

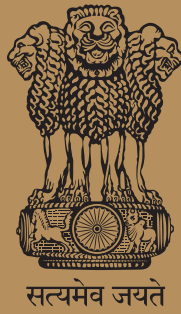
Ministry of Defence

[Acquisition Wing Secretariat]

Sub: Uploading of Report of the Task Force on selection of Strategic Partners chaired by Dr. V. K. Aatre on MoD website.

I am directed to upload on the MoD website the Report of the Task Force on selection of Strategic Partners chaired by Dr. V. K. Aatre for information. MoD is yet to take a formal view in the matter.


(Praveen Kumar)
Director(Acq)



REPORT OF THE
TASK FORCE ON
SELECTION OF
STRATEGIC
PARTNERS

Ministry of Defence
December 2015

Report of the Task Force on Selection of Strategic Partners

**Ministry of Defence
January 2016**

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ACKNOWLEDGEMENTS

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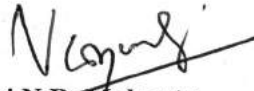
**TASK FORCE TO LAY DOWN THE CRITERIA FOR SELECTION OF THE
STRATEGIC PARTNERS FOR VARIOUS PLATFORMS FROM THE
PRIVATE SECTOR INDUSTRY**



Dr. V.K. Aatre



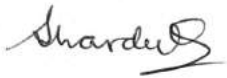
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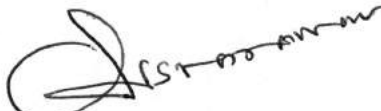
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CHAPTER 1

PREAMBLE

1.1. Background and Rationale

- 1.1.1. A committee of experts drawn from various fields including the industry was constituted by the Ministry of Defence (“**MoD**”) under the Chairmanship of Shri Dhirendra Singh (“**Expert Committee**”) for the purposes of evolving a policy framework to facilitate ‘Make in India’, align it with the Defence Procurement Procedure (“**DPP**”) and suggest requisite amendments in DPP-2013¹. The Expert Committee submitted its report in July 2015.
- 1.1.2. The Expert Committee *inter-alia* recommended a ‘strategic partnership’ model (“**Strategic Partnership**”) for creating capacity in the private sector on a long-term basis in six strategic segments such as aircraft/helicopters, warships/submarines, armoured vehicles, missiles, command control systems and critical materials. The Expert Committee Report in para 3.3.03 recognises that *“Having considered the nature of defence materiel and the configurations of the defence industry worldwide we have come to the inevitable conclusion that if the strengths of the private industry are to be harnessed then they must be done under well-defined models depending upon the strategic needs, quality criticality and cost competitiveness. Whenever the vendor base is large and competition is feasible, the competitive bidding process must be followed. There are cases however where certain platforms are of strategic importance. For these, we are recommending the ‘Strategic Partnership model’ for creating capacity in the private sector on a long term basis. **Such a capacity will be created over and above the capacity and infrastructure that exists in Public Sector units.**”* Therefore, it is clear that the Strategic Partners shall co-exist with the Defence Public Sector Undertakings (“**DPSUs**”), Ordnance Factories (“**OFs**”) and Defence Research and Development Organisation (“**DRDO**”) and that the MoD shall be at a liberty to utilise all these entities for its needs.
- 1.1.3. In the above context, the Expert Committee has recommended the constitution of a Task Force for laying down the criteria for selection of strategic partners (“**Strategic Partners**”) in the aforementioned six segments.² The context in which the Task Force has been constituted to lay down criteria for selection of Strategic Partners for various segments from the private sector industry is set out in the report of the Expert Committee dated July, 2015

¹ See the Convening order dated May 01, 2015, page 244, Expert Committee Report.

² See the Convening order- Task Force to Lay Down Criteria for Selection of the Strategic Partners for Various Platforms from the Private Sector Industry dated September 7, 2015 issued by the MoD.

headed by Shri Dhirendra Singh (“**Expert Committee Report**”). Para 3.3 of Chapter 3 pertaining to Make in India in the Expert Committee Report, spells out the rationale why the Expert Committee suggested the inclusion of the private sector (large, medium and small enterprises) in the development of the defence industrial base, which rationale is as follows: *“Considering the available synergies between civil and defence technology applications, and the existing capabilities of Indian private industry, fostering a constructive, long term partnership is considered not just sound economic option but a strategic imperative to minimize dependence on foreign vendors. It is a known fact that larger and sustained production volume of any system leads to optimization of cost as well as improved production efficiency”*.

1.1.4. The critical observations in the Expert Committee Report in relation to the Strategic Partnership model are as set out in paras 3.3.05 and 3.3.07 thereof.³ The Expert Committee contemplated that a task force was needed to be constituted to lay down the criteria in detail after studying best practices and in this context stated *“A rational, fair, scientific and transparent procedure can and should be worked out”*.⁴

1.1.5. Accordingly, the MoD constituted this task force (“**Task Force**”) under the Chairmanship of Dr. V.K. Aatre with experts from various fields as members, with the following terms of reference:

- (a) *“To recommend criteria in detail for the selection of Strategic Partners which include the generic criteria and the specific criteria for the platforms identified by the Dhirendra Singh Committee, after studying the best practices.*
- (b) *To prescribe the methodology for selection of the Strategic Partners by laying down specific parameters based on the criteria of selection.*
- (c) *To prepare a draft of a long-term covenant to be entered into between the Government and the selected Strategic Partners for their respective roles and responsibilities in the development and production of systems/platforms.*
- (d) *Any other recommendation incidental to the basic aspects referred to the Task Force.”*

1.1.6. The Task Force has carefully studied the terms of reference as well as the recommendation in the Expert Committee Report in relation to the Strategic Partnership model. The Expert Committee has suggested broad parameters on which the selection criteria could be based which are as follows⁵:

- (a) **Financial Capability.** *Annual turnover, Profitability, Net worth, Risk Appetite, appropriate ratio of program size to annual revenues;*
- (b) **Financial Prudence.** *Credit ratings, quality of disclosures, No CDR status;*
- (c) **Technical Capability.** *Domain specific capabilities (range and depth), organisational processes, outside domain large programme capability, Global reach / network;*

³ The initial thinking process in the partnership models were also reflected in the Expert Committee Report in paras 3.3.03 and 3.3.04.

