

XXVI. GUIDELINE FOR PROCURMENT UNDER MAKE-II

1. Introduction: The 'Make' procedure for indigenous design, development and manufacture of defense equipment/ weapon systems derives its genesis from DAP-2020 (Chapter-III). Subsequently, a simplified procedure for sub-category 'Make-II' was notified 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 AVNL funding is envisaged for sample development purposes but has assurance of orders on successful development and trials of the sample. 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. With the emerging dynamism of private sector and with the aim of achieving substantive self-reliance in defense production/manufacturing, it is imperative that AVNL should harness the potential of private sector by implementing Make-II procedure at every level for indigenously developing parts/products. Successful development under this framework would result in procurement, from successful suppliers, as per Purchase Manual of AVNL, by inviting commercial bids which is to be submitted prior to Commencement of Trials. The requirement of local content for sample development and subsequent procurement phase shall be in sync with the requirement stipulated in 'Buy (Indian-IDDM)' category of DAP-2020.

2. Scope: The projects under this framework will involve sample development of sub-systems/sub-assembly/assemblies/components/material, primarily for import substitution/ innovative solutions, for which no funding will be provided by AVNL for sample development purposes. Projects with estimated cost of sample development phase not exceeding Rs 50 Lakhs will be earmarked for MSMEs/Startups. However, if no MSME /Startup expresses interest for such proposal, the same may be opened up for all.

3. Development Process steps: 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 Purchase order (Project Sanction Order)
- vi. Design and Development of sample/prototype
- vii. Solicitation of Commercial Offer
- viii. Trials & evaluation of sample/prototype
- ix. Techno Commercial discussions/negotiation
- x. Award of Procurement Contract

4. Formulation of Proposal: Based on the Indigenization plan of the AVNL Unit, each Division Planning along with R&D will identify the potential Make-II projects. An Indigenization Committee shall be constituted at each Division consisting of members from Production, Quality, Finance, Procurement, Planning, R&D, etc, as required for this purpose. List of items shall be hosted on AVNL/ Make in India websites, along with item details, inviting the willingness of Industry to participate in the aforesaid potential projects.

5. Approval of proposal: Indigenization Committee (IC) will formulate the proposal indicating the quantities required, estimated project cost (Cost of development of sample 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.

5.1 Approval for the proposal shall be obtained from Competent Authority for quantities required, Estimated Project Cost (Cost of development of sample 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 sample.
- 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.

5.2 Approving authority for the same will be Unit Head-up to Rs 5 Cr and Director Operation- Cases beyond Rs 5 Cr.

- i. 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 Unit will re-validate the approval after due justification by IC.

ii. Indigenization Committee shall, inter-alia, carry out the important functions such as (a) Preparing and issue of EOI, (b) Receipt & evaluation of EOI responses, (c) Issue of Purchase order (d) Monitoring and reporting of aspects relating to sample development including generation of Intellectual Property, and (e) Any other responsibilities as entrusted by the Head on the Unit

6. Issue of EoI: Indigenization Committee (IC) shall get the EoI hosted in AVNL / 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 item including number of samples required.
- iii. Time frames and critical activities.
- iv. Cost sharing mechanism for trials may be specified with the objective to facilitate the development process.
- v. 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.
- vi. Quantities required for next known no. of years (Based on market condition).
- vii. Acceptability of Multiple Technological Solutions, if any and splitting of procurement quantities between L-1 & L-2.
- viii. Details of Evaluation Criteria for assessment of EOI response.

7. Evaluation of EoI responses: 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 suppliers.

7.1 Project shall be progressed ahead, even if only one EoI respondent is found meeting the evaluation criteria subject to approval of Indigenization Committee.

7.2 Purchase order with 'Nil' financial implications shall be issued after obtaining approval of the competent authority as per DoFP.

