

Framework for
implementation of
‘Make-II’ Procedure
at DPSUs

Dated 11th Feb 2019

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Introduction:

1. The 'Make' procedure for indigenous design, development and manufacture of defence equipment/ weapon systems, was simplified in 2016 and promulgated as Chapter-III of DPP-2016. Subsequently, a simplified procedure for sub-category 'Make-II' was notified in Feb 2016 with an objective of wider participation of Indian industry, impetus for MSME/start-ups sector, simplified implementation, and timely induction of equipment into the Indian Armed Forces. In this subcategory, no Government funding is envisaged for prototype development purposes but has assurance of orders on successful development and trials of the prototype. Number of industry friendly provisions such as relaxation of eligibility criterion, minimal documentation, provision for considering proposals suggested Suo-moto by industry etc., have been introduced in the Make-II Procedure.
2. With the emerging dynamism of private sector and with the aim of achieving substantive self-reliance in defence production/ manufacturing, it is imperative that OFB/DPSUs harness the potential of private sector by implementing Make-II procedure at their level for indigenously developing products.
3. DPSUs may incorporate the procedure prescribed in succeeding paras in their Procurement procedure for this purpose. Under this procedure, no funding will be provided by DPSUs to Development Agencies(DAs) for prototype development purposes but there will be assurance of orders on successful development and trials of the prototype.
4. Indian vendors as detailed in **Annexure-I** to this framework, are eligible for participation for prototype development process.
5. Successful development under this framework would result in procurement, from successful Development Agency/Agencies (DA/DAs), through the Procurement procedure/ manual of respective DPSUs, by inviting commercial bids which is to be submitted prior to Commencement of Trials. Thereafter, the procedure as detailed in Procurement manual of respective DPSUs will be followed except for the procedure outlined in subsequent paras. The requirement of indigenous content for prototype development and subsequent procurement phase shall be in sync with the requirement stipulated in 'Buy (Indian-IIDM)' category of Defence Procurement Procedure-2016.
6. Projects under this framework will involve prototype development of equipment/system/ platform or their upgrades or their sub-systems/sub-assembly/assemblies/components/material, primarily for import substitution/innovative solutions, for which no funding will be provided by DPSUs for prototype development purposes.
7. Projects with estimated cost of prototype development phase not exceeding Rs (*Value*

to be decided by DPSU as deemed appropriate), will be earmarked for MSMEs/Startups. However, if no MSME /Startup expresses interest for such proposal, the same may be opened up for all.

Development Process steps:

8. The development & procurement process under this scheme would involve the following functions:-

- i. Formulation of Proposal by Indigenization Committee (IC).
- ii. Approval of proposal by Competent Authority.
- iii. Issue of Expression of Interest (EoI).
- iv. Evaluation of EoI responses.
- v. Award of Project Sanction Order
- vi. Design and Development of Prototype.
- vii. Solicitation of Commercial Offer.
- viii. Trials & evaluation of prototype.
- ix. Commercial negotiations by Contract Negotiation Committee (CNC).
- x. Award of Procurement Contract.

Formulation of Proposal:

9. On the basis of requirement of the Armed forces, Indigenization plan of DPSU or otherwise (including projects suggested by industry or individual), DPSUs will identify the potential Make-II projects. An Indigenization Committee shall be constituted at each Production Unit with concerned stakeholders as members (Production, Quality Assurance, Finance, Procurement, Certification agency, etc, as required) for this purpose. List of projects shall be hosted on DPSU/Make in India websites, along with Project briefs, inviting the willingness of Industry to participate in the aforesaid potential projects.

Approval of proposal:

10. Indigenization Committee (IC) will formulate the proposal indicating the quantities required, estimated project cost (Cost of development of prototype and cost of subsequent procurement) and technical specifications/preliminary specifications. In Case technical specifications are not known, the same will be formulated by Indigenization Committee. The quantities for the subsequent procurement will be structured around following considerations:

- i. Visibility of orders.
- ii. Economic viability of the project.

11. Approval for the proposal shall be obtained from Competent Authority for quantities required, Estimated Project Cost (Cost of development of prototype and cost of subsequent procurement) &

Technical/Preliminary specifications. Following would be highlighted while seeking approval: -

- i. Estimated development cost & procurement cost.
 - ii. Quantities required post the successful development of prototype.
 - iii. Acceptability of Multiple Technological Solutions, if any
 - iv. Single vendor situation for cases where an innovative solution has been offered by an individual or a firm.
12. Approval for proposals will be valid for six months. For cases where EoI is not issued within six months from accord of approval, Head of the Production unit will revalidate the approval after due justification by IC.
13. Indigenization Committee shall, inter-alia, carry out the following important functions: -
- i. Preparing and issue of EOI.
 - ii. Receipt & evaluation of EOI responses.
 - iii. Issue of Project Sanction Order.
 - iv. Monitoring and reporting of aspects relating to prototype development including generation of Intellectual Property.
 - v. Any other responsibilities as entrusted by the Head on the Production Unit.