⁴ Para 3.3.07, page 48, Expert Committee Report.

⁵ Para 3.3.06, page 48, Expert Committee Report.

- (d) **R & D Capability** Track record in development of technologies and products, R & D investments over past five years, R & D centre certification and accreditations;
- (e) **Capacity / Infrastructure** – quality of infrastructure w.r.t. global benchmarks;
- (f) **Executive Track Record** – Delivery Track Record
- (g) **Ownership Structure** – Public / Private, Family / Professional, Promoter driven / widely held.”

1.1.7. The Expert Committee further stated that “We are aware that most such criteria are used for selecting the best offer in commercial bids. Our model stops short of commercial bids and would have as target companies those who may not have been involved in projects under the identified segments”.⁶ Therefore, being aware of the current procurement models which are essentially contract based competitive exercises, the Expert Committee contemplated an alternative mechanism which did not have competitive commercial bidding element for direct procurement as a competitive process. This has been further clarified by the Expert Committee as it stated that “The Committee is *conscious* that its recommendations relating to the Strategic Partners which would be applicable to the ‘Buy and Make’ category, is of considerable import. Such a recommendation goes against the accepted grain of thinking which prefers competitive bids involving technical and commercial parameters. It is hence considered desirable that the committee’s reasoning be spelt out in detail”.⁷ Therefore, the Task Force is of the view that the Strategic Partnership is a long term relationship between the MoD and Strategic Partners and the selection criteria should be based on inherent capacity and ability of the entity and not on the lowest bidder principle. The long term Strategic Partners will have to set up the vendor network on a competitive basis for sourcing and be a system of systems integrator for the Group I Segments set out in this report. Consequently, commercial bids for selection of the Strategic Partner are not being contemplated.

1.1.8. To better understand the Strategic Partnership model which was contemplated by the Expert Committee, the Task Force consulted with the chairman and members of the Expert Committee. As a part of its deliberations, the Task Force also sought views from defence sector experts in Confederation of Indian Industry, Federation of India Chambers of Commerce and Industry and Associated Chambers of Commerce and Industry of India, who made presentations and submitted their recommendations. Representative of Indian Space Research Organisation, which has developed an indigenous space technology sector in the country and officers from the armed forces working in the Integrated Project Management Teams for “Make” projects under DPP were also consulted.

1.1.9. The Task Force has examined best practices prevalent in relation to process concerning selection of Strategic Partners and in this context has specifically researched the selection criterion used in United States of America (“USA”), United Kingdom (“UK”) and France. To assist it in its

⁶ Para 3.3.07, page 48, Expert Committee Report.

⁷ Para 3.3.08, page 49, Expert Committee Report.

deliberations, the Task Force also invited representatives and defence attaché from the High Commission of UK and the Embassy of France, who explained the selection criteria prevalent in their countries. In relation to UK, broadly the Defence Reforms Act, 2014 which sets out the principles of single source procurement read with the Single Source Contract Regulations, 2014 and the Orange Book which is loosely a reference to the single source legal framework in UK, were examined. In relation to USA, Price Waterhouse Coopers (“PWC”) was requested to explain the selection criteria used in relation to Strategic Partner type structures, if any. PWC made a presentation to the Task Force pursuant to the request. In this context the earlier effort of the MoD to select Raksha Udyog Ratnas was also studied.⁸ This research and examination revealed that there was no exhaustive or replicable selection procedure or criteria relevant thereto of the nature required to select a Strategic Partner in UK, France and USA and therefore a fresh set of criteria would have to be evolved for selection of Strategic Partners in India.

- 1.1.10. The Expert Committee also stated that “*The selection procedure for such Strategic Partners is the most crucial element in operationalising the idea*”.⁹ The Expert Committee further states that “*In each of these segments, private sector Strategic Partners (SP) need to be identified through a well-defined protocol to create capacity in them over and above the capacity in the Public Sector in these segments*”.¹⁰ In light of the above it is clear that criteria for selection of a Strategic Partner is the bedrock of the Strategic Partnership model in India.
- 1.1.11. Strategic Partnerships would not only be long term relationships between an Indian private sector entity and the MoD but would also be critical from the perspective of achieving self-reliance in respect of national security and defence production apparatus of the country. The Task Force further acknowledged that in the Indian private sector there is limited experience and expertise in relation to defence production and even lesser in respect of final integration of complex defence systems and sub-systems. Therefore, instead of experience in defence manufacturing, experience and competence in integration of multi-disciplinary/functional system of systems, engineering and manufacturing should be primarily looked for in a Strategic Partner. It is for this reason that the Expert Committee had suggested that “*Thus the key competence that one should be looking at in such partners is (i) their competence in system engineering; (ii) supply chain management to manage life cycle support; and (iii) companies that are looking for assured revenue streams based on such long term partnerships, rather than those who could prefer one off contracts from time to time*”¹¹. Therefore, given the nascent stage of the Indian defence manufacturing sector, the Task Force has very carefully crafted eligibility and evaluation criterion as may be required to identify the best possible Strategic Partner for a Segment.

⁸ See, Report of the Selection Committee for Selection of Raksha Udyog Ratnas, June 2007.

⁹ Para 3.3.07, page 48, Expert Committee Report.

¹⁰ Para 3.3.05, page 47, Expert Committee Report.

¹¹ Para 3.3.05, page 47, Expert Committee Report.