8. Time Overrun: The approval of extension of timelines for any 'Make-II' project may be accorded by Competent Authority, on recommendations of Indigenization Committee IC. In case, only one vendor has offered the

sample within timelines stipulated in the Purchase Order, the other suppliers will not be accorded more than two time-extensions, and thereafter, the case will be progressed as resultant Single Vendor.

9. Design and Development of Samples/Prototypes: Indigenisation Committee (IC) will act as the primary interface for suppliers during the design and development stage and will facilitate the following:

- i. Provision of requisite professional inputs/documentation/samples to suppliers (Samples may be provided against Bank Guarantee).
- ii. Providing clarifications related to functional or operational aspects of the item / equipment.
- iii. Coordinate trials including provisioning of trial range/test facilities/consumables, etc., as mentioned in the EoI.

10. Solicitation of Commercial offers: Request for Quotation (RFQ) for 'Procurement phase', as per their extant procedure, will be issued for submission of their commercial offer prior to commencement of trials. The quantities in Procurement phase cannot be reduced from the quantities indicated in EoI issued for the sample development phase.

11. User Trials & evaluation: User trials would be carried out by AVNL/Units to validate the performance of the sample offered by suppliers. Projects, where sample of only a single firm/individual clears the trials, shall be progressed as a resultant single vendor. All industry partners whose sample is accepted during the trial evaluation shall be considered as established supplier for that particular subsystem/items for future procurement.

12. Techno Commercial discussions 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 techno commercial discussions to be carried out and all processes from opening of commercial bids till conclusion of contract to be done by Commercial Negotiation Committee (CNC). Negotiations in case of multi-vendor projects having procurement cost less than Rs 25 crore shall be carried out only in special circumstances with reasons to be recorded. However, Commercial Negotiation Committee (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 bench-marking & no negotiation will be carried out, even in single vendor cases, if the offered price is lower than Import cost by 20% on case to case basis. 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. After techno commercial discussion,

the extant procurement procedure of AVNL would be followed and the Purchase Order would be signed as per DoFP. The Integrity Pact shall also be signed with supplier along with Non disclosure agreement and Non competitive agreement.

13. Multiple technological solutions: 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 RFQ for the 'procurement' phase for procurement of specified quantities (in the ratio of 60:40) from L-2 vendor who have successfully developed the product sample, on the condition that this second vendor accepts the price and terms & conditions quoted by the L-1 vendor. 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.

14. Intellectual Property Rights (IPRs): Supplier or Development Agency (DA) and AVNL shall be the co-owner of IPR generated during development of project. And each of the co-owner will have independent right to exploit the IP rights, to its own benefit, without the consent of co-owner.

15. Review and Monitoring: The progress of the item would be monitored by Indigenization Committee (IC) on regular basis. Review of the projects shall be carried out on Quarterly basis at Corporate of Office and/or at Unit and Quarterly Report shall be prepared.

16. Foreclosure: No Foreclosure of the Project will be done after issue of Purchase Order other than for reasons of default/ non-adherence to Purchase order by Supplier. However, if rates quoted by the Supplier in procurement phase are found to be abnormally high, AVNL will reserve the right to foreclose the procurement process. All deviations on matters concerned with 'Make-II' cases not covered under this framework, shall require prior approval of CMD. Any grievance during the process shall be redressed as per laid down procedure in Purchase Manual of AVNL.

17. Eligibility Criteria: All entities (except Start-Ups & MSMEs) satisfying all of the following criteria shall be considered as an eligible 'Indian Vendor' for evaluation of EoI by Indigenization Committee:-

- 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.

18. Criteria for Startups/MSMEs: Eligibility criteria for Start-Ups & MSMEs are as under:

- i. Startups recognized by Department of Industrial Policy & Promotion (DIPP) under the eligible Domain / Category shall be eligible to participate.
- ii. For projects with estimated cost of prototype development phase not exceeding Rs. 2 Cr and Procurement Cost not exceeding Rs.10 Cr, no separate technical financial criteria be defined for both 'Startups' and 'MSMEs', to encourage their participation.

