



DECODING DEFENCE OFFSET

2015

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INTRODUCTION

DPP was first introduced in 2002 to streamline procurement of capital equipment by the Indian Ministry of Defence (MoD). DPP scope was further enlarged through various amendments in 2003, 2005, 2006, 2008 and 2011 etc. The latest DPP was issued in 2012 which was further revised in 2013. The DPP, 2013 aims at providing a boost to the Indian Defence Industry, both in the Public and the Private sector.

The new policy is structured to ensure that each piece of equipment that the military requires should be bought abroad only if developing and building it in India proves impossible.

However, the fact remains that despite of such policies, India continues to remain the world largest arms importer. The government is continuously increasing the defence budget in order to strengthen the needs of our nation forces. The table showing the defence budget for the past 5 years is as follows:-

YEAR	AMOUNT OF DEFENCE BUDGET	HIKE FROM PREVIOUS YEAR
2010-2011	Rs. Rs. 1,47,377 Crores	3.98 %
2011-12	Rs 1,64,415.49 Crore	11.59
2012-13	Rs.1,93,407 Crore	17%
2013-14	Rs. 2,03,672.1 Crore	5.3 %
2014-2015	Rs 2,29,000 Crore	10%
2015-2016	Rs. 2,46,727 Crore	7.7%

In the three years beginning 2009-10, the total expenditure on procurement of defence equipment for the armed forces was Rs.1,98,054.7 Crore (\$40 Billion). It is to be noted that India is expected to spend about \$100 billion over the next decade to modernize its armed forces, particularly on capital procurements of new weapons and other systems. It has been reported in June 2013 that, the army is finally cranking up its modernization drive, with around 680 procurement projects worth over Rs 200,000 Crore for the 12th Plan (2012-2017) period, to plug operational gaps as well as ensure 'capability development' along both the western and eastern fronts.

Offsets are a formal arrangement, as it has inbuilt contractual obligations. The negotiated package consists of the primary contract and the compensatory offsets contract. Different nations have used offsets differently to suit their specific requirements; therefore countries evaluate and assess offsets in different ways.

The key objective of the Defence Offset Policy is to leverage capital acquisitions to develop Indian defence industry by:-

- (i) Fostering development of internationally competitive enterprises,

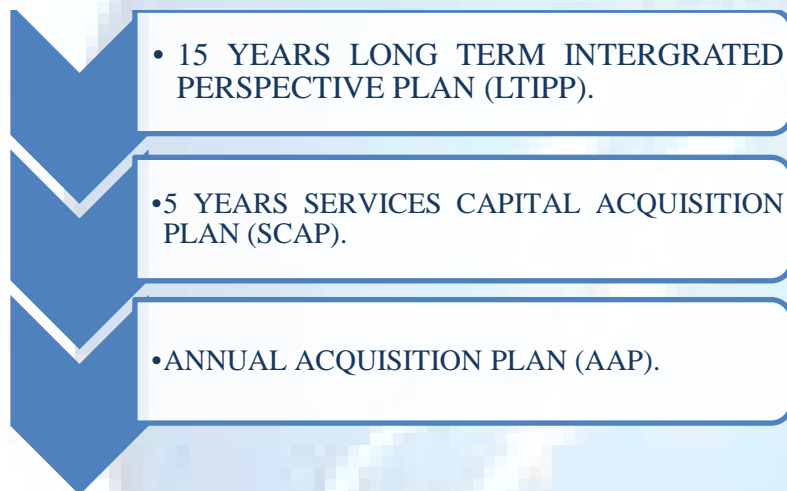
- (ii) Augmenting capacity for Research, Design and Development related to defence products and services and
- (iii) Encouraging development of synergistic sectors like civil aerospace and internal security.

The Government has recently granted defence manufacturing permit to 56 companies which were pending for four years. It can be observed from various initiatives taken by the government that it is endeavoring to every possible step in order to modernize our forces.

DEFENCE PROCUREMENT POLICY

• Capital Acquisition Plans:-

The Proposals for acquisition of capital assets flow out from the defence procurement planning process. There are 3 kinds of Capital Acquisition Plan which are as follows:-