- 1.1.12. As envisaged in the Report of the Experts Committee, the role of MSMEs will be significant in the value chain in Strategic Partnership model. The Task Force expects that the selected Strategic Partners will work with and form collaborative arrangements with MSMEs as Tier I and Tier II vendors, including distributed manufacturing in India.¹² The Strategic Partner is required to play the role of Systems Integrator, built on an eco-system of large number of specialized vendors and suppliers including those from the MSME sector. The areas of collaboration and partnership will be long term, substantive and would extend into design, development, supply, upgrade and export of services, goods and intermediates.
- 1.1.13. The Task Force further endeavored that the selection criterion for a Strategic Partner should be fair, reasonable, non-arbitrary, transparent and rational. Therefore, the Task Force has tried to ensure that the criteria and classification recommended herein must be founded on an intelligible objective criteria which distinguishes the selected Strategic Partner amongst the Applicant Companies from others. Further, the Task Force has tried to ensure that this differentia must have a rational relation to the object sought to be achieved which is selection of the best, technically suitable, financially capable, and reliable long term Strategic Partner of the MoD, Government of India (“**GoI**”) amongst the applicants in respect of the specified items under the Segments.
- 1.1.14. The Task Force is conscious of the fact that it is laying down a fresh methodology and criteria for selection of Strategic Partners in the context provided in para 1.1.11. The selection of the Strategic Partner is important from the perspective of national security and concerns the state of preparedness of the nation for defending itself. The Task Force is aware that a change in policy as suggested by the Expert Committee and further developed by the Task Force has been formulated based on the expertise and competence of the experts appointed by the MoD, who have carried out extensive deliberations and have examined best practices as mentioned in para 1.1.9. Further, the Task Force sought a detailed analysis of the Supreme Court judgments concerning the (grounds of judicial review in such cases and the limited circumstances in which courts review matters concerning executive action or government policy to protect the policy initiative from extensive delays owing to legal challenges. It has broadly been concluded that the courts are usually reluctant to interfere with matters concerning the “*the uncharted ocean of government policy*”.¹³ The Hon’ble Supreme Court has observed that “*economic and fiscal regulatory measures are a field where Judges should encroach upon very warily as Judges are not experts in these matters*”.¹⁴ The Task Force is therefore aware that courts would ordinarily not interfere just because a change in policy is being suggested. The Task Force is cognizant of the fact that it is not laying down any policy which is in contravention of constitutional or statutory provisions nor is it plainly arbitrary or mala fide.

¹² See, Para 2.3 at page 64 of Expert Committee Report.

¹³ *Bennett Coleman & Co. v. Union of India*, (1972) 2 SCC 788.

¹⁴ *Bajaj Hindustan Limited v. Sir Shadi Lal Enterprises Ltd.*, (2011) 1 SCC 640.

- 1.1.15. The Task Force is aware of the acute need in India for creating Strategic Partners as “system of systems” integrators which is an international norm and best practice in the field of defence manufacture. This is also borne out of the experience with DPSUs and OFs which currently constitute the defence industrial base of the country. The Task Force is also cognizant of the fact that selection of Strategic Partners for establishing different defence segments for facilitating manufacture in accordance with MoD’s specifications is hardly a matter which should be locked up in the labyrinth of pending civil cases, when India is at a risk of being underprepared. Armaments, aircraft, helicopters, submarines, ships, armored vehicles, etc. are getting obsolete with every passing year and significant manufacturing in India whether for renewal and replacement or for innovative upgrade to modern techniques of warfare, is needed.
- 1.1.16. The Task Force, in this report, has made further recommendations to the MoD for setting up an independent body to act as a regulator for Strategic Partnerships. This shall allow an orderly development and regulation of the Strategic Partnership model. This recommendation is in the context of Chapter 5 (*Trust and Oversight*) and Chapter 6 (*Beyond DPP*) of the Expert Committee Report.
- 1.1.17. Therefore, after extensive deliberations, consultations with experts, research and discussions, the entry gates, selection criteria, weightages and benchmark scores have been established based on the expertise of the members of the Task Force. The reasons for selecting a particular methodology or a principle of evaluation have been further detailed in the next chapter (*Philosophy and Methodology*).

CHAPTER 2

PHILOSOPHY AND METHODOLOGY

2.1. Guiding Principles - Segments

- 2.1.1. The Expert Committee had recommended that the following projects could be identified for long term Strategic Partnership:-

“Platforms

- (i) *Aircraft – fighter, transport and helicopters and their major systems*
- (ii) *Warships of stated displacements and submarines and their major systems*
- (iii) *Armoured Fighting Vehicles and their major systems*

Weapons

- (iv) *Complex weapons which rely on guidance systems, to achieve precision hits, which may include anti-ship, air defence, air to air; air to surface, anti-submarine, land attack.*

Networks

- (v) *Command, Control, Communication and Computers, Intelligence, Surveillance, Target acquisition and Reconnaissance*

Materials

- (vi) *Critical materials (Titanium alloys, Aluminum alloys, Carbon composites, Nickel / Cobalt alloys etc.)”¹⁵*

- 2.1.2. The Task Force examined the projects identified for long term partnership by the Experts Committee and resolved it further for clarity, in alignment with international best practices. For example, while aircraft manufacture will come under the definition of ‘system of systems’, materials is not so. Hence there is a need to separate the projects as those that are ‘system of systems’ and those which are not. Thus the classification of Group I (‘system of systems’ projects) and Group II (other projects) is introduced.

- 2.1.3. In Group I, aircraft and helicopters are essentially different segments and require different technologies and therefore separate Strategic Partners should be appointed for the same. A separate Strategic Partner should be appointed in respect of ‘aero-engines’ as these are critical for any aircraft project and India does not have adequate expertise in this field. This is also the pattern worldwide where aircraft integrators are not aero-engine manufacturers,

¹⁵ Para 3.3.04, page 47, Expert Committee Report.

which is a specialised field of engineering. Similarly, warships of stated displacement and submarines have also been segregated as these are essentially distinct segments requiring different technologies. All types of guns have been specified as a separate Segment. In this Group I, one Strategic Partner needs to be selected per Segment.

- 2.1.4. In Group II, materials have been further sub-divided into metallic and non-metallic as technology development and manufacturing processes are distinctly different for these two broad division of materials. The Task Force recommends that ammunition be introduced as a Segment in Group II as it is a critical and regular need of the armed forces and self-reliance in this field is very important. Also, the technology for manufacture of ammunition though very special and distinctly military, may not qualify as ‘system of systems’. The existing conventional ammunition production base is primarily with OFs, who do not have adequate capacity. Both in the Materials and Ammunition the varieties are wide. Therefore, one or two Strategic Partners need to be selected in this Group per Segment. In light of the above, the Segments as crystalized by the Task Force are as follows:

Group I Segments

- (a) Aircraft
- (b) Helicopters
- (c) Aero Engines
- (d) Submarines
- (e) Warships
- (f) Guns (including artillery guns)
- (g) Armoured vehicles including tanks

Group II Segments

- (a) Metallic material and alloys
- (b) Non-metallic material (including composites and polymers)
- (c) Ammunition including smart ammunition

- 2.1.5. As ‘Networks’ include command, control, communication and computers, intelligence, surveillance, target acquisition and reconnaissance which, are required across the Segments, the Task Force has not specifically listed it as a separate standalone item in respect of which a Strategic Partner should be appointed. The Task Force recommends that MoD may consider that the development and manufacture of Networks¹⁶ be done through Development Partners¹⁷.

¹⁶ Networks: Command, Control, Communication and Computers, Intelligence, Surveillance, Target acquisition and Reconnaissance

¹⁷ See, Para 3.3.15, page 51 of the Expert Committee Report

2.1.6. Selection and appointment of Strategic Partners for different Segments can be done in one or more phases. The MoD shall have the discretion based on its priorities to identify the Segments for which Strategic Partners shall be appointed in the initial and subsequent phases, if any. Once Segments have been identified for such selection, the process of appointment of a Strategic Partner for these Segments shall be contemporaneous.

2.1.7. While the MoD will have the discretion to prioritise the Segments, the Task Force recommends that in the initial phase the following Segments be considered for selection:

Group I

- (a) Aircraft
- (b) Helicopters
- (c) Submarines
- (d) Armoured vehicles including tanks

Group II

- (a) Ammunition including smart ammunition

The foregoing being said, the above recommendation would be subject to further sub-division of the Segments (as referred to in para 2.2.3) that the MoD may undertake. The final decision on priority will be based upon an in-depth examination by the MoD of the urgent needs of the Indian armed forces.

2.2. Guidelines - Structure

2.2.1. **Ownership Structure and Form:** The Task Force is of the view that the applicant must be a public company as defined under the Companies Act, 2013 (“**Applicant Company**”). The objective of the Strategic Partnership model is to build capabilities in India to manufacture defence equipment. Moreover, the Task Force has contemplated that in certain extreme circumstances of conflict like war, the GoI would have the right to acquire control over the intellectual property used and facilities developed pursuant to the Strategic Partnership. Even the World Trade Organization regime recognises and protects actions of governments in the interest of national security by member states.

2.2.2. **Applicant to be Evaluated:** As the Applicant Company would be eventually appointed as the Strategic Partner, the Applicant Company would be evaluated as opposed to its Group Companies or associate companies. For certain Financial Criteria the consolidated financial statements of the Applicant Company shall be evaluated excluding non- banking financial companies (“**NBFCs**”) within the Group (where the Applicant Company is the ultimate parent) to evaluate the financial health of the Applicant Company. For technical

evaluation, the Applicant Company itself shall be evaluated. In this context the Applicant Company shall be made responsible to manufacture and deliver items under the Segments to the MoD and render related services. The privity of the long term covenant and specific contracts thereunder will be between the MoD and the Applicant Company; and if there are any Special Purpose Vehicles (“SPV(s)”) set up, with such SPVs as well, by tri-partite arrangement or through deed of adherence as decided by the MoD. Having said the above, in respect of Segment Specific Criteria as detailed below, the experience of other Group Company(ies) including fellow subsidiaries and their step down subsidiaries but excluding associate companies and NBFCs for such Segment Specific Criteria would be taken into consideration in addition to that of the Applicant Company.

- 2.2.3. **Strategic Partner for Segments:** The Task Force recommends that only one Strategic Partner should be selected per Segment in Group I. Selecting more than one Strategic Partner in relation to Group I may lead to technology, plant and financial investment of one Strategic Partner developed for a project being wasted if the next project of the MoD is won by the second Strategic Partner for that Segment with separate investment. Distribution of the projects amongst two Strategic Partners would not allow the benefit of economies of scale as compared to a single Strategic Partnership model. Further, two Strategic Partners for the same Segment would inject uncertainty into the system as even the spares and tools will be different for different products in the same Group and a Strategic Partner would hesitate to invest in advance of the grant of a contract due to this uncertainty, thereby converting the Strategic Partnership into “a contract to contract” relationship as opposed to one continuous binding relationship. This is in accordance with the recommendation of the Expert Committee which had recommended, “Select just one / two SPs in each segment”.¹⁸ The segments/projects as described by the Expert Committee were wider as compared to Group I Segments listed by the Task Force. The Segments, especially in Group I have been sub-divided and identified by the Task Force for clarity. The Task Force recommends that in respect of Group I Segments, just one Strategic Partner per Segment be selected.

Having said the above, the Task Force recognizes that Group II Segments are more bulk produced products. For example, ammunition types vary vastly from small arms to artillery guns. The variety of small arms as well as larger caliber guns is ever increasing and so is their ammunition. Similarly, materials may be subdivided into multitude of essential materials used for defence manufacturing. Especially the development of new materials requires an in-depth research and development endeavor beset with debilitating denial regimes. As it is research and development intensive the associated difficulties and risks are higher. The Task Force recommends that in respect of Group II Segments, one or two Strategic Partner per Segment be selected.

¹⁸ Para 3.3.06, page 48, Expert Committee Report.

The Task Force further clarifies that even though it has sub-divided and clarified the exact Segments (as compared to slightly broader grouping in the Expert Committee Report), in the event the MoD at any stage is of the view that a particular Segment requires further sub-division due to distinct sub-types within that Segment or for reasons of capacity constraints, the MoD shall have the flexibility to sub-divide any such Segment upon analyzing *inter-alia* the economic viability and the technical requirements for such Segment.

Based on these, MoD may consider and appoint one Strategic Partner for each sub-segment. For example, Aircraft may be sub-divided (for example transport/combat, single/twin engine aircraft) if such sub-division and appointment of a Strategic Partner for such sub-segments is found economically viable and technically justifiable by the MoD. Such sub-division of Segment should be done prior to initiating the procedure for appointment of a Strategic Partner for such a Segment.

No monopoly will emerge as the DPSUs, OFs and DRDO will remain competitors in the Segments.

- 2.2.4. **Only one Company from a Group for Group I Segments:** Only one Company shall be eligible as the Applicant Company from one Group in respect of Group I Segments. Such Applicant Company shall be permitted to file an application for selection as Strategic Partner in respect of Group I Segments. Further, if another round of selection is initiated in future for appointing additional Strategic Partner(s) for any of the Segments of Group I Segments, other Group Companies¹⁹ of existing Strategic Partners shall not be permitted to file an application for selection as a Strategic Partner. The Task Force recommends that not more than one Applicant Company from the same Group (having the same ultimate parent) can be appointed as Strategic Partner for Group I Segments. Similarly, no crossholding of shares or debt or other securities shall be permitted amongst Strategic Partners for Group I Segments. Interdependence of any kind between Strategic Partners or their promoter companies in relation to other Strategic Partners or their Group or promoter companies selected for Group I Segments is prohibited. It is specifically clarified however that associate companies (as defined under the Companies Act, 2013) shall be excluded from the definition of Group for the above purpose. An Applicant Company which has applied for all or any of Group I Segments shall not be eligible to apply for the Group II Segments. However, a different company from the same Group may apply for Group II Segments.

- 2.2.5. **Only one Company from a Group for Group II Segments:** Only one Company shall be eligible as the Applicant Company from one Group in respect of Group II Segments. Such Applicant Company shall be permitted to file an application for selection as Strategic

¹⁹ Group Company has been defined at Chapter 9: Definitions.

Partner in respect of Group II Segments. Further, if another round of selection is initiated in future for appointing additional Strategic Partner(s) for any of the Segments of Group II Segments, other Group Companies²⁰ of existing Strategic Partners shall not be permitted to file an application for selection as a Strategic Partner. The Task Force recommends that not more than one Applicant Company from the same Group (having the same ultimate parent) can be appointed as Strategic Partner for Group II Segments. Similarly, no crossholding of shares or debt or other securities shall be permitted amongst Strategic Partners for Group II Segments. Interdependence of any kind between Strategic Partners or their promoter companies in relation to with other Strategic Partners or their Group or promoter companies selected for Group II Segments is prohibited. It is specifically clarified however that associate companies (as defined under the Companies Act, 2013) shall be excluded from the definition of Group for the above purpose. An Applicant Company which has applied for all or any of Group II Segments shall not be eligible to apply for the Group I Segments. However, a different company from the same Group may apply for Group I Segments.

- 2.2.6. **Foreign Direct Investment:** Given that the proposed system is a new structure for facilitating Strategic Partnership for defence manufacture and there is no specific entry dealing with Foreign Direct Investment (“**FDI**”) in Strategic Partners under the Consolidated FDI Policy, it is proposed that certain restrictions may be imposed on Strategic Partners in the Consolidated FDI Policy. It is being proposed that the Applicant Company and subsequently the Strategic Partner when appointed should be an Indian company owned and controlled by resident Indian citizens. The management of the Applicant Company should be in Indian hands with majority representation on the board of directors. The chief executive(s) of the Applicant Company shall be resident Indians who are part of the Indian Group owning and controlling the Applicant Company or the Strategic Partner. ‘Control’ shall include the right to appoint a majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements. Further, a company is considered as ‘Owned’ by resident Indian citizens if more than fifty percent (50%) of the capital in it is directly or beneficially owned by resident Indian citizens and / or Indian companies, which are ultimately owned and controlled by resident Indian citizens. Therefore, the maximum permitted FDI shall be forty nine percent (49%). No pyramiding of FDI in Indian holding companies or in Indian entities subscribing to shares or securities of the Applicant Company or the Strategic Partner shall be permitted as detailed hereinafter. Indirect foreign investment shall be accounted for in counting the forty-nine percent (49%) FDI.

The calculation of foreign investment in the Applicant Company shall include:

- (a) The paid up equity share capital held by the foreign company either by itself through its

²⁰ Group Company has been defined at Chapter 9: Definitions.

subsidiary companies or nominees in the Applicant Company;

(b) The paid up equity share capital held by **other** foreign investors in the Applicant Company; and

(c) The quantum represented by that proportion of the paid-up equity share capital to the total issued equity share capital held or controlled by persons mentioned in (a) or (b) above in an Indian company or a limited liability partnership which is a shareholder in the Applicant Company (“**Indian Entity**”). It is pertinent to note that, for the calculation of foreign equity in the Indian Entity equity held by Foreign Portfolio Investors (“**FPI(s)**”) (category I and II only) and Indian mutual funds will not be included.²¹

- 2.2.7. FDI limit of forty nine percent (49%) in respect of the Strategic Partner is composite and includes all kinds of foreign investments i.e. FDI, Foreign Institutional Investors (“**FII(s)**”), FPIs, Non Resident Indians (“**NRI(s)**”), Foreign Venture Capital Investors (“**FVCI(s)**”) and Qualified Foreign Investors (“**QFI(s)**”) regardless of whether the said investments have been made under Schedule 1 (FDI), 2 (FII), 2A (FPI), 3 (NRI), 6 (FVCI) and 8 (QFI) of Foreign Exchange Management (Transfer or Issue of Security by Persons Resident Outside India) Regulations, 2000.

For the above to be implemented, a specific category of Strategic Partnership would have to be included in the Consolidated FDI Policy as currently Strategic Partners do not feature as a category in the Consolidated FDI Policy. A Strategic Partner may not be a defence manufacturing company and may use its SPV (as detailed below) for manufacturing. The above restrictions under the future entry for Strategic Partners under the Consolidated FDI Policy shall be applicable to the Strategic Partners throughout the term of the Strategic Partnership and not merely at the time of the application. The above restrictions are partly based on the provisions governing the *Defence Industry which are subject to Industrial license under the Industries (Development & Regulation) Act, 1951* under the Consolidated FDI Policy as it stood prior to November 24, 2015 and must be retained in respect of Strategic Partners even if there is further liberalisation in relation to the defence industry subject to industrial license, due to concerns of national interest in Strategic Partnership model. A draft press note which may be used for introducing “Strategic Partners” and related FDI restrictions in the Consolidated FDI Policy has been appended as **Appendix I** to this report.

2.3. Evaluation and Selection

- 2.3.1. In respect of the evaluation or selection of a Strategic Partner, the Task Force recommends that the same should be done by an evaluation committee (“**Evaluation Committee**”). The

²¹ For example, in respect of 2.2.5 (c), in the event Company A, having twenty five percent (25%) FDI (and no other foreign investment), holds fifty percent (50%) of the Applicant Company, presuming the Applicant Company has no other foreign investment, it shall be construed to have twelve point five percent (12.5%) of foreign investment.

Evaluation Committee should be set up by the MoD and shall have:

- (a) Chairman having adequate knowledge of the defence sector;
- (b) A financial representative having adequate knowledge in finance and accounting;
- (c) Two segment experts:
 - (i) One from DRDO who should be a scientist (G level or above) from the relevant Segment, and
 - (ii) The other from armed forces being of a rank of Major General in the Indian army (and equivalent) or above from the specific Segment.
- (d) Two technical experts
 - (i) One from manufacturing and/or industry background with experience of at least twenty (20) years; and
 - (ii) The other from research and development background with experience of at least twenty (20) years.
- (e) Member secretary from the MoD

2.3.2. The Evaluation Committee members shall undertake and be obligated to execute: (a) a confidentiality undertaking; and (b) a no-conflict of interest declaration, as shall be provided to them by the MoD.

2.3.3. The two technical experts and the two segment experts as stated above in para 2.3.1 shall together form a four-person sub-committee of the Evaluation Committee (“**Verification Sub-Committee**”). This Verification Sub-Committee shall conduct on-site inspection and verification of the technical information (generic as well as Segment specific) submitted by the Applicant Companies. The information as verified by the Verification Sub-Committee would be considered for evaluation of the application submitted by the Applicant Companies by the Evaluation Committee for awarding of grades and marks etc. to them.

2.3.4. The segment and technical experts shall be different for evaluating separate Segments of Group I Segments and Group II Segments except for exclusion given below. For example in respect of submarines, the two segment experts and the two technical experts should have sufficient experience and expertise in relation to submarines. However, it is clarified that such experts who have cross Segment experience or expertise may serve on the Evaluation Committee and the Verification Sub Committee in respect of more than one Segment. Following paragraphs explain the selection process which has been summarized in **Illustration I** at the end of this chapter.

2.3.5. **Simultaneous Submission of Applications:** Application may be submitted simultaneously by the Applicant Company for any one or more of the Segments in either Group I Segments or Group II Segments. If an Applicant Company applies for more than one Segments in the same group of Segments, it should indicate its preference (by ranking) *inter-se* the Segments. The application should be supported by an Affidavit testifying to the truth and accuracy of the information supplied. The financial information shall be accompanied by unqualified

report from the statutory auditor appointed under Section 139 of the Companies Act, 2013 or corresponding sections under previous Companies Act, about the correctness and accuracy of the financial information submitted. For any materially false statement, the Applicant Company shall be disqualified for misstatement of facts.

2.3.6. Steps

The selection procedure shall be a three step process. The first step would be the qualifying step wherein Applicant Companies would have to satisfy the minimum qualifying criteria as per para 2.3.6.1 to move to Step 2 as per para 2.3.6.2. Step 2 would be a verification stage wherein the information provided by the Applicant Companies shall be verified by the Verification Sub-Committee and thereafter to be submitted by the Verification Sub-Committee to the Evaluation Committee. The third step will be to make a comparative evaluation at the end of which the Applicant Companies shall be placed in a descending order of merit on the basis of relative grading obtained in accordance with the criteria mentioned hereafter in succeeding chapters.

2.3.6.1. Step 1 (composite gate)

The Applicant Company would have to satisfy the minimum qualifying criteria, which would have financial, technical and other generic criteria, as applicable. If any Applicant Company fails to satisfy any of the minimum characteristics mentioned, it shall be disqualified and would not proceed to Step 2 below. A communication shall be issued to such Applicant Company, which does not qualify at this step.

2.3.6.2. Step 2 (verification)

The Verification Sub-Committee shall visit the Applicant Company which has passed through the Composite Gate of Step I and carry out a verification of the technical information submitted by the Applicant Company.

2.3.6.3. Step 3 (technical, financial and segment evaluation)

Step three is to evaluate three sets of criteria, the first constitutes of a generic technical criteria (“**Technical Criteria**”), the second constitutes of financial criteria (“**Financial Criteria**”) whereas the third relates to Segment specific technical criteria (“**Segment Specific Criteria**”). The Technical Criteria has a weight of forty percent (40%), the Segment Specific Criteria has a weight of twenty percent (20%) and the Financial Criteria has a weight of forty percent (40%) of the overall evaluation. The marking system excluding the financial evaluation will be on percentile basis so that relative assessment is possible, where the best gets the maximum.

2.3.7. **Segment Specific Experience:** As mentioned above, the evaluation criteria and procedure includes Segment Specific Criteria as well. In the event that Segment specific experience may not be available with the Applicant Company, flexibility is provided to the Applicant Company to rely upon Group Company(ies)'s specific experience in a Segment in respect of Segment Specific Criteria ("**Segment Group Co.**"). It is clarified that the Segment Group Co. would not be appointed as the Strategic Partner as only its experience is being considered for evaluation. The Segment Group Co. whose experience and expertise is considered shall execute a deed of adherence and confirmation cum undertaking providing the MoD and the Strategic Partner an irrevocable right to access, enter upon and use the facilities of the Segment Group Co. for the duration of the Strategic Partnership in special circumstances, subject to applicable laws. An agreement evidencing this right in a form prescribed by MoD, should be submitted along with the application. The restrictions on FDI as prescribed for the Applicant Company as a Strategic Partner would also be applicable to the Segment Group Co.

2.3.8. Evaluation and ranking shall be done separately from Group I Segments and Group II Segments.

2.4. **Appointment of Strategic Partner**

2.4.1. Selection of Strategic Partner shall be done separately from Group I Segments and Group II Segments. The process of selection of Strategic Partners shall be simultaneous for those Segments for which MoD has invited applications.

2.4.2. Pursuant to completion of process as provided in para 2.3 concerning the evaluation and submission of the merit list of the Segment along with the original preference of the Applicant Company above, each of the Applicant Companies shall be ranked according to the score achieved i.e. an Applicant Company achieving the highest score shall be placed first and other Applicant Companies relatively ranked in respect of every Segment.

2.4.3. Upon ranking of the Applicant Companies, the highest ranked Applicant Company shall be selected by the MoD and allotted the status of a Strategic Partner of the Segment. In the event the same Applicant Company is ranked highest in more than one Segment, the preference list as submitted by such an Applicant Company at the time of application shall be followed. Therefore, such an Applicant Company shall be appointed the Strategic Partner for the Segment which is listed higher in its preference list prioritizing its preference to Segments in rank. For other Segments where it is highest ranked but has not been selected, in view of the preference list the next ranked Applicant Company shall be appointed the Strategic Partner.

2.4.4. If an Applicant Company is appointed or allotted the status of a Strategic Partner in respect of one Segment, such an Applicant Company shall no longer be considered for appointment as a Strategic Partner for any other Segment. Similarly, if an Applicant Company has been appointed as a Strategic Partner, it and its Group Companies (including fellow subsidiaries and their step down subsidiaries) shall be disqualified from being appointed as a Strategic Partner of any Segment within such a group of Segments (Group I Segments or Group II Segments). Illustratively, we are demonstrating the manner of selection below by taking five Segments and nine companies from Group I Segments.

2.4.4.1. Ranking of companies

Aircraft	Helicopter	Submarine	Armoured vehicle	Warships
Company A	Company C	Company A	Company D	Company A
Company B	Company B	Company D	Company B	Company B
Company C	Company A	Company C	Company E	Company D
Company F	Company E	Company B	Company G	Company H
Company I	Company F	Company E	No Applicant	Company F

2.4.4.2. Preference list of Company A

- (a) Aircraft
- (b) Submarine
- (c) Helicopter
- (d) Warship

2.4.4.3. Preference list of Company B

- (a) Submarine
- (b) Helicopter
- (c) Warships
- (d) Aircraft
- (e) Armoured Vehicles

2.4.4.4. Preference list of Company D²²

- (a) Submarine
- (b) Armoured Vehicles
- (c) Helicopter
- (d) Warships
- (e) Aircraft

2.4.4.5. In the above illustration, the following selection of Strategic Partners shall be made:

If one company is not ranked highest in more than one Segment, the highest ranked Applicant Company in each Segment shall be selected and preference of such companies shall not be

²² Preference list of other companies is not being produced here as such companies are not ranked one in more than one Segments and therefore their preference is irrelevant.

relevant. However, if an Applicant Company is ranked highest in more than one Segment, then it shall be first considered for selection and allotment of the status as Strategic Partner in the Segment where it has the highest merit and highest preference, prior to appointment of other Strategic Partners. Other Segments where the same Applicant Company is highest ranked shall no longer be considered and table be reset excluding such Applicant Company and the Segment in which it has been allotted the status of Strategic Partner. The reset table will again be examined on revised merit and in this manner this process shall be followed till the selection of Strategic Partners for all the Segments is completed.

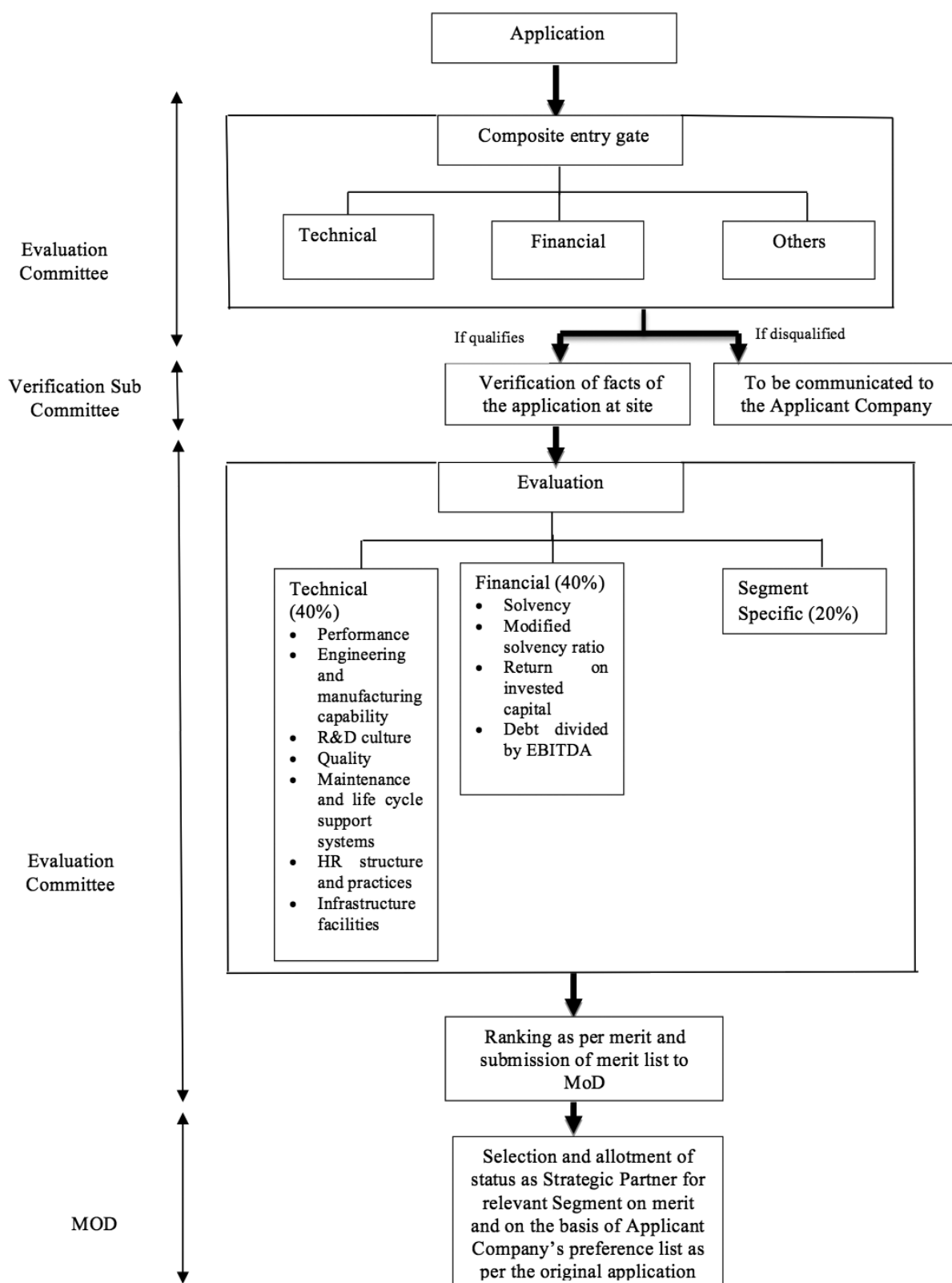
- 2.4.4.6. Therefore, in the current example Company A shall be appointed Strategic Partner for Aircraft as it is ranked first in three Segments out of which it prefers Aircrafts the most. Thereafter the table shall be reset excluding Company A and Aircraft Segment as follows:

