

New criteria by the MoD opens doors from the private companies to participate in major programmes

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With a new circular from the Controller General of Defence Accounts, MoD private sector companies can participate in the production of platforms and weapons from the foreign companies through Transfer of Technology. In respect of shipbuilding projects, both the Indian Navy and Coast Guard shall ensure that criteria for capacity assessments of shipyards are stipulated in advance of such assessments and made known to all the prospective vendors.

The eligibility criteria for Indian private firms as production agency (PA) shall be clearly mentioned in RfIs/ RfPs so as to maintain transparency in the process, and to ensure that the stipulated criteria are not open to subjectivity and arbitrary interpretation.

Under the new guidelines, the criteria for such a selection would include not only the financial strength but also the experience of the company in a specific area. Earlier, the government had to select one of the public sector undertakings for any global project where the production had to take place within the country.

Based on the inputs received from various stakeholder including industry associations, the selection of the Indian private company as a PA will be based on certain criteria including that the company will need to have a minimum of two years of experience in the sector and should be engaged in manufacturing and should be controlled by Indian citizens.

On the financial side, the specifications are that the turnover the companies to be considered should not be less than 10% of the estimated project cost for the past two years and that none of its records should show it or its directors as a 'wilful defaulter'.

The DPP-2016 under Chap II describes the procurement procedure for categories under 'Buy' and 'Buy' and 'Make' schemes. In order to ensure Acceptance of Necessity (AoN) process is completed in a time bound manner, each case would be processed by DRDO/DDP/MoD/MoD (Fin) within four weeks of receipt, so that the proposals are considered by the Categorisation Committee within a 4 to 6 week cycle. In the cases in which Transfer of Technology (ToT) is being sought, 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. Cases in which foreign vendors are allowed to select an Indian PA (Para 31(c), Chapter II refers), the eligibility criteria of such PAs, will be provided in the RFP. The eligibility criteria for Indian private firms as PA shall be promulgated by the DDP.

For identifying the private sector companies as the PA, should be an Indian company, owned and controlled by resident Indian citizens. The Indian hands should have majority representation on the Board of Directors.

The business dealing with applicant entity or any of its allied entities should not have been banned or suspended either by the MoD, Service HQ or any other government organisation.

According to the new rules, the company should not be a trading company, but a system integrator or manufacturer of the defence equipment, with a minimum of 2 years experience in manufacture, assembly and integration of the product which will be decided on case to case basis.

According to the MoD, the minimum average annual turnover for the last two financial years should not be less than 10 % of the 'Make' part of the project. However, the service headquarter may consider to prescribe additional financial parameters based on the complexity of the project.

Also, the PA should be holding a valid defence industrial licence or should have applied for the same before responding to an RfP.

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