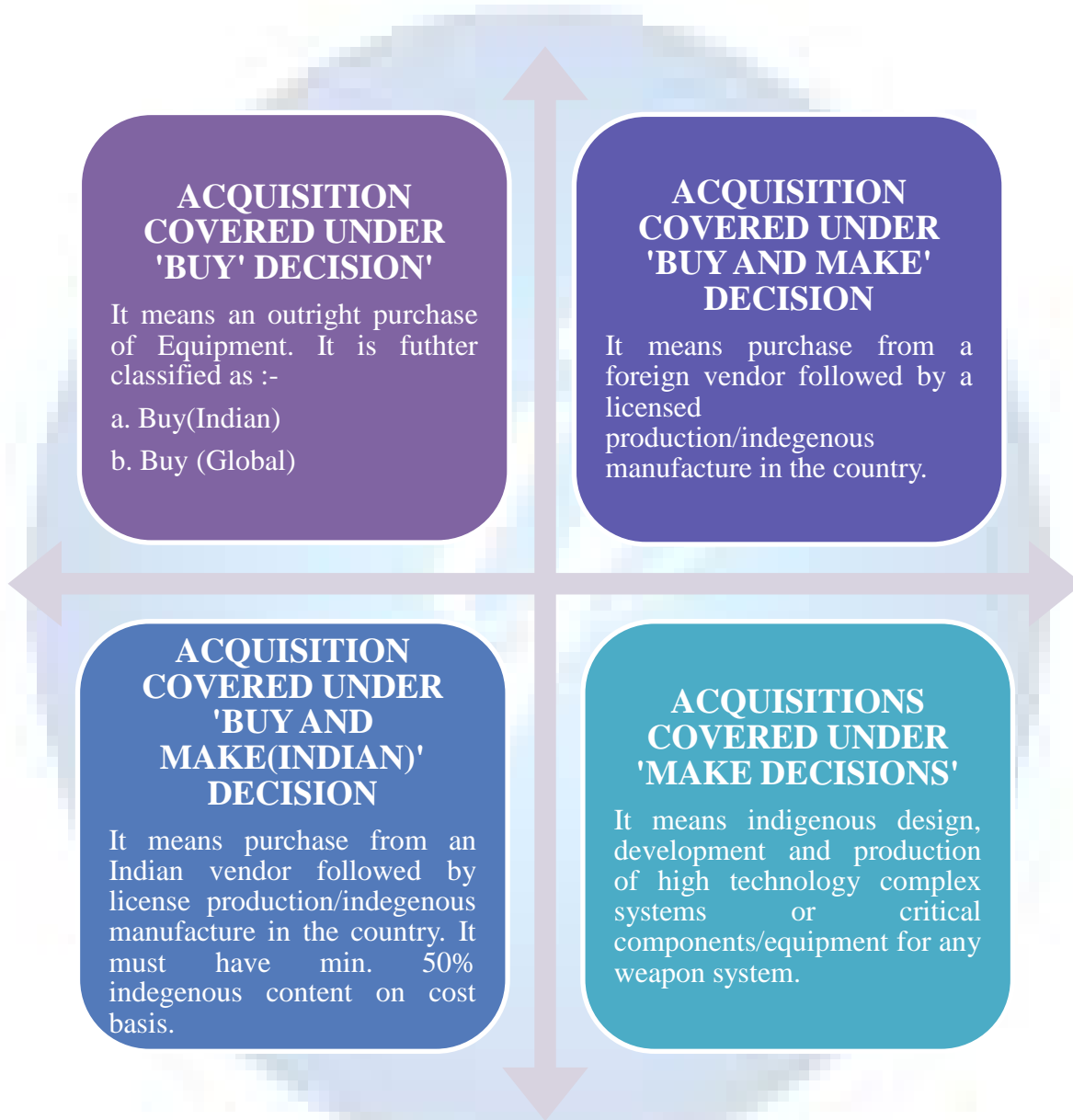


The above mentioned planning process is only for the categories of 'Buy', 'Buy and Make' and 'Buy and Make (Indian)'.

The Capital acquisition can be made through following categories under the Defence Procurement Procedure, 2013:-

- 1. Acquisitions Covered under the 'Buy' Decision**
- 2. Acquisitions Covered under the 'Buy & Make' Decision**
- 3. Acquisitions Covered under the 'Buy & Make (Indian)' Decision**
- 4. Acquisitions Covered under the 'Make' Decision**

KINDS OF CAPITAL ACQUISITION



PROCEDURE FOR DEFENCE PROCUREMENT

- First of all, Headquarters Integrated Defence Staff (HQ IDS), in consultation with the Service Headquarters (SHQs) formulates the 15 year long term Integrated Plan.
- HQ IDS also formulates the Five Year Defence Plan which includes the requirements of five years Services Capital Acquisition Plan (SCAP).
- Annual Acquisition Plan(AAP) of each service would be a two year roll on plan for capital acquisitions and would consist of the schemes from approved five year Services Capital Acquisition Plan(SCAP).
- Accordingly, draft AAPs would be prepared by the SHQs taking into account the carry over schemes from the previous year AAP, schemes where Acceptance of Necessity has been accorded by Defence Acquisition Council/Defence procurement board/SCAPCHC in the current year and schemes proposed to be placed before DAC/DPB/SCAPCHC in current/ensuing financial year.
- The draft AAPs would be circulated to respective Acquisition Manager (AM)/Technical Manager(TM)/Financial Manager (FM) in Acquisition Wing and thereafter forwarded to HQ IDS by 31 December of each year by SHQs after clearing the observations of Acquisition Wing.

ACQUISITION PROCESS FOR SCHEMES CATEGORIZED AS 'BUY', 'BUY AND MAKE WITH TOT' AND BUY & MAKE (INDIAN) WILL INVOLVE THE FOLLOWING FUNCTIONS/STEPS:-

1. Services Qualitative Requirements (SQRs)

- The SQRs are drafted by the user directorate at SHQ. All Capital Acquisitions has to be based on Services Qualitative Requirements (SQRs). The SQRs should lay down the user's requirements in a comprehensive, structured and concrete manner.
- In order to make broad based SQRs, required inputs will be obtained by issue of Request for Information (RFI) on MoD website by SHQ/and by corresponding with maximum manufacturers.
- The Draft SQRs is circulated to obtain views/comments including other possible user directorates, maintenance directorate, HQ IDS, DRDO, Department of Defence Production (DDP), Director General of Quality Assurance (DGQA)/Director General of Aeronautical Quality Assurance (DGAQA)/ Director General Naval Armament

Inspectorate (DGNAI), Directorate of Standardization, Technical Managers and any other necessary department.

