

INITIATIVES OF MOD FOR
FACILITATING DEFENCE
OFFSETS

INTRODUCTION

28 offset contracts and 43 ongoing offset cases

Particulars	Value (in Billion USD)	Period of Implementation
Offset Contracts	6 (approx)	Till 2022
Ongoing Cases	8-10(approx)	At least till 2028

**All cases under the provisions of existing
offset guidelines**

CHANGES IN EXISTING
OFFSET POLICY

**Amendments in offset provisions
at both pre and post contract
stage**

Reinstating of Services

**Level Playing Field
for Indian vendors**

PRE CONTRACT STAGE

EXISTING

“ Vendors expected to submit comprehensive/exhaustive technical offset proposal at bid submission stage

NEW PROVISIONS

“Suitable process flexibility incorporated by providing options to the vendor wherein

“If possible, comprehensive plan can be submitted ab-initio, or

“Details of IOPs & products can be submitted 1 year prior to offset discharge, or

“Undertake offset activity & submit claims thereafter

IMPACT OF PROVISIONS

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graph TD; A[IMPACT OF PROVISIONS] --> B[This amendment will enable vendors to submit a realistic offset implementation plan]; B --> C[Availing last two options will eliminate time lag between bid submission and contract conclusion]; C --> D[Enable time bound process for offset contract conclusion];
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This amendment will enable vendors to submit a realistic offset implementation plan

Availing last two options will eliminate time lag between bid submission and contract conclusion

Enable time bound process for offset contract conclusion

POST CONTRACT STAGE

EXISTING

“ No enabling provisions in earlier offset guidelines (DPP-06,08 &11) for IOP/component change. Hence, all such requests to be processed on case to case basis for approval of competent authority (DAC)

NEW PROVISIONS

- “ Standard Procedure for processing amendment introduced (for DPP- 06,08 & 11) wherein
- “ Possible for vendors to change IOP/offset component during contract execution period
- “ Delegation of authority to Secy (DP) for approving such requests based on recommendations of DOMW

IMPACT OF PROVISIONS

These provisions will enable faster disposal of contract amendment requests

Issues like obsolescence of technology and subsequent increase in IOP base for risk mitigation etc will get addressed

Change of offset component in contracts governed by earlier guidelines which was not permitted previously is now possible

REINSTATING SERVICES

Services held in abeyance wef 23 May 13 have been reinstated as an avenue for offset discharge

MRO, Life Extn, Upgradation and R&D services

Engineering, Design & Testing, Software Development capped at 20 % of offset obligation

CMMi certification of minimum 4 & above required for IOPs, where discharge is above 5% of offset obligation

LEVEL PLAYING FIELD FOR INDIAN VENDORS

EXISTING

“ In BUY (Global) cases, Indian vendors required to undertake offsets on FE component if indigenous content less than 50%

“ Thus effectively, Indian vendors required to undertake more offsets as compared to foreign vendors

NEW PROVISIONS

“ Indian Vendors in BUY (Global) cases now required to achieve minimum 30% indigenous content in lieu of offsets

“ If indigenous content less than 30%, the vendor to ensure offset obligations to the tune of 30% - (minus) indigenous content percentage

FUTURISTIC OFFSET POLICY

OBJECTIVE

The key objective is to leverage the defence capital acquisitions to acquire capabilities in following areas thereby resulting in vibrant domestic Indian defence industry to achieve the ultimate goal of self reliance in defence equipment manufacturing and technology

Identified critical technologies related to defence sector

Creation of manufacturing capabilities for identified parts/components and setting up of maintenance infrastructure

Creation of infrastructure for skill development in identified areas related to defence sector manufacturing, design and maintenance etc.

SCOPE

Focus on outcome based approach

**Exact offset requirement & delivery period stipulated
upfront in RFP**

Vendor granted full flexibility on process

Monitoring of stipulated outcome only

Applicability- BUY (GLOBAL) cases above Rs 300 Cr.

Unconditional compliance by vendor mandatory

AVENUES FOR OFFSET DISCHARGE

ToT to DRDO, which subsequently will be transferred to industry

Creation of manufacturing facilities for identified parts/components/sub-systems/ final integration and transfer of MTOT for life cycle support to Indian industry

Creation of infrastructure for specific skill creation and development

IMPLEMENTATION: TOT TO DRDO

Multi disciplinary Committee at DRDO to finalize exact requirement of technology with well defined range and depth



Inputs will be sought from Indian industry



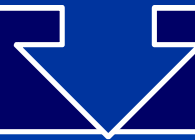
Technology may/may not be directly related to platform being procured



DRDO to transfer technology to industry through existing process for subsequent production

IMPLEMENTATION: MANUFACTURING CAPABILITIES

Multi disciplinary Committee at SHQ to identify parts/ components/sub-systems to be manufactured in India alongwith MTOT to Indian entity



Committee to co-opt domain experts from industry



Total indigenous content to be at least **% (indicative) of basic cost



Vendor will be free to select the Indian partner



Indian partner to ensure that life cycle support on requirement basis would be provided at mutually agreed price with MoD

IMPLEMENTATION: SKILL DEVELOPMENT

Multi disciplinary Committee at Ministry of Skill Development to identify desired skill sets and related infrastructure in defence and aerospace sector



Training of trainers, teaching aids, curriculum material included



Committee will seek inputs from industry



Skill requirement may/may not be directly related to platform being procured



Infrastructure will be created at institutions identified by NSDC

OTHER SALIENT FEATURES

Offsets not applicable to FTP cases and procurements under Option/Repeat order clause

No offset evaluation during procurement process

Supplementary contract for offsets

Period of discharge coterminous with main contract unless decided otherwise by DAC

POST CONTRACT MONITORING

Implementation process to be monitored by DRDO, SHQ and NSDC

Achievement reports monitored by DOMW/ Higher Review Committee

Higher Review Committee is the final authority for all matters regarding offset implementation

Failure to discharge offset obligations by vendor will result in forfeiture of entire performance bank guarantee

Vendor also liable for debarment upto 5 years

THANK YOU