Revised
‘MAKE’ Procedure

Salient features of MAKE

- **Two sub- categories of 'Make' :**

  - **Make-I (Government Funded)**: 90% of the estimated cost of prototype development phase will be borne by the MoD, and 10% will be borne by the selected Development Agency/ies(DAs).

  - **Make-II (Industry Funded)**: No funding by the MoD. However, there is an assurance of Orders after successful prototype development.

Salient features of MAKE

- **<u>Provisions for MSME sector:</u>**
  - Projects under the Make–I sub-category, with estimated cost of prototype development phase not exceeding Rs 10 Crores, will be earmarked for MSMEs.
  - Projects under the Make–II sub-category, with estimated cost of prototype development phase not exceeding Rs 3 Crores, will be earmarked for MSMEs.

Salient features of MAKE

- **PMU:**
  - Each SHQ to establish a permanent PMU (Project Management Unit) for close monitoring of Make Projects .
  - PMU –Head to have tenure of 3 years and staff shall have longer tenures to ensure continuity during execution of projects
- **Annual Acquisition Plan**
  - Dedicated two year roll on Annual Acquisition Plan (AAP) for schemes under ‘Make’ category

Salient features of MAKE

- **Feasibility study** :
  - Scope of feasibility study elaborated
  - Long –terms interests of MoD, a preliminary assessment of enabling technologies, Estimated time period of development , Estimated cost of prototype phases, Exit criteria, No. of DAs, suggested sub-categories etc made part of study
- **Formulation of PSQRs:**
  - PSQRs to specify essential and desirable parameters

Salient features of MAKE

- **Preparation of SoC & Accord of AoN:**
  - Feasibility Study report, PSQRs, prospective DAs, exit criteria to be part of SoC.
  - Validity of AON : One year
  - Fresh AON where EoI is not issued within one year from accord of AON.
- **Constitution of IPMT**
- **Expression of Interest:**
  - All evaluation criteria including respective weightages, shall normally be part of EoI.

Salient features of MAKE

- **<u>EoI response evaluation:</u>**
  - Indian vendor can respond either as EoI recipients or as a Consortium.
  - Evaluation of EoI will be based on production , R&D, system integration, & technological capabilities in India.
  - In case of Consortium, assessment shall be with specific reference only to roles & responsibilities of individual members

Salient features of MAKE

- **Funding Mechanism (Make-I):**
  - 20% advance against bank guarantee, which will be adjusted proportionately in subsequent payments.
  - Reimbursement of development cost normally within 60 days
  - Reimbursement of remaining 10% of development cost in case RFP not issued within 2 years of successful prototype development
- For Make –II, Reimbursement of 100% of development cost in case RFP not issued within 2 years of successful prototype development.
- **Cost overruns**: may be approved by CFA
- **Time overruns:**
  - upto 20% at Vice chief level
  - Beyond 20%, may be approved by Defence Production Board

Salient features of MAKE

- **<u>Design and Development of prototype</u> :**
  - PSQR will be frozen at detailed design phase

- **<u>User Trials</u>:**
  - Provision for trials/items/facilities/consumables that will be provided free of cost during development of prototype
  - Clause related to any collateral damages/ 3rd party has been introduced.

- **<u>Staff Evaluation</u>:**
  - Staff Evaluation Report will be accepted at SHQ
  - The successful L2 vendor will be issued a certificate by the DDP indicating that the product has been successfully trial evaluated, to facilitate L2 vendor to explore other markets and remain in the production of the product.

Salient features of MAKE

- **<u>Buy- Indian(IDDM) phase</u>:**

  - Quantities in this phase cannot be reduced from that indicated in EoI issued.
  - In cases involving large quantities and where multiple technological solutions are acceptable, procurement of specified quantities from other vendor (L2), provided it accepts the price and terms & conditions quoted by the L1 vendor.
  - In case of development by AoP, RFP will be issued to Lead Partner.

Salient features of MAKE

- **Foreclosure**:
  - Total expenditure made by the DA(s) on the prototype development till foreclosure would be assessed and if excess funds have been paid to the DA(s), the same shall be recovered; if the expenditure is in excess of the amount paid, the balance shall be paid to the DA(s).

- **Disposal of tangible assets (Make –I projects)**:
  - The ownership of all tangible assets under the Make–I category shall vest with the MOD. These may be passed on to the DA at depreciated value as per the extant guidelines of the Government of India.
  - Tangible assets to be disposed of as per the extant Government guidelines.
  - Expenditure incurred on intangible assets as defined in the relevant Indian Accounting Standards will be written off with the approval of competent authority.

Salient features of MAKE

- **<u>Disposal of tangible assets (Make –II projects)</u>**
  - For Make-II sub-category projects, in which 100% development cost is to be reimbursed on account of non-issue of RFP within 24 months from the date of successful development of prototype, the ownership of all tangible assets and the developed prototypes shall vest with the MOD.
  - In case of foreclosed Make-II category of projects, the tangible assets thus created may be disposed of as per the extant Government guidelines. Expenditure incurred on intangible assets as defined in the relevant Indian Accounting Standards will be written off with the approval of competent authority.

Criteria for Short listing of Indian Vendors

- Public limited company, private limited company, partnership firms, limited liability partnership, one person company, sole proprietorship registered as per applicable Indian laws.

- The entity has to be owned and controlled by resident Indian citizens; entity with excess of 49% foreign investment will not be eligible to take part in Make category of acquisition.

- The entity needs to be registered for minimum five years; **three years in the case of MSMEs.**

- The entity should have a minimum credit rating equivalent to BBB, issued by a recognized Indian credit rating such as CRISIL/ICRA.

- The entity needs to be profitable for at least three out of the last five years; **in case of MSME, it needs to be profitable for at least one out of the last three years.**

Criteria for Short listing of Indian Vendors

- The entity should have a positive minimum ‘Net Worth’ as specified under below:
  - For ‘MAKE’ projects having AoN cost (combined estimated cost of prototype development phase and cost of subsequent procurement) > Rs 5000 Crore, a minimum ‘Net Worth’ equivalent to 5% of the development cost indicated at the time of AoN, subject to maximum of □ 1000 Crore.
  - For ‘MAKE’ projects having AoN cost (combined estimated cost of prototype development phase and cost of subsequent procurement) ≤ Rs 5000 Crore, a positive ‘Net Worth’ for all companies including MSMEs.

IPR Management:

- DA to retain title or ownership of IP generated under the contract
- Government shall retain license in IP.
- Government shall hold GPR(Govt purpose rights) in that it shall hold non-exclusive , non-transferable, royalty-free license to practice.
- GPR shall automatically convert to ‘Unlimited rights’ after expiry of ten years.
- Govt shall have March-in-Rights in case contractor fails to work the patent on its own within specified & reasonable period of time.

Removal of ambiguities & anomalies and bringing more transparency:

- Clarity on procedure for formation of Association of Persons/ consortia. Requirement of SVC formation done away with.
- Clear Guidelines for approval and acceptance of cost-sharing arrangements. Allowable, non-allowable costs have been defined.
- Clarity on contents of important documents such as Project Definition Document, EOI, Responses to EOI, Detailed Project Report, Evaluation Criteria for Assessment of Responses to EOI etc in the form of illustrative formats in the form of Appendices.

THANK YOU