- The said agencies will also be represented on the Staff Equipment Policy Committee (SEPC) for approving the SQRs for the approval of SQRs.
- RFI should also ask the vendor to provide all the elements which need to be structured into the costing of the weapon / equipment system (including that of a comprehensive maintenance / product support package).
- The RFI may also seek Transfer of Technology aspects to include range and depth of ToT and the key technologies identified by DRDO. This will serve as a guideline to formulate an all encompassing Commercial Offer format at the stage of the RFP. RFI may also be issued in certain cases as advance intimation for the vendors to obtain requisite government clearances. RFI should ask the vendor for details as per the prescribed format in the DPP Policy, 2013. Vendors should also be asked for approximate cost estimation and to suggest alternatives for meeting the same objective as mentioned in RFI.
- A copy of SQRs duly approved by the respective SHQ authorities would be submitted along with the 'Statement of Case' for seeking Acceptance of Necessity (AoN) by the Categorization committee.
- The categorization committee, after taking into account all inputs, will approve cases of the three Services under the delegated powers to the three Services and Coast Guard upto `150 Crs and recommend cases beyond `150 Crs and upto `300 Crs to DPB and beyond `300 Crs to DAC for final approval.
- In cases where Transfer of technology is being sought, the appropriate Production Agency (PA) would be approved by the DAC based on the recommendations of the SCAPCHC. The PA could be selected from any of the public/private firms including a joint venture company based on the inputs from DDP and, if required, from DRDO.
- Preference shall be given to indigenous design, development and manufacture of defense Equipment. Accordingly, the Categorization Committees, while considering categorization of all capital acquisition under the Defence Procurement Procedure (DPP), will follow a preferred order of categorization, in decreasing order of preference, as indicated below:-
 1. Buy (Indian)
 2. Buy & Make (Indian)
 3. Make (Indian)
 4. Buy & Make
 5. Buy (Global)

2. Solicitation of Offers

- Solicitation of offers is done as per 'Single Stage -Two Bid System'. It will imply that a 'Request for Proposal' would be issued soliciting the technical and commercial offers together, but in two separate sealed envelopes.
- Once the SQRs have been finalized, the sources of procurement of the weapon system/ stores are to be ascertained and short-listing of the prospective manufacturers/suppliers is to be carried out by the SHQ, in accordance with guidelines issued by Acquisition Wing from time to time. In cases involving TOT, the short-listing of the vendors would take into account their ability to transfer requisite technology for license production.
- The list of short-listed vendors may be supplemented by the Technical Managers in Acquisition Wing for which, a databank will be maintained by them. Appropriate publicity may be given to the proposed procurement with a view to generate maximum competition. In order to generate maximum vendor response the following means are adopted:-
 - (a) **Vendor's Identification through Internet:** - The generic requirements of the services would be advertised on the MoD website. All vendors desirous of responding to any of the listed proposals would be asked to send their request to the concerned Technical Managers as per the format prescribed in the policy which would also be placed on the website. All the relevant details like the financial status of the company, product structure with specifications, annual report, past supplies / contracts are to be sought from the prospective vendors. On scrutiny of their response, they would be included in the vendor database. This database would be product / system specific. The vendor database may be shared with various Industry associations as deemed necessary.
 - (b) **Case Specific Advertisement on the Internet:-** In addition to the method indicated in sub Para (a) above, when a case is being processed for seeking AON, the statement of case would also include information regarding the procurement that can be placed on the MoD website to generate larger vendor response. This aspect would be debated by the SCAPCHC to recommend as to whether or not the information can be placed on the MoD website. For cases which are recommended to be placed on the MoD website the nature / scope of the information would also be indicated, keeping the security concerns of the services in mind. After DAC/DPB/SCAPCHC accords approval, the details would be placed on the MoD website by respective SHQ and the vendors would respond to concerned Technical Manager.
 - (c) **Expression of Interest and advertisements through newspapers** may be resorted to in case the measures adopted above do not generate enough responses from the vendors.

3. Request for Proposal (RFP)

- The RFP enables vendors to make their offer after consideration of full requirements of the acquisition. In cases where TOT is involved, the RFP would include the requirement for license production under TOT.
- The offers received should be opened on the notified date & time, by the members of a committee chaired by the Technical Manager, in the presence of the bidders or their authorized representatives, as may choose to be present. The committee will open the envelope containing the sealed technical and commercial offers. The technical offer will be opened by the committee and sent to SHQ for evaluation by a Technical Evaluation Committee (TEC) and the sealed envelope containing the commercial bid will be sent to the Acquisition Manager, unopened.

4. Technical Evaluation Committee (TEC)

- A TEC will be constituted by the SHQ for evaluation of the technical bids received in response to RFPs, with reference to the QRs, under an officer from the SHQ. The TEC will examine the extent of variations/ differences, if any, in the characteristics of the equipment offered by various vendors with reference to the QRs as given at in the RFP and prepare a 'Compliance Statement' short listing the equipment for trials/ induction into service, as applicable. TEC will also examine compliance of vendors to provisions of RFP.
- The Director General (Acquisition) will formally accept the report of the TEC on recommendations of the Technical Managers.

5. Field Evaluation (Trials)

- Field Evaluations (Trials) will be conducted by the User Service on the basis of trial methodology given in the RFP.
- The manufacturers of the short listed equipment shall be asked to send the desired number of units of the equipment/weapon system to India for Field Evaluation.
- After each stage of the trials, a debriefing of all the vendors would be carried in a common meeting (wherever feasible) as regards the performance of their equipment.
- The field evaluation shall be conducted by the user in all conditions where the equipment is likely to be deployed, and a detailed Field Evaluation Report shall be drawn up and sent to SHQ for preparation of Staff Evaluation.

- After the acceptance of TEC Report, all selected vendors would be asked to provide their equipment for trials simultaneously in India (except when trials are to be conducted at vendor's premises).

