cum Warranty Bank Guarantee (PWBG) shall not be released before completing an Verification of the IC in all relevant deliveries by the MoD or its nominated agency/institution/officer(s), if such an verification is notified and initiated by the MoD.

Withholding of Payments and Imposition of Penalties

14. In case the vendor fails to certify achieving mandatory IC for the project, 5% of contract value will be withheld till verification of IC as per contract. All such payments withheld above shall be forfeited upon failure to achieve required IC post verification. In addition, the PWBG shall also be forfeited upon failure to discharge IC obligations as per

contract. In case of incentivisation/ reward for higher IC, the payment of incentivisation/ reward will be made only after verification of IC.

15. In case mandatory IC is not achieved by a vendor and/or if a false certificate is furnished by a vendor/sub-vendor, other than the forfeiture of the Vendor's IPBG and PWBG, the Ministry can impose any other penalty.

Miscellaneous

16. In the event of non-incorporation of the definitions and/or verification requirements laid down in contracts or agreements by vendors with next tier at any stage (tier) of manufacturing/production/assembly, it shall be presumed that items/services provided by that stage/tier to the next (tier) have no IC for the purposes of the DAP. Similarly, in the event of non-certification of IC at any stage (tier) as required herein, it shall be presumed that items/services provided by that stage/tier to the next stage (tier) have no IC for the purposes of the DAP. In such cases, the MoD can take any of the steps as per Paragraphs 13 and 14 above against the Prime Vendor.

Annexure I to Appendix B

INDIGENOUS CONTENT (IC) PROFORMA

Name of the Project / Contract Details						
Ser No.	Description	(In USD)	(In EURO)	(In GBP)	(.....)	Total (₹)
1.	<u>Foreign Content (FC) including Custom Duties</u>					
	- Basic Equipment and Material (by Prime Vendor and Tiers Vendors, as applicable)					
	- Manufacturer's Recommended List of Spares (MRLS) (by Prime Vendor and Tiers Vendors, as applicable)					
	- Special Maintenance Tools (SMT) (by Prime Vendor and Tiers Vendors, as applicable)					
	- Special Test Equipment (STE)(by Prime Vendor and Tiers Vendors, as applicable)					
	- Freight / Transportation & Insurance (if paid by supplier)					
	By 'Others' (@ 90% FC)					
	Sub Total (A)					
2.	<u>Import of Services</u>					
	- Royalty Fee					
	- Licence Fee if any					
	- Technical know-how fee					
	- Consultation fees					
	- Other fees/payment					
	Sub Total (B)					
	FC = (A+B)					
<u>Computation of Indigenous Content</u>						
3.	Base Exchange Rate (D)					
4.	FC in INR E=(FC x D)					
5.	Base Contract Price (F)					
6.	Indigenous Content G = (F – E)					
	Indigenous Content (%) G x100 / F					

Note:

- (a) Base Exchange Rate will be Selling Rate of Parliament Street Branch of State Bank of India, New Delhi as on the last date of submission of bid.
- (b) Consolidated IC Proforma/ Certificate of Prime Vendor and applicable Tiers vendors will be maintained by Prime Vendor and made available on demand for verification by MoD.
- (c) IC Proforma / Certificate are to be submitted along with or before the final invoice of the contract. At all prior stages the Prime Vendor shall submit an undertaking of compliance.

Annexure II to Appendix B**FORMAT FOR CERTIFICATION OF INDIGENOUS CONTENT****VENDOR'S CERTIFICATE**

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

Signed by:

'Responsible Designated Official'
----- (Name of Vendor)

Seal of Vendor
Date:

AUDITOR'S CERTIFICATE

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

The above mentioned Indigenous Content (IC) proforma has been examined and all checks of the supporting documentation and accounting records deemed necessary were carried out in order to obtain reasonable assurance that, in our opinion, based on our Verification, the Indigenous Content percentage _____ % (in numbers and words) reflected in the above mentioned proforma has been achieved by _____ (Name of Vendor) during the manufacture of _____ (Name of Equipment).

Certified by:

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

Seal of Verification Firm
Date: