



रक्षा मंत्रालय
MINISTRY OF
DEFENCE



Technology
Development
Fund

Standard Operating Procedure (SOP)

for implementing Technology
Development Fund (TDF) Scheme



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Introduction: Technology Development Fund Scheme

1. Defence Production Policy promulgated in 2011 by the Ministry of Defence considers self-reliance in defence manufacturing as a vital strategic and an economic imperative; and places emphasis on utilizing the emerging dynamism of the Indian industry by leveraging domestic capabilities for the growth of the Indian defence industry. In pursuance of this Policy, the Government of India has announced the setting up of a 'Technology Development Fund (TDF)' in the Union Budget 2014-15, which aims at funding the development of defence and dual use technologies that are currently not available with the Indian defence industry or have not been developed so far. Thus, creating an Eco-system for enhancing cutting edge technology capability for Defence application.
2. The funding will be through provision of grants to public and private sector industry especially MSMEs that may work in collaboration with the academia or research institutions to carry out innovation, research and development; such chosen entities will be referred to as Development Agencies (DAs). In cases where academia or research institutions are involved, their work involvement cannot exceed 40% of the total efforts required.
3. The focus will be on funding development of technologies that will form the kernel of components/Assemblies, which will in turn be used to develop defence equipment/systems/sub-systems/platforms.



4. Only Indian vendors including association of persons (AoP) as detailed in Appendix 'A' are eligible for participation.
5. Successful development under this scheme would result in the DAs jointly owning the IPR along with DRDO (Appendix B).

Type of Projects for Funding Support

6. Under the TDF scheme, the following nature of products/technologies will be covered:
 - 6.1 Significant up-gradation/improvements/ further developments in the existing products/process/application/upgrades, in terms of reduced material consumption, improved functioning, improved quality, reduced energy consumption resulting in overall cost reduction.
 - 6.2 Technology readiness level up-gradation from TRL3 onwards to realization of products as per Services requirements.
 - 6.3 Development of futuristic technologies/innovative products which can be useful for the Defence applications in the future.
 - 6.4 Import substitution of components whose technologies does not exist with the Indian industry.



6.5 The scheme will be limited to development of technologies or prototype of product having potential use for the Services.

6.6 The financial criteria for inclusion of projects under the TDF scheme will be that the cost of development spread across all the required technology development phases will not exceed INR 10 crore.

6.7 Typically, the projects under the TDF scheme will not exceed a development period of two years.

Empowered Committee

7. Composition: The Empowered Committee, under the chairmanship of Secretary (DRDO) will be the apex governing and principal decision-making body, for matters pertaining to the TDF scheme. The Empowered Committee reports to the RakshaMantri (RM), who has the powers to overrule its decision. The composition of the Empowered Committee shall be as follows:

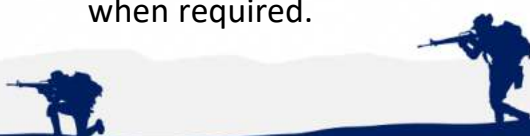
Secretary DDR&D	Chairperson
Secretary (DP)	Member
Add FA& JS (DRDO)	Member
CISC	Member
VCOAS	Member
VCAS	Member
VCNS	Member
AS/JS(SME)	Member
CC R&D (TM) DRDO	Member Secretary



Representative of an External Agency (on a need basis)	Special Invitee
Executive Director/ Secretary TDF (DRDO)	Permanent Invitee

8. Roles and Functions of Empowered Committee are as follows:

- 8.1 According 'Acceptance of Necessity (AoN)' to the projects evaluated and recommended by the Technical Committee.
- 8.2 Approval of time overruns beyond the approved project duration.
- 8.3 Approval of cost overruns beyond the approved project budget.
- 8.4 Approval of closure/ foreclosure of the projects based on the recommendation of the Technical Committee including funds write-off to the DAs.
- 8.5 Approval of the goal/ objective revisions on the recommendation of Technical Committee.
- 8.6 Brief the RM on a timely basis regarding developments and project progress under the TDF scheme.
- 8.7 Obtain RM's approval for granting cost and time overruns beyond the powers of the Empowered Committee.
- 8.8 Empowered Committee will meet once in four months or as and when required.



Technical Committee

9. Composition: The Technical Committee constituted under the chairmanship of CC R&D (TM), DRDO will be the key operating body for matters pertaining to the TDF scheme. The Committee will report to the Empowered Committee. The Technical Committee composition will be as follows:

CC R&D (TM), DRDO	Chairperson
Representative from Army HQ	Member
Representative from Air HQ	Member
Representative from Naval HQ	Member
Representative from Integrated Defence Services (IDS)	Member
Representative of DDP	Member
IFA(R&D)	Member
Representatives of Concerned Industry Associations (2 Nos)	Member
DRDO Experts	Member
Representative of an External Agency (on a need basis)	Special Invitee
Executive Director/ Secretary TDF (DRDO)	Member Secretary



10. Roles and Functions of Technical Committee are as follows:

- 10.1 Identify technologies that need to be developed through funding under the TDF scheme. This includes taking inputs from a mix of appropriate sources, including the SHQs, the LTPP, and the technology grid.
- 10.2 Conduct feasibility studies.
- 10.3 Classify the identified technologies as sensitive and non-sensitive, etc.
- 10.4 Prioritize technologies/ products in a phased manner.
- 10.5 Recommend suitable technology/ product with proposal to Empowered Committee and seek the accord of AoN.
- 10.6 Constitute the Project Monitoring & Mentoring Group for each TDF project.
- 10.7 Approve release of funds for the various phases of development.
- 10.8 Oversee and monitor the overall implementation of the project.



Technology Development Fund Directorate

11. DRDO will establish a Technology Development Fund Directorate (herein referred to as Directorate), headed by Scientist G or equivalent and staffed appropriately with professionals of various ranks and specializations. Officers of the Directorate shall be members/ member secretaries of the Project Monitoring and Mentoring Group (PMMG) which will function under the overall control and directions of the Directorate, who shall be responsible for ownership of the projects under the TDF. The Directorate will be responsible for the following:

11.1 Monitoring of all projects under the TDF scheme.

11.2 Ensure development as per schedule.

11.3 Assign responsibilities and hold task owners accountable for delivery.

11.4 Identify potential issues and resolve them through the committees concerned.

11.5 Roll out each TDF project for which AoN has been accorded by the Empowered Committee.

11.6 Maintain the database of all projects under TDF.



12. The Directorate has to carry out outreach programs and empanel suitable experts from the fields of finance, legal and technology from both the private and public sectors; the Directorate may solicit services of external agencies to roll out outreach programs, empanelment of experts and for providing technical and administrative support.

Methodology for Technology Development under the Technology Development Fund Scheme

13. The development process under the TDF scheme would consist of the following functions:

13.1 Advance planning and consultations

13.2 Feasibility studies

13.3 Technology Parameter Requirements (TPR)

13.4 Accord of AoN by the Empowered Committee

13.5 Constitution of the Project Monitoring and Mentoring Group

13.6 Issue of EoI and soliciting response

13.7 Selection of Development Agencies

13.8 Approval of CFA and funding



Advance planning and consultations

14. On the basis of the Long-Term Technology Perspective Plan (LTTPP) and inputs from SHQs, Department of Defence Production (DDP), DRDO, etc., DRDO will identify potential projects to be undertaken under the Technology Development Fund scheme. Besides, DRDO will also initiate collegiate discussions on such potential projects with various stakeholders such as DRDO, DDP, SHQs, Indian Industry etc., in early stages; this will enable potential R&D institutions and other DAs to take necessary steps to undertake requisite R&D efforts and/or investments for infrastructure up-gradation. The advance timing of these collegiate discussions shall take into account the complexity of the technology required to be developed for defence equipment/system/sub- system/platform or upgrades thereof, as the case may be all relevant factors not limited to technology availability need to be detailed.

15. Based on the collegiate discussion detailed in paragraph 14 above, or in other cases as may be appropriate, the Technical Committee shall draft an indicative list of potential projects under the TDF scheme, together with draft Technology Parameter Requirements (TPR).

Feasibility studies

16. The Technical Committee will be responsible for undertaking feasibility studies of all projects under the list of potential projects under the TDF scheme. The aim of this study is to identify the projects which the Indian



industry has the capability to design and develop, within the required parameters.

17. The feasibility study for each TDF project shall be carried out with the involvement of all important stakeholders such as HQ-IDS, Services, DDP, and DPSUs, as required. Industry associations including MSME Associations, OFB and DPSUs may be consulted if considered necessary. DRDO may engage external agencies possessing the expertise in preparation of the feasibility study report.

18. The Technical Committee will get a Technology Grid developed through a suitable external agency, which will have a comprehensive list map of all the MSMEs in the Indian Defence Sector and exhaustive details of their research capabilities, technical competencies, infrastructure, manpower details, turnover etc. The Technology Grid will enable the Technical Committee to ascertain the suitability of organizations to be chosen as DAs. The Technology Grid is an evolving document warranting constant up-gradation on a real time basis. It needs to be noted that the Technical Grid will have to be developed from scratch, to begin with.

19. The feasibility study shall include the following aspects:

19.1 Long term interests of MoD for indigenous development of technology capability and its applicability in equipment/ system/ sub-system/ platform/ components or their upgrades, as required or will be required by the SHQs.

19.2 A preliminary assessment of capability of the industry to undertake design and development of components/ assembly, etc. bearing the technology.



- 19.3 Estimated time for development.
- 19.4 Estimated cost of development.
- 19.5 Estimated cost of the component bearing the technology.
- 19.6 Number of DAs to be selected based on the cost of the prototype development complexity and any other considerations.
- 19.7 Exit criteria.
- 19.8 Any other aspects considered important.

Technology Parameter Requirement

20. Based on the feasibility study, the technical committee would formulate the Technology Parameter Requirement (TPR) specifying in detail the key parameters of the required technology. The TPR will be a part of the Statement of Case, while seeking the AoN.

Accord of the Acceptance of Necessity (AoN) by the Empowered Committee

21. The Technical Committee will place relevant information on the TDF and DRDO website and seek the required inputs from the industry. The Technical Committee will prepare the Statement of Case (SOC) justifying the need for investing in the development of the particular technology, and submit the same to the Empowered Committee, which would examine aspects of inter-operability and commonality of technology for the Services. Feasibility study report, along with a list of prospective DA(s), and



the TPR will be enclosed with the SoC.

22. The following would be highlighted by the Technical Committee in the SoC seeking the AoN from the Empowered Committee:

22.1 A brief on the need to invest in and develop the technology.

22.2 Estimated time for development.

22.3 Estimated cost of development.

22.4 Likely production cost

22.5 If any vendor has suo-moto taken up development

22.6 Likely Development Agencies

23. AoN for TDF projects will be valid for one year. In cases where the expression of Interest (EoI) is not issued within one year from accord of AoN, the Technical Committee would have to move a case for revalidation of AoN with due justification for not processing the case within one year. For cases where the original EoI has been issued within one year from accord of AoN, and later retracted for any reason, the AoN would continue to remain valid, as long as the original decision remain unchanged, and the subsequent EoI is issued within six months from the date of retraction of the original EoI



Constitution of Project Monitoring and Mentoring Group

24. Once AoN is accorded for a TDF project, the Technical Committee will constitute a Project Monitoring and Mentoring Group, headed by the Director of the Directorate or a suitable nominated Expert. PMMG will consist of representative from SHQs, HQ-IDS, DRDO, DDP, DGQA, Advisor-Cost, AFA/ IFA and other experts as required. The PMMG would submit 6 monthly reports to the Technical Committee; in cases of development of critical technologies, the Technical Committee will keep the Empowered Committee updated about the developments.

Issuing of EoI and soliciting response

25. For every TDF project for which AoN has been accorded by the Empowered Committee, the PMMG will carry out the following functions:

26. Preparation of Project Definition Document (PDD): The PMMG under the guidance of Directorate and Technical Committee will prepare a Project Definition Document (PDD) as per the sample format given at Appendix – 'C'. The PDD shall be approved by the technical committee and shall serve as the principal guidance document for preparation of DPR.

27. Short listing of likely Indian companies/organizations for issuing EoI: Short listing of Indian vendors for issue of EOI shall be done by the PMMG based on the TDF Technology Grid, and additional companies/organizations if any, as per response to DRDO's request for proposal from Indian entities hosted on the website of TDF and DRDO.



28. The details of the vendors shortlisted for participation in a TDF project would be maintained by the Directorate, and the same would be placed in the DRDO web site. To the shortlisted vendors, relevant extracts of TPR would be circulated as part of an EoI. The EoI shall be approved by the Technical Committee and shall contain all information as per sample format at Appendix-‘D’.
29. All evaluation criteria, sub-criteria etc., including respective weightages accorded to each of them, for assessing responses from EoI recipients (Individual as well as for AoP), shall be finalized and sought as part of the response to EoI.
30. Indian vendors who are issued an EoI, shall have the choice to respond either in their individual capacity as EoI recipients, or as an AoP (i.e., consortium) of Indian companies/organizations, through an AoP Agreement led by an EoI recipient, as enumerated at Annexure-I of Appendix- ‘A’.

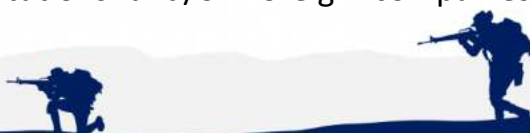
Selection of Development Agency (ies)

31. The Directorate through PMMG would undertake an assessment of EoI responses based on approved criteria. An illustrative list of evaluation criteria is contained in sample format at Appendix- ‘E’. It shall be ensured that the evaluation criteria relate only to the research, design, and development capabilities in India, including past experience, other relevant parameters and performance of EoI recipients as may be required.



Inspection of vendors premises should be avoided, and selection should, to the extent possible, be based on self-certification.

32. In the case of EoI recipient forming AoP i.e. consortium, the assessment shall be carried out with specific reference only to the roles and responsibilities of individual members under their AoP Agreement.
33. The list of Indian vendors or consortium as stated above, ranked as per the evaluation criteria and recommendation shall be forwarded by the Directorate to the Technical Committee, for selection of vendor as per AON. The selected vendor shall be referred to as Development Agency (DA).
34. The DAs, shall then be required to submit a DPR, including cost estimates, as per sample format at Appendix-'F' to the Directorate. For this purpose, TPR and relevant extracts from the PDD will be shared by the Directorate, with the short-listed DAs. The DPRs shall be prepared by DAs and examined by the Directorate with specific reference to project milestones as described in the PDD. Based on the examination, the DAs will be shortlisted. Generally, two DAs will be selected per TDF project. DAs selected post the examination of their DPRs will be issued a Project Sanction Order.
35. Prior to CFA approval, the Directorate will engage with the selected DA(s) for any modifications/refinements/amendments to DPR, if considered necessary. DA(s) may collaborate with academic and/or research institutions and/or foreign companies/foreign research and academic



institutions having required technologies for the development of project. DA(s) would be required to disclose the details of such collaborations in DPR. Directorate will submit the finalized DPR to the Empowered Committee, through the Technical Committee, for approval.

CFA Approval and Funding

36. The financial sanction for project development under the TDF scheme, taking all related costs into account, would be obtained by the Directorate as per the delegation of financial powers in Appendix 'G'.
37. Funding for development projects approved under this procedure shall be borne under the Account Head 'Technology Development Fund Account', operated by the DRDO.
38. The projects up to INR 10 Crores will be considered for funding subject to a maximum of 90% of the total project cost in general; however, up to 100% funding may be considered under the scheme, on a case-to-case basis.
39. The percentage distribution of assistance under the TDF scheme will be as follows:
40. Indian companies - up to 90% of the project cost in general however this may be enhanced up to 100% of project cost on case to case basis.
41. In case of collaboration between R&D /Academic institution and the company, the respective share of R&D /Academic institution shall be



funded to the extent of 100%.

Release of Funds: 1st Instalment & Subsequent Instalments

42. Funding Mechanism: TDF requires various a flexible funding approach, for applicants to feel encouraged and apply. Hence two types of funding options are therefore proposed to implement the scheme:

Funding Option- I

42.1 Upon signing the Development Contract with DRDO, post issue of the project sanction order, the successful applicant will be issued a grant letter and will be entitled to receive 20% of the total grant amount approved.

42.2 The remainder of the grant amount will be paid in a maximum of five (05) installments in the form of reimbursement upon successful achievement of milestones as agreed between the DA and Directorate based on the plan presented in the DPR.

Funding Option-II

42.3 Upon signing the Development Contract with TDF, the successful applicant will be issued a grant letter and will be entitled to receive 20% of the total grant amount approved.



42.4 A staggered approach towards project funding in this technology development project will be provided in the form of advance funding available for the remainder of 80% of the sanctioned amount. Subject to a maximum of five (05) “Milestones” of the project, applicants can seek an advance upon producing a Bank Guarantee of the same amount as collateral.

43. The release of initial and subsequent installment as reimbursement of Project expenditure incurred under the TDF Scheme, for the on-going supported projects will be based on the PMMG Review Reports and completion of milestones and deliverables as mutually agreed between the DA and DRDO and outlined in the Development Contract.

44. In some cases, milestone-based advance may be given to the DA and R&D/Academic institutions. However, DAs and ‘Other than Government owned’ R&D/Academic institutions shall be given advance only against bank guarantee of equal outstanding amount. Government-owned* academic/ R&D institutions need not submit any bank guarantee for seeking advance.

45. For release of subsequent installments, the DAs shall be required to submit the following documents:

45.1 Detailed Project Update Report

45.2 Utilization Certificate & Statement of Expenses (UC & SE)

45.3 Certificate from Chartered Accountant



45.4 Based on the review reports/meetings and documents submitted by Project Applicant/Partners, the Directorate will recommend for disbursement of subsequent funding installment to the project applicants.

Periodic monitoring and review of the projects will be carried out by the Technical Committee through PMMG. Fund installment would, subsequently, be released as per the approved milestones and on the basis of review of progress report by Technical Committee through PMMG.

*** Government of India or State Government under the Federal Union of India**

Access to Books of Accounts

46. The DAs shall maintain separate books of accounts with an independent bank account, for the project sanctioned under TDF scheme; DRDO or its authorized representative(s) shall have unfettered rights to access these books of account of DAs.

Cost overrun

47. In case of cost overruns, the DA will have to make a formal request explaining the reasons for cost overruns and reasons why they were not foreseen at the time of presenting the DPR. The Directorate will process the request and forward the same to the Technical Committee, which would take a decision on the request and seek approval of the Empowered Committee.



48. Cases where the development cost exceeds the Rs. 10 crore limit, after initially sanctioning the project for a cost less than Rs. 10 crores, the cost escalation will be reviewed by the Technical Committee and forwarded with its comments to the Empowered Committee. Based on merits of the case, the Empowered Committee may approve a cost overrun of upto Rs. 5 crores with mandatory information to RM. In cases warranting an approval for a total development cost exceeding Rs. 15 crores, due to cost overruns, the Empowered Committee should take the approval of the RM.

Time overrun

49. The extension of timelines for the TDF projects will be granted by the Empowered Committee, based on recommendation of the Technical Committee.

Foreclosure

50. In cases where the project does not proceed according to the predetermined milestones as agreed in the DPR, and/or if there are undue time and cost overruns, or failure of the prototype(s) on staff evaluation or on account of any other reasons, the TDF project may be foreclosed in respect of the concerned DA(s) and proposal for foreclosure will be approved by the Empowered Committee.

51. In such cases, the total expenditure made by the DA(s) on the technology/prototype development till foreclosure would be assessed and



if excess funds have been paid to the DA(s), the same shall be recovered and if the expenditure is in excess of the amount paid, the balance shall be paid to the DA(s). The total amount paid to the DA(s) shall be written off with the approval of the competent authority.

Disposal of tangible assets created in TDF projects

52. The ownership of all tangible assets and the developed prototypes under the TDF schemes shall vest with DRDO. These may be passed on to the DA at depreciated value as per the extant guidelines of the Government of India.

53. In case of foreclosed TDF projects, the tangible assets thus created may be disposed of as per the extant Government guidelines. Expenditure incurred on intangible assets as defined in the relevant Indian Accounting Standards will be written off with the approval of competent authority.

Monitoring post completion of the project to ascertain the impact and create a database of the technologies and its providers

54. Project Success Report (PSR)

54.1 In case of successful projects, the DA(s) would be requested to submit Project Success Report (PSR) at the time of payment of the full and final installment. This report will be reviewed by PMMG for the purpose of disseminating information on such success stories for wider impact and greater reach among potential applicants. The information



will be disseminated through its publications, websites and other means targeting the user Service, industry and DRDO, etc., taking into account the aspects pertaining to confidentiality and intellectual property rights.

55. Project Failure Report (PFR)

55.1 If project fails at any stage, the implementing DA(s) would be requested to submit Project Failure Report (PFR) before settling of accounts. This report will be reviewed by respective PMMG, for the purpose of compiling case studies and lessons learned. Key learning's from such case studies may be disseminated through publications, websites and other means, taking into account the confidentiality aspects.



APPENDIX –‘A’

Guidelines for short-listing of Indian vendors for issue of Expression Of Interest (EOI) for "TDF" cases and for formation of Association of Persons (i.e. Consortium)

A. Preamble

These Guidelines contain the criteria to be followed by PMMG for short-listing of Indian Vendors for issue of EOI by PMMG and also requirements for formation of consortium by such short-listed companies and subsequent execution of the Project. Issue of an EOI shall be restricted only to such eligible entities.

B. Guidelines

These guidelines shall apply for the project under TDF scheme.

C. Criteria for Short listing of Indian Vendors

1. Indian entity satisfying all of the following criteria shall be considered as eligible “Indian Vendor” for issue of EOI by PMMGs:
 - a. 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.



- b. The entity has to be owned and controlled by resident Indian citizens; entity with excess of 49% foreign investment will not be eligible.
 - i. Companies/Organizations which have been debarred/ banned/ blacklisted or the business dealings with whom have been “suspended”/ “put on hold”, by the Ministry of Defence, will not be eligible for issue of EoI. The allied/subsidiary firms of the above company will also not be eligible for issue of EOI if it has been ordered specifically in the order for debarring/banning/blacklisting or business dealing being “suspended”/ “put on hold”]
2. All aforesaid data relating to eligibility of companies for issue of an EOI shall need to be demonstrated at the close of the financial year preceding the accord of AoN.

D. Eligibility to Respond to an EOI as Individual Entity or as Consortium

1. The EOI can be responded to, at the option of an EOI recipient, by any of the following entities:
 - a) Individual EOI Recipient; or
 - b) **Association of Persons (AOP)** i.e consortium of Indian companies consisting of two or more than two EOI recipients undertaking joint and several liability and an EOI Recipient designated as the lead member through a ‘**Association of Persons (AOP) Agreement**’ as given at **Annexure-I to Appendix-A**. All EoI Recipients as the members of the AOP will sign the contract with MOD. This agreement will be applicable for the entire project.



2. Where an AOP/Group of EOI recipients ("Consortium") comes together to implement the project in accordance with the mechanisms outlined under paragraph 1(b) above, there must exist, at the time of responding to EOI, a 'Association of Persons (AOP) Agreement' to form an AOP i.e. Consortium to execute and implement the complete "TDF" project.

[Note: In case of an individual EOI-recipient responding, the assessment by the PMMG shall in particular include technical capability assessment and capability assessment for developing critical technologies as mentioned in the EOI, even if such technology development is under an MOU or a sub-contract by the EOI-Recipient, provided that: (i) such production takes place in India; (ii) IPs in such technologies are available to MOD, abintio, as required under Appendix-B; and (iii) prior approval of the TDF Directorate shall be required for subsequent change of such AOP partners. In the case of an EOI Response as per D(1)(b) above, such assessment by the PMMG shall be made in respect of all the participating companies i.e EOI Recipients]

3. Where the EOI Respondent is an AOP/Consortium, it shall, while responding to the EOI, comply with the following additional requirements:

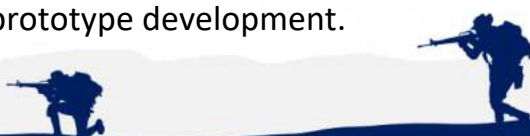
- a) Number of members in a consortium shall not exceed 3 (three).
- b) The EOI Response should contain requisite information for each member of the AOP/Consortium.
- c) Members of the AOP/Consortium shall nominate one member as the lead member (the "Lead Member").



- d) The EOI Response should include a description of the roles and responsibilities of individual members, particularly with reference to production arrangements in India, and R&D activities for which IPRs will vest with DRDO as per **Appendix B**;
- e) An individual EOI respondent cannot at the same time be member of an AOP/ Consortium responding to the EOI. Further, a member of a particular responding Consortium cannot be member of any other Consortium responding to the EOI;
- f) Members of the AOP as described in Para D(1)(b) shall enter into a legally binding Agreement, substantially in the form specified at **Annexure-I to Appendix-A** for the purpose of responding to the EOI. The Agreement to be submitted along with the EOI Response, shall, inter alia:
 - i. Form the basis for the AOP members to enter into a contract and perform all the obligations of the development agency in terms of the contract, in case a development contract to undertake the "TDF" Project is awarded to the Consortium.
 - ii. Clearly outline the proposed roles and responsibilities, if any, of each member;
 - iii. Include a statement to the effect that members of the AOP/ Consortium shall be liable jointly and severally for all obligations of the development agency in relation to the "TDF" Project as required under these Guidelines.

E. Change in Membership of a Consortium:

- 1) Change in the composition of an AOP/Consortium will not be permitted after the submission of EOI responses until the award of a development contract for prototype development.



- 2) Where the EOI Respondent is an AOP/ Consortium, change in the composition of a Consortium AOP may be permitted by the Authority after the award of a development contract only where:
 - a. The Lead Member continues to be the Lead Member of the AOP/Consortium and shall not be changed under any circumstances;
 - b. The non-lead substitute member(s) shall continue to meet eligibility criteria for membership of an AOP/ Consortium; and
 - c. The new Member(s) expressly adopt(s) the EOI Response and the development contract already made on behalf of the AOP/Consortium as if it/ they were a party to it originally and is/ are not a Member of any other Consortium short-listed for the "TDF" Project, while undertake the joint and several or joint liabilities (as applicable) of the member it/ they are replacing.
- 3) Any change in the composition of an AOP/Consortium shall require prior approval of the TDF Directorate.
- 4) The approval to such changes shall be at the sole discretion of the TDF Directorate and must be approved by them in writing for the approval to take effect.
- 5) The modified AOP/Consortium/ partners shall submit a revised 'Association of Persons Agreement.'

F. Miscellaneous Provisions

1. Any violation of any of the guidelines laid down in this Annexure by any company shall render it liable to initiation of proceedings for suspension and/ or banning



of business dealings for a period of five years by the Ministry of Defence.

Annexure I to Appendix 'A'

Illustrative: 'Association of Persons Agreement'

THIS ASSOCIATION OF PERSONS (AOP) AGREEMENT is entered into on this the day of 20...

AMONGST

1. {Limited, a company incorporated under the Companies Act, 1956/2013} and having its registered office at (hereinafter referred to as the "First Part" which expression shall, unless repugnant to the context include its successors and permitted assigns)

AND

2. {Limited, a company incorporated under the Companies Act, 1956/2013} and having its registered office at (hereinafter referred to as the "Second Part" which expression shall, unless repugnant to the context include its successors and permitted assigns)

AND

3. {Limited, a company incorporated under the Companies Act, 1956/2013 and having its registered office at (hereinafter referred to as the "Third Part" which expression shall, unless repugnant to the context include its successors and permitted assigns)}



The above-mentioned parties of the FIRST, SECOND, and {THIRD} PART are collectively referred to as the "Parties" and each is individually referred to as a "Party".

WHEREAS,

- (a) The Ministry of Defence, Government of India (hereinafter referred to as the "Facilitator" which expression shall, unless repugnant to the context or meaning thereof, include its administrators, successors and assigns) has invited responses (the "responses") to its Expression of Interest No. dated (the "EOI") for short-listing of bidders for development of Project (the "Project").
- (b) The Parties are interested in jointly bidding for the Project as an Association of Persons ("AOP") in accordance with the terms and conditions of the EOI document and other documents in respect of the Project, and
- (c) It is a necessary condition under the EOI document that the members of the AOP shall enter into an Association of Persons Agreement and furnish a copy thereof with the Response.

NOW IT IS HEREBY AGREED as follows:

1. Definitions and Interpretations

In this Agreement, the capitalized terms shall, unless the context otherwise requires, have the meaning ascribed thereto under the EOI.

2. Association of Persons/Consortium

- (a) The Parties do hereby irrevocably constitute an **Association of Persons/**



consortium (the "**Consortium**") for the purposes of jointly participating in the bidding process for the TDF Project and executing and implementing the complete "TDF" project upto the completion of the technology/prototype development that MoD places on the AOP.

(b) The Parties hereby undertake to participate in the "TDF" Project only through this AOP Agreement and not individually and/ or through any other AOP / consortium constituted for this Project, either directly or indirectly or through any of their Associates.

3. Covenants

The Parties hereby undertake that in the event the AOP is declared the selected Development Agency and awarded the project, the parties shall enter into a Contract with the Facilitator for performing all its obligations as the Development Agency in terms of the contract for the Project.

4. Role of the Parties

The Parties hereby undertake to perform the roles and responsibilities as described below:

- (a) Party of the First Part shall be the Lead member of the Consortium for and on behalf of the Consortium during the Bidding Process and until the Appointed Date under the Contract.
- (b) Party of the Second Part shall be responsible for
- (c) Party of the Third Part shall be responsible for



5. Joint and Several Liabilities

The Parties do hereby undertake to be jointly and severally responsible for all obligations and liabilities relating to the Project and in accordance with the terms of the EOI and subsequently in accordance with the development contract, if and when awarded.

6. Lead Member

Without prejudice to the joint and several liabilities of the parties, each party agrees that it shall communicate with the MoD in matters of the EOI and the Development Contract, as applicable through the Lead Member and the Facilitator shall be entitled to communicate with such Lead Member as the representative of all the members. Each party agrees and acknowledges that:

(a) The Lead Member shall take prior written consent by all participating AOP members before sending any communication regarding a decision (including without limitation, any waiver or consent), action or omission, before communicating the same to MoD. The AOP Members shall send their responses to the Lead Member and ensure that stipulated timelines of MoD are met with by the Lead Member;

and;

(b) any decision (including without limitation, any waiver or consent), action, omission communicated by the Lead Member on any matters related to the Contract shall be deemed to have been on its behalf and shall be binding on it.



The Facilitator shall be entitled to rely upon any such action, decision or communication from the Lead Member;

and;

(c) any notice, communication, information or documents to be provided to the Development Agency shall be delivered to the authorized representative of the Development Agency (as designated pursuant to the Contract) and any such notice, communication, information or documents shall be delivered to all the Parties by the Lead Member.

7. AOP Bank Account/Payments

The Parties will open a separate single bank account (“**AOP account**”) for payments to be received from the Facilitator in the name of the AOP which account shall be operated jointly by all the AOP members. Each of the Parties shall raise separate invoices on Facilitator, which will be presented to the Facilitator by the Lead Member under a Covering Letter. The Facilitator shall make the payment(s) into the designated AOP account and the Facilitator shall not in any manner be responsible or liable for the inter se allocation of payments, works etc. among the Parties. Disbursal of the amount lying in the AOP account to each of the Parties shall be made directly to such Party, from the AOP Account. Each Party shall be responsible for ensuring the Invoice and the accompanying documentation is complete and accurate.

8. Representation of the Parties

8.1 Each Party represents to the other Parties as of the date of this Agreement that:



- (a) Such Party is duly organised, validly existing and in good standing under the laws of its incorporation in India and has all requisite power and authority to enter into this Agreement;
- (b) The execution, delivery and performance by such Party of this Agreement has been authorised by all necessary and appropriate corporate or governmental action and a copy of the extract of the charter documents and board resolution/ power of attorney in favour of the person executing this Agreement for the delegation of power and authority to execute this Agreement on behalf of the Consortium Member is annexed to this Agreement, and will not, to the best of its knowledge:
 - i. requires any consent or approval not already obtained;
 - ii. violate any Applicable Law presently in effect and having applicability to it;
 - iii. violate the memorandum and articles of association, by-laws or other applicable organizational documents thereof;
 - iv. violate any clearance, permit, concession, grant, license or other governmental authorization, approval, judgment, order or decree or any mortgage agreement, indenture or any other instrument to which such Party is a party or by which such Party or any of its properties or assets are bound or that is otherwise applicable to such Party; or
 - v. create or impose any liens, mortgages, pledges, claims, security interests, charges or Encumbrances or obligations to create a lien, charge, pledge, security interest, encumbrances or mortgage in or on the property of such Party, except for encumbrances that would not, individually or in the aggregate, have a material adverse effect on the financial condition or



prospects or business of such Party so as in all matters before the Facilitator, signing and execution of all contracts and undertakings consequent to acceptance of the Consortium's proposal and generally dealing with the Facilitator in all matters in connection with or relating or arising out of the Project.

9. Termination

This Agreement shall be effective from the date hereof and shall continue in full force and effect until completion of the TDF project and in accordance with the contract, in case the Project is awarded to the Consortium. However, in case the Consortium is either not pre-qualified for the Project or does not get selected for the award of the Project, the Agreement will stand terminated or upon return of the Bid Security, if any, by the Facilitator to the Bidder, as the case may be. Upon completion of the Development Contract, this Agreement may be terminated by the Parties upon written mutual consent, if the AOP fails to win Contract from MoD, during the implementation of the 'TDF' Project.

10. Miscellaneous

- (a) This Agreement shall be governed by the laws of India.
- (b) In the event of a dispute, the Parties shall attempt to amicably resolve the same, failing which the dispute shall be referred to arbitration which shall be resolved in accordance with the Arbitration & Conciliation Act, 1996. The venue for dispute resolution shall be New Delhi, India. The arbitration proceedings shall be conducted in English language. The arbitration award shall be final and binding upon the Parties.
- (c) The Parties acknowledge and accept that this Agreement shall not be amended by the Parties without the prior written consent of the



Facilitator.

IN WITNESS WHEREOF THE PARTIES ABOVE NAMED HAVE EXECUTED AND DELIVERED THIS AGREEMENT AS OF THE DATE FIRST ABOVE WRITTEN.

SIGNED, SEALED AND DELIVERED For and on behalf of Lead Member

by:

(Signature) (Name)

(Designation)

(Address)

SIGNED, SEALED AND DELIVERED For and on behalf of SECOND PART

(Signature) (Name)

(Designation)

(Address)

SIGNED, SEALED AND DELIVERED For and on behalf of THIRD PART

(Signature)

(Name)

(Designation)

(Address)

In the presence of 1.

2.



Appendix – 'B'

Intellectual Property Rights of Government in "TDF" Projects

1. The ownership of Background Information and Background Intellectual Property Rights, created by DRDO and Company/Institution/Applicant prior to the Contract, shall rest with the respective owning Party. However, DRDO and Company/Institution/Applicant shall be deemed to have royalty free, nonexclusive and all paid-up license to use and reproduce each other's such Background Information and Background Intellectual Property Rights for the purposes of the Project.
2. The ownership of All Foreground Information as well as Foreground Intellectual Property Rights, generated during the Project, whether or not legally protected, shall rest either jointly with DRDO and Company/Institution/ Applicant or only with DRDO in certain exceptional cases.
3. DRDO and Company/ Institution/ Applicant shall consult each other before publishing any Foreground Information generated during the cooperative activities to ensure that no proprietary Information is released and the Foreground Intellectual Property Rights are not jeopardized. DRDO and Company/ Institution/Applicant shall confer and consult each other regarding preparing, filing, prosecuting, maintaining Intellectual Property Rights applications including patent applications covering Foreground Information and related expenditure. Filing of IPR applications including pated applications shall be processed through DRDO.
4. DRDO and Company/ Institution/Applicant shall not disclose any Foreground Information, whether or not legally protected, generated during the Project, to any third party without seeking prior written permission from each other.
5. Notwithstanding any provisions mentioned above or any future licensing



agreements, DRDO shall be deemed to have all rights including a nonexclusive, perpetual, irrevocable and royalty-free world-wide license for the unlimited commercial development, series production, continuing engineering support, product improvement, or have developed, any Background information and Background Intellectual Property Rights as well as Foreground Information and Foreground Intellectual Property Rights, whether or not legally protected, for the purposes of government applications.

6. Whenever DRDO informs Company/ Institution/ Applicant that the interest of national security requires Company/ Institution/Applicant to refrain from commercially supplying product/process based upon any Foreground Information and Foreground Intellectual Property Rights, whether or not legally protected, to any particular third parties, or stipulate conditions in such commercial sale, Company/ Institution/ Applicant shall abide by DRDO requirements.
7. DRDO shall not be responsible and shall not accept any liability for infringement, innocent or otherwise, by Company/Institution/Applicant of the intellectual Property Rights of third parties.
8. The term of the above provision shall survive the termination of the Contract.



Appendix 'C'

Project Definition Document (PDD): An Illustrative Format

The PDD would be prepared by the PMMG. It should contain the following:

1. Brief description of the project.
2. Categorization (Sensitive/ Non Sensitive).
3. Technology Parameter Requirement (TPR).
4. System requirements and functionalities.
5. Operational requirements.
6. Testing.
7. Documentation.
8. Life cycle management.
9. Feasibility study details.
10. Phases of implementation.
11. Shortcomings of existing system and capabilities sought in system/ product.
12. Broad project implementation aspects.
 - a. PMMG constitution.
 - b. Issue of EoI.
 - c. Assessment of DA(s).
 - d. Short-listing of DA(s).
 - e. Selection of DA(s) for technology/prototype development.
 - f. Submission of DPR by DA(s).
 - g. Preliminary cost negotiation to oversee that the projected costs are not too much in variance.
 - h. CFA approval.



- i. Design and development of technology/prototype.
 - j. Critical activities and milestones.
 - k. Testing and analysis.
 - l. Integration.
 - m. Performance evaluation.
 - n. Trials.
 - o. IPR holding authority.
- 13. Milestones
 - 14. Technology demonstrators, if any.
 - 15. BFE required for development/ Testing.
 - 16. Exit Criteria/ Risk management.
 - 17. Safety and security aspects.
 - 18. Time frames for execution of the project.
 - 19. AON approval.



Appendix- 'D'

Expression of Interest (EOI): An Illustrative Format

1. General information including number of systems required for the prototype development phase, Life span, estimated financial aspects, capabilities sought, components of the system, security features, IPR aspects, payment aspects with linkage to milestones, grounds on which EOI respondent can be disqualified, seeking information pertaining to black listing by any Indian government agency including blacklisting of domestic/ foreign technology partner if any and product audit by nominated agencies of government etc.
2. Technical requirements of the project with proposed specifications and expected tolerance limits of various parameters.
3. Critical technology areas.
4. Guidelines for formation of Association of Persons (AOP) i.e., consortium.
5. Assessment parameters.
6. Eligibility Criteria, if any.
7. Details on evaluation criteria of assessment parameters with weightages.
8. Details to be sought from EOI respondents.
 - a. Outline features of the proposal.
 - b. Recommended stages/ phases of development with priorities and time schedules.
 - c. Milestones that can be demonstrated to facilitate project monitoring
 - d. Estimated Capital expenditure.
 - e. Roles, responsibilities, and expertise details of consortium members, if any.
 - f. Role of foreign technology provider, if any.



- g. Requirement of specialized testing assistance where facilities are available only with DRDO/ DGQA/DGAQA/DGNAI.
9. Documents to be submitted by EoI respondents.
- i Information Proforma (Indian vendors) as per **Annexure-I** to Appendix D.
 - ii Documents as per **Annexure –II** to Appendix D.
 - iii Response to assessment parameters as per **Annexure-III**.
 - iv Copy of MoUs with consortium partners, if applicable.
 - v Risk Management plan by Lead partner.
10. The EoI respondent shall submit three copies of response to the EoI, clearly marking one copy as 'Original copy' and the remaining two as 'Copy No 2 & 3'. The DA shall also submit a soft copy of the response to EoI in a CD/DVD.



Annexure-I to Appendix – ‘D’

Information Proforma: An Illustrative List of Elements

1. Name of the Company
2. Name of CEO
3. Address of the Registered Office
4. Address of the Factory/Factories
5. Company Website(s)
6. Date of Incorporation
7. Brief History of the Company
8. Category of Industry (Large Scale/Medium Scale/Small Scale)
9. Nature of Company (Public Limited/ Private Limited)
10. Nature of Business (Please give broad product range against each)
 - a. Manufacturer
 - b. Trader
 - c. Sole Selling or Authorized Agent
 - d. Dealer
 - e. Assembler
 - f. Processor
 - g. Re packer
 - h. Service Provider



11. Details of Current Products
 - a. Type/Description
 - b. Licensed/Installed Capacity
 - c. Annual Production for Preceding 3 Years
12. Details of Bought Out Items
 - a. Main Equipment
 - b. Component/Assembly/Sub Assembly/Processes
 - c. Name and Address of the Sub-Contractor
13. Sources of Raw Materials
 - a. Imported/Indigenous
 - b. Brief Description
 - c. Estimated CIF Value
 - d. Percentage FE Content in Final Product
14. Details of Foreign Collaborations
 - a. Product
 - b. Name and Address of Collaborator
 - c. Year of Collaboration
 - d. Current Status of the Collaboration (whether expired or current)
15. Technology Received from Abroad and Assimilated
16. Technology Transfer MOUs Signed/Under Negotiation
17. Products Already Supplied
 - a. To Indian Army/ Air Force/ Navy
 - b. PSUs
 - c. DRDO and its Laboratories
 - d. Ordnance Factories
 - e. Any Other Defence Organisation
 - f. To Other Principal Customers



18. Details of Registration Certification Held (along with product details)
 - a. DRDO
 - b. DGQA
 - c. DGAQA/DGNAI
 - d. CEMILAC
 - e. DGS&D
 - f. Other Defence Departments
 - g. Other Government Department
19. Details of ISO Certification
20. Details of Pollution Control Certificate
21. Details of Permanent Man Power (with the details of qualifications)
 - a. Technical
 - b. Administrative
22. Total Area of Factory
 - a. Covered (sq. mtrs)
 - b. Uncovered (sq. mtrs)
 - c. Bonded Space Available (sq. mtrs)
23. Electric Power
 - a. Sanctioned
 - b. Installed
 - c. Standby
24. Details of Important Facilities
 - a. Production (including Heat Treatment, Dies, jigs and Fixtures)
 - b. CAD, CAM, ROBOTS and Other Advanced Technology Tools
 - c. Environmental Test Facilities.
 - d. Tool Room, Metrology and Test Equipment and Facilities
 - e. Type of Instrument
 - f. Make and Model



- g. Date of Purchase
- h. Frequency of Calibration
- 25. Details of Developmental Facilities
 - a. R&D Facilities Available
 - b. Number of Technical Manpower
 - c. Inspection and Quality Control of Raw Material, Components and Finished Products.
 - d. Assistance from Central Agency/Agencies for Testing/Calibration
 - e. Laboratory and Drawing Office Facility
 - f. Percentage of Total Turn-Over Spent on R&D during the last three years
- 26. Area of Interest for Future Expansion/Diversification (please provide adequate details)
- 27. Future Plan (if any) in respect of Expansion Programme, Installation of Additional Machines/Test Facilities
- 28. Turn-Over during the last three Financial Years
- 29. Present Net Worth of the Company
- 30. Any other Relevant Information
- 31. Contact Details of the Executive Nominated to co-ordinate with the Assessment Team (please provide telephone, mobile and e-mail address).



Annexure-II to Appendix – ‘D’

Documents/Information to be Submitted as Part of Responses to EoI

An Illustrative List

1. Latest Certificate of Incorporation by the Registrar of Companies (RoC)
2. Latest Memorandum of Association and Articles of Association of the Company.
3. Details of the Directors, Managing Director and Manager of the Company.
4. The complete address of the registered office of the company.
5. Documents submitted to the RoC for last five consecutive years: -
 - a. Annual Return with attachments.
 - b. Balance sheet with attachments.
 - c. Profit and Loss account with attachments.
 - d. Compliance certificate with attachments.
 - e. Auditor’s Report.
 - f. Director’s Report.
6. Auditor certified data of company for last 5 years (since incorporation, in case company was incorporated in last five year), to cover:-
 - a. Foreign holding in the company including Foreign institutional investments, Foreign venture capitalist investments, foreign Direct Investments and Shares held by Foreigners.
 - b. Tangible Assets of the company including production and R&D facilities.
 - c. Annual Turnover.



- d. R&D expenditure by the company in general and with respect to support proposed for project.
 - e. Cash Flow Statement to show cash profit earned (Cash Income minus expenditure) by the company.
 - f. Debt to Equity Ratio, Ownership pattern and shares holding pattern of the company.
7. Income Tax Return filed for last five years (since incorporation in case company was incorporated in last five year), and latest valid Income Tax Clearance Certificate (ITCC) with details of turnover.
8. ISO certification document.
9. Patent/IPR certificates (if any).
10. Details of international standards acquired like CMM software certification, with validity and certification agency.
11. Copy of Association of Persons (AOP) Agreement for:
 - a. Consortium to implement project --- (if applicable).
 - b. ToT, IPRs and other Support from Foreign Technology Provider/Partners.
 - c. For Design, Development and Manufacture of certain Sub Systems for the project required to be developed and manufactured as per Guidelines of Cipher Policy Committee (CPC) Govt. of India.
12. The company should 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.
13. Details of company organisation, Management Structure, Capabilities, Infrastructure and Key personnel involved for executing the project.
14. Details of any earlier partnership with DRDO/PSU/DPSU.



15. Certificate regarding clause wise acceptance of all terms and conditions given in the EoI, for the complete lifetime of the project.
16. Technical specifications of the equipment proposed to be used in the project.
17. The company/organisation to certify regarding correctness of reply (ies) to this EoI.



Annexure–III to Appendix – ‘D’

Responses to EOI: An Illustrative List of EOI Elements

(Responses—Factual Position—against All Criteria and Sub- Criteria forming part of Appendix ‘E’ should be mentioned by the respondents)

1. Name of the vendor.
2. Assessment parameter: Commercial/R&D/Indigenous content /Technical capability

Sl. No.	Criteria and Sub-Criteria	Vendor Submissions				Remarks, if any
		Lead Bidder	Partner 1	Partner 2	Partner 3	

Station:

Signature

Company Seal

Date:



Appendix- 'E'
Illustrative Evaluation Criteria & Sub-Criteria

Since the aim of EoI evaluation is to assess the capability of the vendors to undertake the project, evaluation up to Tier-III level may be planned.