6. Staff Evaluation

- Based on the field evaluation, the SHQ will carry out a staff evaluation, which gives out the compliance of the demonstrated performance of the equipment vis-à-vis the SQRs. The staff evaluation will analyze the field evaluation results and shortlist the equipment recommended for introduction into service.
- The staff evaluation report will be approved by the Service HQ and forwarded to the Acquisition Wing for acceptance. The Technical Manager would receive the Staff Evaluation Report, and after due examination, submit the report to the Director General (Acquisition) with his recommendations for acceptance or otherwise.
- The result of technical trials and evaluation along with reasons for disqualification would also be intimated to vendors by the Technical Managers. Such intimation would be done after acceptance of TEC/ Staff Evaluation/Technical Oversight Committee Report (whichever applicable).

7. Technical Oversight Committee (TOC)

- TOC provides expert oversight over the technical evaluation process. Defence Secretary will constitute TOCs for selected acquisition proposals in excess of ` 300 Crores and any other case recommended by the DPB.
- The TOC will be tasked to see whether the trials, trial evaluations, compliance to QRs and selection of vendors were done according to prescribed procedures. The TOC Report will be submitted to the Defence Secretary for acceptance.

8. Contract Negotiation Committee (CNC)

- The process of commercial negotiations will commence, wherever necessary, after Staff Evaluation Report has been accepted by the Director General (Acquisition) and the TOC Report has been accepted by the Defence Secretary, as applicable.
- The CNC would carry out all process from opening of commercial bids till conclusion of contract. The sealed commercial offers of the technically accepted vendors shall be opened by the CNC at a predetermined date and time under intimation to vendors, permitting such vendors or their authorized representatives to be present.

The bids of the competing firms shall be read out to all present and signed by all members of the CNC.

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- There may be negotiation negotiate the license production contract along with the contract for the finished product.
- The CNC would prepare a Comparative Statement of Tenders (CST) with a view to evaluate the technically acceptable offers and determine the lowest acceptable offer (L1 Vendor).

9. Approval of Competent Financial Authority

- The CNC should document the selection of vendor using a formal written recommendation report addressed to the relevant approval authority. The report must be complete in all respects and should be checked by the members of the CNC. It should comprehensively elaborate the method of evaluation and the rationale for the selection made.

10. Award of Contract/Supply order

- Once the approval of CFA is given, the supply order is given to the successful vendor.

DEFENCE OFFSETS

1. Defence Offsets Defined

Offsets are mechanisms for rerouting procurement funds paid to foreign contractors back into the spending country. An offset is a trade-off in a formal arrangement where a foreign supplier undertakes specified programs with a view to compensate or assist the buyer in its procurement expenditure and generate benefits for the economy of the buyer's country. The main objectives of the offset policy guidelines are as follows:-

1. To improve technical knowhow for self-sustainability.
2. Increase domestic employment in the defence sector.

3. Augmenting capacity for Research, Design and Development related to defence products and services etc.

Such reinvestment could include purchasing equipment or services from public or private defence suppliers, channelling funds into domestic production, or supporting indigenous defence related research and development.

2. Applicability of Offset provisions

The provision of the Defence offset policy applies to all Capital Acquisitions categorized as:-

1. 'Buy (Global)', i.e. outright purchase from foreign/Indian vendor, or
2. 'Buy and Make with Transfer of Technology', i.e. purchase from foreign vendor followed by Licensed Production

Where the estimated cost of the acquisition proposal is 300 Crore or more.

3. Offset obligations value

The values of the offset obligations for the following categories of capital acquisitions are as follows:-

1. Buy (Global):- 30 percent of the estimated cost of the acquisition.
2. Buy and Make with Transfer of Technology: - 30 percent of the foreign exchange component.

4. Power of Defence Acquisition Council

The Defence Acquisition Council (DAC) may, after consideration by Service Capital Acquisition Plan Categorization Higher Committee (hereinafter referred as "SCAPCHC") prescribe varying offset obligations above 30 percent or waive the requirement of offset obligations in special cases. Such direction depends on various factors such as type of acquisition, strategic importance or urgency of the acquisition, ability of Indian defence industry to absorb the offset and any other relevant factors.

5. Offset obligations under DPP

The offset obligations may be discharged by any one or a combination of the following methods:-

- a. Purchasing or executing export orders for eligible products manufactured by or services provided by Defence Public Sector Undertakings, Ordnance factory Board and public and private sector enterprises. The list of eligible products and services is mentioned in the DPP Policy, 2013.
- b. Foreign Direct Investment in joint ventures with Indian enterprises for the manufacture and/or maintenance of eligible products and provision of eligible services. The said investment would be subject to guidelines/licensing requirements as prescribed by Department of Industrial Policy and Promotion.
- c. Investment in the form of transfer of technology (hereinafter referred as "TOT") to Indian enterprises for the manufacture and/or maintenance of eligible products and provision of eligible services. It can be done either through joint ventures or through the non-equity route for co-production, co-development and production or licensed production of eligible products and eligible services. The TOT should be provided without licence fee and there should be no restriction on domestic production, sale or export.
- d. Investment in Indian enterprises for the provision of equipment through the non-equity route for the manufacture and/or maintenance of eligible products and provision of eligible services except TOT, civil infrastructure and second hand equipment.
- e. Transfer of technology and/or provision of equipments to Government institutions and establishments engaged in the manufacture and/or maintenance of eligible products and provision of eligible services, including DRDO.
- f. Technology Acquisition by the Defence Research and Development Organization in areas of high technology such as MEMs based sensors, actuators, RF devices, Focal plane arrays and Fiber Lasers Technology.