Issue of EoI:

14. IC shall get the EoI hosted DPSU /Make in India Website, inviting Company (ies) to participate in development process. The EoI will contain the following:
- i. Technical specifications/ Preliminary specifications
 - ii. Scope of the project including number of Prototypes required.
 - iii. Time frames and critical activities.
 - iv. Cost sharing mechanism for trials may be specified with the objective to facilitate the development process.

Or

List of trials/items/facilities/consumables that will be provided free of cost and also specify 'number of times' such free trials will be allowed.

- v. Quantities in procurement phase.
- vi. Acceptability of Multiple Technological Solutions, if any and splitting of procurement quantities between L1 & L2.
- vii. Details of Evaluation Criteria for assessment of EOI response.

Evaluation of EoI responses:

15. Responses to EoI shall be evaluated as per criteria given in EoI and shall be approved by the

Competent Authority. All the shortlisted companies will be called Development Agencies (DAs).

16. Project shall be progressed ahead, even if only one EoI respondent is found meeting the evaluation criteria.
17. Project Sanction Order with 'Nil' financial implications shall be issued after obtaining approval of the competent authority.

Time Overrun:

18. The approval of extension of timelines for any 'Make-II' project may be accorded Competent Authority, on recommendations of IC. In case, only one vendor has offered the prototype within timelines stipulated in the Project Sanction Order, the other DAs will not be accorded more than two time-extensions, and thereafter, the case will be progressed as resultant Single Vendor Case (SVC).

Design and Development of Prototype:

19. Indigenisation Committee (IC) will act as the primary interface for DA(s) during the design and development stage and will facilitate the following: -
 - i. Provision of requisite professional inputs/documentation/samples to industry.
 - ii. Providing clarifications related to functional or operational aspects of the equipment.
 - iii. Coordinate trials including provisioning of trial range/platforms/ test facilities/consumables, etc., as mentioned in the EoI.

Solicitation of Commercial offers:

20. A commercial Request for Proposal (RFP) for 'Procurement phase', as per their extant procedure, will be issued to all DAs for submission of their commercial offer prior to commencement of trials.
21. The quantities in Procurement phase cannot be reduced from the quantities indicated in EoI issued for the prototype development phase.

User Trials & evaluation:

22. User trials would be carried out by the DPSUs to validate the performance of the prototype offered by DA/DAs.
23. Projects, where prototype of only a single firm/individual clears the trials, shall be progressed as resultant single vendor.

Commercial Negotiations by Contract Negotiation Committee (CNC):

24. The Estimated Project cost at the time of approval, will be calculated on the basis of last purchase price of the imported item being substituted. The CNC will carry out all processes from opening of commercial bids till conclusion of contract. Negotiations in case of multivendor projects having procurement cost less than Rs 25 crore shall be carried out only in special circumstances with reasons to be recorded. However, CNC will carry out negotiations for all single vendor cases, other than resultant single vendor, irrespective of value of the project. The products which are being developed under 'Make-II' as an import substitute and their prices are known, no benchmarking & no negotiation will be carried out, even in single vendor cases, if the offered price is lower than AoN cost by 20% or more. However, in such cases, the Competent Financial Authority (CFA) will satisfy himself/herself that the price of the selected offer is reasonable with respect to the approved cost and consistent with the quality required.
25. After CNC, the extant procurement procedure of DPSUs would be followed and the Procurement contract would be signed as per financial powers. The Pre-Contract Integrity Pact (PCIP) shall also be signed with DA.

Multiple technological solutions:

26. In cases involving large quantities and where multiple technological solutions are acceptable, an option may be provided in the EoI and subsequently in the Commercial RFP for the 'procurement' phase for procurement of specified quantities (in the ratio of 70:30) from L2 vendor who have successfully developed the prototype/product, on the condition that this second vendor accepts the price and terms & conditions quoted by the L1 vendor.
27. In case, multiple technological solutions are not acceptable, the successful other vendors will be issued a certificate indicating that the product has been successfully trial evaluated, to facilitate such vendors to explore other markets and remain in the production of the product.

Intellectual Property Rights (IPRs):

28. DA and DPSU shall be co-owner of Intellectual Property generated during the development of project and each of the co-owners will have independent rights to exploit the IP rights, to his own benefit, without the consent of co-owner.

Project Management, Review and Monitoring:

29. The progress of the project would be monitored Indigenization Committee (IC) on regular basis. DPSU may engage services of independent consultants/experts for assessing the physical and/or financial progress of the project.

- 30.** Review of the projects shall be carried out on Quarterly basis at Corporate office /Head Quarter level and Quarterly Report shall be sent to DDP.

Foreclosure:

31. No Foreclosure of the Project will be done after issue of Project Sanction Order, other than for reasons of default/ non-adherence to Project Sanction Order by Vendors. However, if rates quoted by the DA in procurement phase are found to be abnormally high, DPSU will reserve the right to foreclose the procurement process.
32. All deviations on matters concerned with 'Make-II' cases not covered under this framework, shall require prior approval DGOF/ CMD of concerned DPSU.
33. Any grievance during the process shall be redressed through extant mechanism existing at DPSU level.
34. The acronyms/abbreviations used in this framework, can be suitably changed on the basis of existing terms/abbreviations used by respective DPSUs.
- 35.** The above framework can be suitably modified by DPSUs to align with their existing procurement procedures keeping into consideration other statutory requirements without sacrificing the key features of the framework.

Indicative Eligibility Criteria for responding to EoI

1. All the entities (except start-ups/ MSMEs) satisfying all of the following criteria shall be considered as an eligible 'Indian Vendor' for evaluation of EoI by PFT:-

- i. Public limited company, private limited company, partnership firms, limited liability partnership, one Person Company, sole proprietorship registered as per applicable Indian laws. In addition, such entity shall also possess or be in the process of acquiring a license/development of products if the product under project requires license as per DIPP's licensing policy.
- ii. 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-II.

2. Criteria for Startups:

- i. Startups recognized by Department of Industrial Policy & Promotion (DIPP) under the eligible Domain/Category **as per Annexure-II**, shall be eligible to participate.
- ii. For projects with estimated cost of prototype development phase not exceeding Rs and Procurement Cost not exceeding Rs..... (Value to be decided by DPSUs as deemed appropriate), no separate technical/ financial criteria be defined for both 'startups' and 'MSMEs, to encourage their participation.

Categories & Domains of startups eligible for participation in Make-II

Sl.No	Category
(i)	Engineering
(ii)	Manufacturing
(iii)	Research
(iv)	Government

Sl. No	Industry Domain
(i)	Aeronautics/Aerospace & Defence
(ii)	Analytics
(iii)	Augmented/Virtual Reality
(iv)	Automotive
(v)	Computer Vision
(vi)	IT Services
(vii)	Telecommunications and Networking
(viii)	Green Technology
(ix)	Internet of Things
(x)	Nanotechnology
(xi)	Renewable Energy
(xii)	Robotics
(xiii)	Security Solutions
(xiv)	Technology Hardware

Framework for
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2. With the emerging dynamism of private sector and with the aim of achieving substantive self-reliance in defence production/ manufacturing, it is imperative that OFB/DPSUs harness the potential of private sector by implementing Make-II procedure at their level for indigenously developing products.
3. OFB may incorporate the procedure prescribed in succeeding paras in their Procurement procedure for this purpose. Under this procedure, no funding will be provided by OFB to Development Agencies(DAs) for prototype development purposes but there will be assurance of orders on successful development and trials of the prototype.
4. Indian vendors as detailed in **Annexure-I** to this framework, are eligible for participation for prototype development process.
5. Successful development under this framework would result in procurement, from successful Development Agency/Agencies (DA/DAs), through the Procurement procedure/ manual of OFB, by inviting commercial bids which is to be submitted prior to Commencement of Trials. Thereafter, the procedure as detailed in Procurement manual of OFB will be followed except for the procedure outlined in subsequent paras. The requirement of indigenous content for prototype development and subsequent procurement phase shall be in sync with the requirement stipulated in 'Buy (Indian-IIDM)' category of Defence Procurement Procedure-2016.
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7. Projects with estimated cost of prototype development phase not exceeding Rs (*Value to be decided by OFB as deemed appropriate*), will be earmarked for MSMEs/Startups. However, if

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(ii)	Manufacturing
(iii)	Research
(iv)	Government

Sl. No	Industry Domain
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(ii)	Analytics
(iii)	Augmented/Virtual Reality
(iv)	Automotive
(v)	Computer Vision
(vi)	IT Services
(vii)	Telecommunications and Networking
(viii)	Green Technology
(ix)	Internet of Things
(x)	Nanotechnology
(xi)	Renewable Energy
(xii)	Robotics
(xiii)	Security Solutions
(xiv)	Technology Hardware