The following illustrative evaluation criteria shall be considered for the purposes of the capability assessment.

a. Commercial Criteria.

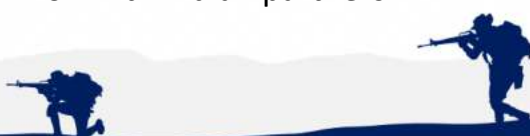
1. Nature of the Company.
2. Turnover.
3. Capital assets
4. Net profit.

b. R&D Criteria.

1. R&D expenditure as % of turnover on Strategic/Defence Systems.
2. R&D Infrastructure existing, in progress and planned in the next three years
3. Total No of patents translated into product in the subject Field and total No proposed to be utilized for the project.

c. Indigenization Criteria.

1. Indigenous design capability.
2. Indigenous manufacturing capability.
3. Infrastructure availability to absorb ToT.
4. ToT with Indian partners.



5. ToT with Foreign partners.
6. % proprietary items.
7. Components manufactured indigenously.
8. Components designed indigenously manufactured Abroad.
9. Components procured from abroad along with origin of country.

d. Technical Capability Criteria.

1. Execution of projects for military users in India and abroad.
2. Execution of projects for other users in India and abroad.
3. Execution of projects pertaining to critical technology area.
4. Adherence to timelines, slippages, cost overruns, post-delivery support.
5. Approach to meet functionalities.
6. Proposed configuration.
7. Approach to address inter-operability issues.



Appendix –‘F’

Detailed Project Report (DPR): An Illustrative List of DPR Elements

1. The PMMG would order preparation of Detailed Project Report and provide following inputs to the nominated DA(s):
 - a. Technical Parameter Requirement (TPR)
 - b. Time frames and critical activities
 - c. Milestones
 - d. Evaluation process and acceptance criteria
 - e. 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.
 - f. Project Monitoring Methodology.

2. The DPR would stipulate the scope of the work in terms of the following:
 - a. TPR
 - b. Overview of the project
 - c. Scope of the project
 - d. Infrastructure requirements
 - e. Operational requirements
 - f. Integration requirements
 - g. Estimated Bill of Material/ Phase-Wise Cost Break-up



- h. Estimated timelines for various phases of technology/ prototype development
 - i. Critical activities and milestones
 - j. Estimated expenditure for various phases of technology/prototype development inclusive of all taxes & duties to be incurred by DA
 - k. Detailed risk analysis and risk management plan.
 - l. Role of technology provider, if any.
 - m. Upfront disclosure of details of foreign collaboration, if any.
 - n. Requirement of proof firing and other specialized testing assistance where facilities are available only with DRDO/DGQA/DGAQA/DGNAI
 - o. Evaluation process and acceptance criteria
 - p. Sharing of development cost (**Annexure-I to Appendix 'F'**)
 - q. Insurance premium for insurance cover against collateral/third party damages.
 - r. Any other detail as required such as Project Management Plan, QA Plan.
3. The PMMG would analyze the DPR and submit the same along with its recommendations, especially with reference to exit criterion, to the TDF Directorate for approval.

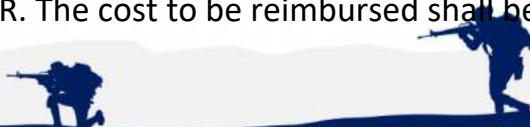


Annexure- I to Appendix- 'F'

Guidelines for Approval and Acceptance of Cost-Sharing

Arrangements Procedures

1. The cost estimates shall be prepared by the finally shortlisted DA(s) and shall be submitted to the PMMG within the required date and time as part of the DPR.
2. The DA shall prepare the cost estimates in accordance with the general principles outlined in this annexure and shall record a certificate to that effect as part of the documentation submitted.
3. These cost estimates shall be examined by the PMMG as part of the DPR. The PMMG shall hold consultations with the DA as required and shall submit its final recommendations to the Technical Committee for approval. Depending upon individual requirements of DA(s) in terms of development of technology and indigenous content, the PMMG could consider and recommend a reasonable cost variation with due justification amongst the DPRs submitted by the two DA(s), as compared to the lower of the two.
4. The approved cost estimates shall then be communicated by the PMMG to the Development Agency as part of the Project Sanction Order (development contract); and shall form the basis for the technology development or designs and development of prototype and claiming of costs by the DA.
5. Claims for reimbursement of MOD share shall be made by the DA upon completion of different phases at 42 to 45 paragraphs of SOP, as finalized in the DPR. The cost to be reimbursed shall be restricted to actual cost.



General Principles

1. Indian Accounting Standard 7 (AS7) shall be followed for accounting procedure.
2. The following criteria shall be used by the Ministry of Defence for determining whether, what and upto what extent the costs incurred by DA shall be paid out of public funds:
 - a. Costs Allowability;
 - b. Cost Allocability;
 - c. Cost Reasonableness; and
 - d. Terms of the Contract.
3. The DA shall not charge any unallowable costs; and shall segregate the same from any proposal, billing, indirect cost pool or claim submitted to the Ministry. The following costs are specifically considered unallowable for the purpose of these guidelines:
 - a. Bad Debts;
 - b. Interest;
 - c. Land;
 - d. Permanent Building;
 - e. Entertainment;

recognised as an ordinary or necessary cost of business; (ii) follow sound business practices; (iii) comply with Central, State, local laws; and (iv) be consistent with the Development Agency's established business practices. The determination of



reasonableness of a particular cost shall depend on all relevant facts and circumstances concerning the costs; and the decision of the Ministry Defence in this regard shall be final.

Miscellaneous

1. The Development Agency shall submit a break-up of cost estimates for each stage. These stages shall also form specific potential exit points for the (TDF) Ministry of Defence without any further liability, if the Ministry of Defence is of the considered opinion that requisite and timely progress has not been made by the Development Agency for successful completion of that phase.
2. The (TDF) Ministry of Defence shall not, under any circumstances, entertain or consider any revisions, submissions, or arguments for inclusion of unallowable costs as specified in these Guidelines.



Appendix G

(Refers to para 36 of SOP)

DELEGATED FINANCIAL POWERS OF CFA FOR 'TDF PROJECT'

Description	CFA
Project Cost upto ₹5 Crores	Chairman, Technical Committee
Project Cost upto ₹10 Crores	Chairman, Empowered Committee

*** For project cost overruns, refer para 48 of the SOP**





रक्षा मंत्रालय
MINISTRY OF
DEFENCE



**Technology
Development
Fund**