It is very important to note that **a minimum of 70 percent** of the offset obligation must be discharged by any one or a combination of above points (a), (b), (c) and (d).

A. Provisions pertaining to Indian Offset Partner

Indian enterprises and institutions and establishments engaged in manufacture of eligible products and/or provision of eligible services, including DRDO, are referred to as the Indian Offset Partner. The Original Equipment Manufacturer (hereinafter referred as "OEM")/vendor will be free to select the Indian offset partner for implementing the offset obligation provided the IOP has not been barred from doing business by the Ministry of Defence.

B. Primary Responsibility and Time-frame for discharge of offsets

The overall responsibility and liability for discharging the offset obligations is of the Vendor of the equipment. Offset obligations are required 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.

C. Executing a performance guarantee in the following case

In case, 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 in the form of a Bank Guarantee covering the full value of the un-discharged offset obligations falling beyond the period of the main procurement contract. The said performance bond shall be reduced annually until the offsets are fully discharge, based on the pro rata value of the discharged offset obligation accepted by the Defence Offsets Management Wing (DOMW). It is to be noted that the additional Performance Bond shall be submitted six months prior to expiry of the main Performance-cum-Warranty Bond.

D. 'Buy (Global)' Procurements: Certain Exemptions

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 offset obligations would not be attracted provided the indigenous content in the product is 50 percent or more (by value). However, if the indigenous content in the product is less than 50 percent, the Indian firm or the Joint Venture has to ensure that offset obligations are fulfilled on the foreign exchange component of the contracted value. In case the indigenous content is less than 50 percent, the Indian firm or Joint Venture shall submit an undertaking to fulfill the offset obligation along with the main technical bid.

E. Procedure relating to Submission and processing of Offset proposals

It is to be noted that the procedure pertaining to Capital Acquisition and offset proposals runs parallel.

1. The Ministry of Defence issues Request for proposal (hereinafter referred as "RFP") which is a self-contained document that will enable vendors to make their offer after consideration of full requirements of the acquisition.
2. The RFP format as contained in DPP Policy, 2013 contains an option "offset clause" which becomes applicable only if the capital acquisitions made fall in the prescribed category.

3. At the stage of submission of the techno-commercial proposal, the vendor will submit a written undertaking in the prescribed format under the DPP Policy, 2013 to the effect that he will meet the offset obligations laid down in the RFP as per the Defence Offset Guidelines.
4. 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 three months from the date of submission of the main technical and commercial proposals to the Technical Manager of Acquisition Wing. The formats of the technical and commercial offset proposals are given in the DPP Policy, 2013.
5. The Technical Offset Evaluation Committee (TOEC) will be constituted by the Technical Manager with approval of the Director General (Acquisition). The TOEC will scrutinize the technical offset proposals (excluding proposals for Technology Acquisition by DRDO) 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.
6. Offset Proposals relating to Technology Acquisition by DRDO in areas of high technology will be assessed by a Technology Acquisition Committee (TAC) to be constituted by the Defence Research and Development Organization with the approval of Scientific Advisor to the Defence Minister. The assessment will cover both technical as well as financial parameters, including valuation of technology, and also indicate the timeframe and strategy for utilizing the technology. The TAC will send its recommendations, duly approved by SA to RM, to the Technical Manager within a period of 4-8 weeks of its constitution, for incorporation in the TOEC Report.
7. The Commercial Offset Offer will contain the detailed offer specifying the value of the offset components, with a breakdown of the details, phasing, Indian Offset Partners and banked offset credits proposed to be utilized. The Contract Negotiation Committee for the main procurement case will verify that the Commercial Offset Offer meets the stipulated offset obligations.
8. All Offset proposals will be processed by the Acquisition Manager and approved by the Defence Minister, 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 after the main procurement proposal has been approved by the competent financial Authority.

F. Offset Banking, Credit and Multiplier

Offset banking implies generation and accumulation of offset credits prior to the award of the main contract. Under the banking provision, foreign vendors are allowed to accumulate credits prior to the sign of a contract or by way of generating surplus credit from their ongoing offset contract. A bank of offset credits is created in anticipation of getting contracts to defray subsequent offset obligations. In case the vendor fails to get the anticipated contract, he is at liberty to trade his offset credits to recover his costs. Therefore, offset banking and offset trade are intrinsically and mutually contingent.

As per the policy, only contracts for direct purchase or export of eligible products or services or investments made in eligible products or services after the signing of the main procurement contract shall be reckoned for discharging offset obligations. However, pre-approved banked offset credits will be considered for discharge of offset obligations subject to a maximum of 50 percent of the total offset obligation under each procurement contract.

The banked offset credits shall remain valid for a period of seven years from the date of acceptance by DOMW. Banked offset credits will not be transferable except between the main vendor and his Tier-1 sub-vendors within the same procurement contract.

The main vendor is required to submit a list of such Tier-1 sub-vendors along with the technical and commercial offset proposals.

The value of multiplier is the number of times a foreign company can claim credits of its actual investment. For discharge of certain obligations, a multiplier of 1.50 will be permitted where Micro, Small and Medium Enterprises are IOPs. In the case of Technology Acquisition by DRDO, a multiplier up to 3 will be permitted.

G. Penalties for breach of obligation by vendor

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 which can be extended up to 20 percent of the total offset obligation during the period of the main procurement contract. There is no cap on penalty for failure to implement offset obligations during the period beyond the main procurement contract.

