

Dated 22 May 2019

Make – II Procedure

1. **Introduction :**

i) The 'Make' procedure for Indigenous Design, Development and Manufacture (IDDM) of defence equipment/ weapon systems, was simplified in 2016 and promulgated by GoI. 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 and simplified implementation. In this subcategory, no GSL 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.

ii) With the emerging dynamism of private sector and with the aim of achieving substantive self-reliance in defence production/ manufacturing, it is imperative that GSL harnesses the potential of private sector by implementing Make-II procedure for indigenously developing products.

iii) Under this procedure, no funding will be provided by GSL to Development Agencies (DA) i.e Indian vendors but there will be assurance of orders on successful development and trials of the prototypes.

iv) Indian vendors fulfilling the following criteria to this framework, are eligible for participation for prototype development process: -

A. **All the entities (except start-ups/ MSEs)** satisfying all of the following criteria shall be considered as an eligible 'Indian Vendor' for evaluation of EoI by Indigenization committee of GSL :-

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.

B. Criteria for Startups:

i) Startups recognized by Department of Industrial Policy & Promotion (DIPP) under the eligible Domain/Category **as detailed below**, shall be eligible to participate.

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

Sl. No	Industry Domain
(i)	Defence Shipbuilding
(ii)	Augmented/Virtual Reality
(iii)	Computer Vision
(iv)	Green Technology
(v)	Renewable Energy
(vi)	Robotics
(vii)	Security Solutions
(viii)	Technology Hardware
(ix)	Telecommunications and Networking
(x)	IT Services

C. Criteria for MSEs:

MSEs are also eligible in accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) and subsequent amendment issued by MoMSME from time to time.

i) Successful development under this framework would result in procurement, from successful Development Agency/Agencies (DA/DAs), through the Procurement procedure/ manual of GSL , by inviting commercial bids which is to be submitted prior to Commencement of Trials.

ii) Thereafter, the procedure as detailed in Procurement Manual of GSL will be followed except for the procedure outlined in subsequent paras. The requirement of indigenous content for prototype development shall be minimum 50 % as per GSL's "Preference to Make in India Policy" for promoting Indigenization/ development of import substitute.

iii) 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 to encourage joint efforts and professional knowledge development, for which funding will not be provided by GSL for prototype development purposes.

iv) Projects with estimated cost of prototype development phase not exceeding **Rs 30 Lakh**, will be earmarked for MSEs/Startups. However, if no MSEs /Startup expresses interest for such proposal, the same may be opened up for all.

2. **Development Process Steps :**

The development and procurement process under this scheme would involve the following functions:-

- i) Formulation of Proposal by Indigenization Committee (IC).
- ii) Approval of proposal by Competent Financial Authority (CFA).
- 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 /Price negotiations by CNC/PNC.
- x) Award of Procurement Contract.

3. **Formulation of Proposal:**

On the basis of requirement, GSL will identify the potential Make-II projects. An Indigenization Committee shall be appointed by CMD 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 GSL/Make in India websites, along with Project briefs, inviting the willingness of Industry to participate in the aforesaid potential projects.

4. **Approval of Proposal:**

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 considering potential order and economic viability of the project.

i) 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: -

- a) Estimated development cost& procurement cost.
- b) Quantities required post the successful development of prototype.
- c) Acceptability of Multiple Technological Solutions, if any.
- d) Single vendor situation for cases where an innovative solution has been offered by an individual or a firm.

ii) Indigenization Committee shall, inter-alia, carry out the following important functions: -

- a) Preparing and issue of EOI.
- b) Receipt & evaluation of EOI responses.
- c) Issue of Project Sanction Order.
- d) Monitoring and reporting of aspects relating to prototype development including generation of Intellectual Property.
- e) Any other responsibilities as entrusted.

5. **Issue of Eol:**

i) IC shall get the Eol hosted GSL/Make in India Website, inviting Company (ies) to participate in development process. The Eol will contain the following:

- a) Technical specifications/ Preliminary specifications.
- b) Scope of the project including number of Prototypes required.
- c) Time frames and critical activities.
- d) Cost sharing mechanism for trials may be specified with the objective to facilitate the development process.

Or

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

- e) Quantities in procurement phase.
- f) Acceptability of Multiple Technological Solutions, if any and splitting of procurement quantities between L1 & L2 wherever technically feasible and economically viable.
- g) Details of Evaluation Criteria for assessment of EOI response.

6. **Evaluation of Eol Responses:**

i) Responses to Eol shall be evaluated as per criteria given in Eol and shall be approved by the Competent Financial Authority. All the shortlisted companies will be called Development Agencies (DAs).

ii) Project shall be progressed ahead, even if only one Eol respondent is found meeting the evaluation criteria.

iii) Project Sanction Order with 'Nil' financial implications shall be issued after obtaining approval of the competent authority.

7. **Time Overrun:**

The approval of extension of timelines for any 'Make-II' project may be accorded by 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 based on the merit, and thereafter, the case will be progressed as resultant Single Vendor Case (SVC). However, any further extension will be considered based on the progress and after due diligence by IC with CFA approval.

Notwithstanding anything contained herein above, DA/s shall have no right to claim any expenses from GSL incurred during the development of prototype.

8. **Design and Development of Prototype:**

Indigenization 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.

9. **Solicitation of Commercial Offers:**

- i) Based on the recommendation of IC commercial Request for Proposal (RFP) for 'Procurement phase', as per GSL extant procedure, will be issued to DAs who successfully developed the prototype, for submission of their commercial offer prior to commencement of trials.
- ii) The quantities in Procurement phase cannot be reduced from the quantities indicated in EoI issued for the prototype development phase.

10. **User Trials & Evaluation:**

- i) User trials would be carried out by the GSL/ GSL nominated agency to validate the performance of the prototype offered by DA/DAs.
- ii) Projects, where prototype of only a single firm/individual clears the trials, shall be progressed as resultant single vendor.

11. **Price Bid Opening & Commercial / Price Negotiations :**

- i) The Estimated Project cost at the time of approval, will be calculated on the basis of last purchase price (landed cost) of the imported item being substituted with applicable escalation. The commercial bids will be opened as per GSL laid down procurement procedure. Price negotiation will be conducted wherever necessary as per provision contained in GSL Procurement Manual.

ii) The Pre-Contract Integrity Pact (PCIP) shall be signed with DA as per GSL Procurement Manual and subsequent amendments, if any.

iii) Award of contract after due approval of CFA.

12. **Multiple Technological Solutions:**

i) 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 split 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.

ii) 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.

13. **Intellectual Property Rights (IPRs):**

DA and GSL 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.

14. **Project Management, Review and Monitoring:**

i) The progress of the project would be monitored by Indigenization Committee (IC) on regular basis. GSL may nominate/ engage services of independent consultants/professional experts for assessing the physical and/or financial progress of the prototype developmental product.

ii) Review of the projects shall be carried out on Quarterly basis by GSL.

15. **Foreclosure:**

i) 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, GSL shall reserve the right to foreclose the procurement process without any financial implication to GSL.

ii) All deviations on matters concerned with 'Make-II' cases not covered under this framework, shall require prior approval of CMD.

iii) Any grievance during the process shall be redressed through extant mechanism existing at GSL.