H. Previous incidents of Penalty

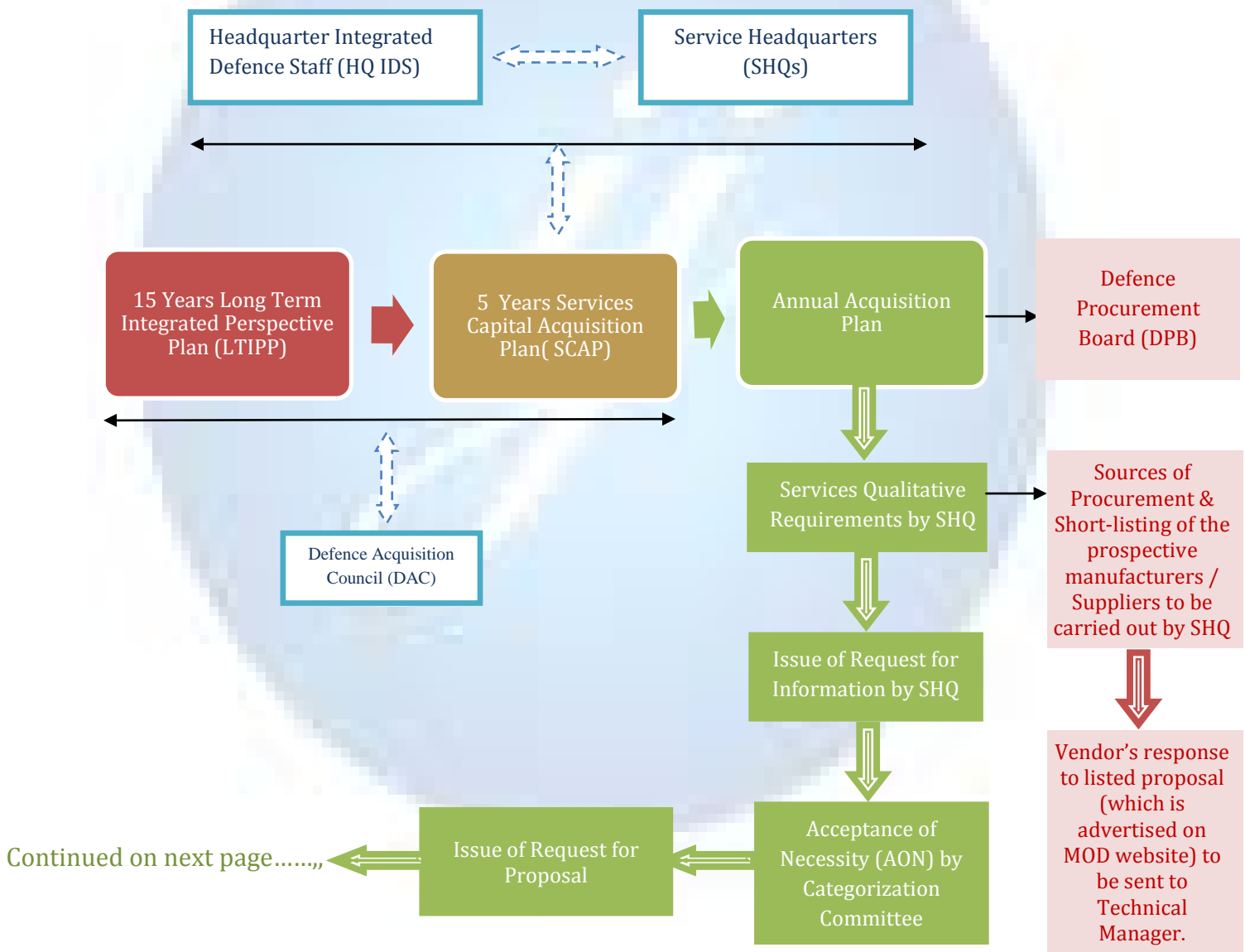
A penalty amounting to US \$ 326365 has already been recovered from three foreign vendors as they failed to meet their offset obligations. Further, a penalty of amount 2.5 MUS\$ has been notified to two vendors. Besides, an action has been initiated for the

imposition to the tune of Rs. 143.68 Crores against 8 contractors as there were shortfalls reported in their offset obligations.

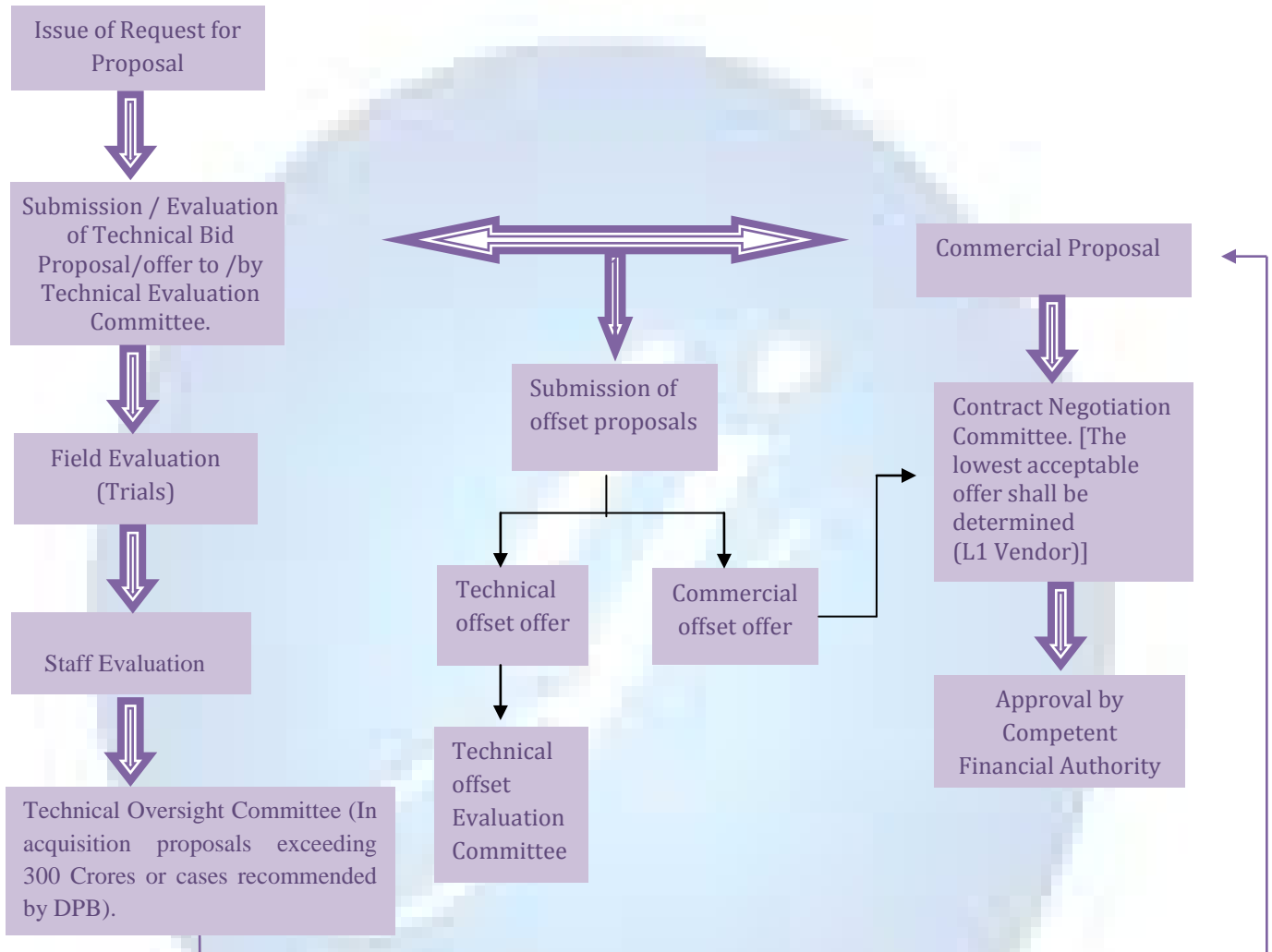
I. Debarment

If a vendor fails to implement the offset obligations, he will be liable to be debarred from participation in future defence contracts for a period up to five years. The debarment will be decided by the Director General (Acquisition) after giving an opportunity to the vendor to present his case.

Following flowchart depicts the whole process for capital acquisition & defence offsets:-



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AUTHORITIES AND THEIR FUNCTIONS

S	Authority/Agency	Functions
1.	Headquarters Integrated Defence Staff (HQ IDS), in consultation with the Service Headquarters (SHQs)	Formulate the 15 years Long Term Integrated Perspective Plan (LTIPP) for the Defence Forces.
2.	Headquarters Integrated Defence Staff	Formulation of Five years Services Capital Acquisition Plan.
3.	Defence Procurement Board	<ol style="list-style-type: none"> 1. Implementation of Five years Services Capital Acquisition plan. 2. Approval of Annual Acquisition Plan. 3. Carry out amendments in the Annual Acquisition Plan based on recommendations made by SHQ / HQ IDS / Department of Defence / Defence (Finance).
4.	Defence Acquisition Council	<ol style="list-style-type: none"> 1. Approval of Long Term Integrated Perspective Plan and Services Capital Acquisition Plan. 2. The appropriate Production Agency (PA) would be approved by the DAC based on the recommendations of the SCAPCHC in case where transfer of technology is being sought. 3. The Defence Acquisition Council (DAC) may, after consideration by SCAPCHC, prescribe varying offset obligations above 30 percent or waive the requirement of offset obligations in special cases. 4. Annual report shall be submitted by the Acquisition wing each year regarding the offset contracts signed during the previous financial year. 5. DOMW will also submit an annual report to the Defence Acquisition Council in June each year regarding the status of implementation of all ongoing offset contracts during the previous financial year.
5.	Service Headquarters (SHQs)	<ol style="list-style-type: none"> 1. Preparation of draft Annual Acquisition Plans. 2. Preparation of Statement of Case in order to seek Acceptance of Necessity. 3. Issuance of Request for Information (RFI) on Ministry of Defence Website. 4. Issuance of Request of Proposal. 5. Formulation of Trial Directive in conformity with the trial methodology given in the RFP and constitute the Trial Team. 6. Carry out Staff evaluation which gives out the compliance of the demonstrated performance of the equipment vis-à-vis the SQRs.
6.	DAC/DPB/SCAPCHC	Grant of Acceptance of Necessity.

7.	User Directorate, SHQ	Drafting of Services Qualitative Requirements.
8.	Staff Equipment Policy Committee (SEPC)	Approval of Service Qualitative Requirements.
9.	Joint Staff Equipment Policy Committee	Formulation of Joint Service Qualitative Requirements (JSQRs)
10.	Categorization Committee	<ol style="list-style-type: none"> 1. Approval of cases of the three Services under the delegated powers to the three Services and Coast Guard upto 150 Crs and recommend cases beyond 150 Crs and upto 300 Crs to DPB and beyond 300 Crs to DAC for final approval. 2. Considering the categorization of capital acquisition under the Defence Procurement Procedure (DPP).
11.	Technical Manager, Acquisition Wing	<ol style="list-style-type: none"> 1. Vendors desirous of responding to any of the listed proposals (RFP) shall send their request to the concerned Technical Managers. 2. The vendor would be required to provide details such as financial status of the company, product structure with specifications, Annual report etc. On scrutiny of their response, they would be included in the vendor database.
12.	Nominated Production Agency	In case, where Transfer of Technology is being sought, the Nominated Production Agency (PA) would vet the RFP.
13.	Acquisition Manager, Finance Manager and Technical Manager	Vetting of Request for proposal.
14.	Director General (Acquisition)	Approval of Request for proposal submitted by Acquisition Manager, Finance Manager and technical manager.
15.	Technical Manager, Acquisition Wing	<ol style="list-style-type: none"> 1. Issue of RFPs to all short-listed vendors. 2. Extension of time for the submission of offers by the vendors provided that the vendor shall send the request with justification at least two weeks prior to bid submission date. 3. The Technical and Commercial offset proposals have to be submitted by the vendor to the Technical Manager, Acquisition Wing.
16.	Technical Evaluation Committee (TEC)	<ol style="list-style-type: none"> 1. Evaluation of the technical bids received in response to RFPs with reference to the Qualitative Requirements. 2. Preparation of 'compliance Statement' with respect to qualitative requirements and RFPs short listing the equipment for trials/ induction into service, as applicable.
17.	SCAPCHC	<ol style="list-style-type: none"> 1. Debate the scope of trials and recommend suitable options to be approved by the DAC/DPB.

18.	Raksha Mantri	<ol style="list-style-type: none"> 1. If it emerges that certain validations need to be carried out abroad in the vendor premises may be because of export restrictions, security related issues etc. then, the Approvals for such validations abroad would have to be taken on file from the Raksha Mantri. 2. All offset proposals are to be approved by Raksha Mantri.
19.	Technical Oversight Committee (TOC)	<ol style="list-style-type: none"> 1. TOC provides expert oversight over the technical evaluation process. Defence Secretary will constitute TOCs for selected acquisition proposals in excess of 300 Crores and any other case recommended by the DPB. 2. To see whether the trials, trial evaluations, compliance to QRs and selection of vendors were done according to prescribed procedures. 3. The TOC Report will be submitted to the Defence Secretary for acceptance.
20.	Contract Negotiation Committee (CNC)	<ol style="list-style-type: none"> 1. The CNC would carry out all processes from opening of commercial bids till conclusion of contract. 2. The sealed commercial offers of the technically accepted vendors are to be opened by the CNC at a predetermined date and time under intimation to vendors, permitting such vendors or their authorized representatives to be present. 3. The CNC would prepare a Comparative Statement of Tenders (CST) with a view to evaluate the technically acceptable offers and determine the lowest acceptable offer (L1 Vendor). 4. To verify that the commercial Offset Offer meets the stipulated offset obligations.
21.	Acquisition Wing	<ol style="list-style-type: none"> 1. Post-contract monitoring 2. The Acquisition wing will be responsible for <ol style="list-style-type: none"> (i) Technical and commercial evaluation of offset proposals received in response to RFPs and (ii) Conclusion of offset contracts.
22.	Defence Offset Management Wing[DOMW]	<ol style="list-style-type: none"> 1. An additional performance bond shall be required to be furnished in case the period for discharge of offset obligations exceeds the period of the main procurement contract to DOMW. 2. Formulation of Defence Offset Guidelines and all matters relating to post contract management. 3. Penalties can be imposed by DOMW in consultation with the Acquisition wing.
23.	Technical Offset Evaluation Committee (TOEC)	The TOEC will scrutinize the technical offset proposals to ensure conformity with the offset guidelines.
24.	Technology Acquisition Committee	Offset Proposals relating to Technology Acquisition by DRDO in areas of high technology will be assessed by a Technology Acquisition Committee.

25.	Acquisition Manager	Processing of Offset proposals.
26.	Competent Financial Authority (CFA)	Offset proposals will be incorporated in the note seeking approval of Competent Financial Authority (CFA) for the main procurement proposal for information of the CFA.

HOW INDIA JURIS CAN ASSIST

- Assistance in providing an outlook of the entire ecosystem of the country and general trends in the area of Defence offsets.
- Assistance in choosing a sound Indian offset Partner and perform all the diligence required for the same.
- Assistance in providing interactions with appropriate service providers including the trade, manufacturing and ancillary services who may offer cost effective solutions to offset and counter trade needs.
- Assistance in providing a channel to the Domestic companies to interact with the International companies looking for Indian offset Partners
- Assistance in the formation of techno-commercial contracts and Technical and Commercial offset proposals and all the required documentation.
- Assistance by implementing the changes prescribed by Technical Offset Evaluation Committee in the technical offset proposals.
- Assistance in obtaining all licenses/approvals if the company wishes to discharge its offset obligations by making a Foreign Direct Investment in Joint Venture with Indian Enterprises for the manufacture and/or maintenance of eligible products and provisions of eligible services.
- Assistance by providing a checklist of laws and approvals required for discharging the offset obligations and in procuring the licenses and approvals required.
- Advising in Taxation issues and complications arising in the process of Defence offsets.

- Assistance in updating the vendors regarding all the RFI issued by the Government and assist in preparing responses for the same.
- Preparation of all the documentation and assistance in filing the same within the prescribed time limit.
- Advising in all the Intellectual Property Right issues arising in the process of Defence offsets.

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