Helicopter	Submarine	Armoured vehicle	Warships
Company C	Company D	Company D	Company B
Company B	Company C	Company B	Company D
Company E	Company B	Company E	Company H
Company F	Company E	Company G	Company F
No Applicant	No Applicant	No Applicant	No Applicant

- 2.4.4.7. Thereafter, Company D shall be the highest ranked company for Submarines and Armoured Vehicles. As Company D ranks Submarine higher than Armoured Vehicle in its preference list, it shall be appointed as a Strategic Partner in respect of Submarines. Thereafter, the table shall be reset excluding Submarines Segment and Company D. Now, Company B shall be highest ranked in Armoured Vehicle and Warships. Company B prefers Warships above Armoured Vehicle and therefore shall be appointed as Strategic Partner for Warships. Thereafter, the table shall be reset excluding Company B and Warships. Now Company C is highest ranked for Helicopters and Company E is highest ranked for Armoured vehicle, therefore Company C and Company E shall be appointed as Strategic Partners in respect of Helicopters and Armoured Vehicles respectively. Therefore, following shall be the final selection of Strategic Partners :
- Aircraft: Company A
 - Helicopter: Company C
 - Submarine: Company D
 - Armoured Vehicle: Company E
 - Warships: Company B

2.5 Application Form

Format of the application forms have been appended as Appendix III.

ILLUSTRATION I**SELECTION STEP CHART FOR SEGMENTS**

CHAPTER 3

QUALIFICATION CRITERIA

As mentioned in the previous chapter, Step 1 in the evaluation process is the composite entry gate. Each Applicant Company will have to satisfy the minimum threshold criterion which has a technical element, a financial element and other related conditions. The evaluation of the above technical, financial and other factors shall be simultaneous. The Task Force recommends that in the event an Applicant Company fails to meet any of the threshold/fundamental criteria as on the date of the application, it should not be considered any further.

3.1. Group I Segments

3.1.1. Technical Gate: System of Systems Integration

The Applicant Company should have demonstrated capability of integration of “System of Systems” in its application. Broadly any system with multiple technologies of major systems is considered as system of systems like aircrafts, ships, chemical plants, power plants, automobiles etc. This criterion would be an element of the composite ‘gate’ at Step 1 for being considered as potential Strategic Partner.

Therefore, prior experience of integration of system of systems would be critical irrespective of the sector where such qualification is claimed. If an entity has not undertaken any integration of systems it would not be eligible to be evaluated further.

3.1.2. Financial Gate²³

(a) Consolidated turnover²⁴: INR 4000,00,00,000 (Indian Rupees four thousand crores) for each of last three (3) financial years based on consolidated financial statements audited under the relevant Companies Act and adopted and approved by the board of directors/shareholders (excluding NBFCs and any associate company).

(b) Consolidated capital assets: Capital assets at gross book value as specified in the last consolidated financial statements audited under the relevant Companies Act and adopted and approved by the board of directors/shareholders (excluding NBFCs and any associate company): INR 2000,00,00,000 (Indian Rupees two thousand crores).

(c) Consolidated revenue growth: Five percent (5%) per annum in at least three (3) of the last five (5) financial years based on consolidated financial statements audited under the

²³ Result and financial state of affairs for NBFCs and associate companies to be excluded in financial evaluation.

²⁴ Turnover to have the meaning as ascribed to it under Companies Act, 2013.

relevant Companies Act and adopted and approved by the board of directors/shareholders (excluding NBFCs and any associate company).

(d) Rating: Applicant Company to have minimum credit rating (long term/issuer rating) equivalent to CRISIL/ICRA “A” (stable) as on the date of the application.

3.1.3. **Other Conditions**

The Task Force is of the view that the following conditions are critical to ensure that the Applicant Company has robust good governance practices:

(a) Promoters and directors of the Applicant Company and the Segment Group Co. should not be:

- (i) Willful defaulters to the banking system as on the date of this application.
- (ii) listed on exporters’ caution list of the Export Credit Guarantee Corporation or be otherwise banned or blacklisted by Reserve Bank of India (“RBI”), GoI, other government agencies and Public Sector Undertakings etc. in the context of procurement or otherwise.

This should be supported by a certificate(s) of the statutory auditor(s).

(b) Debt restructuring and non-performing asset

- (i) The Applicant Company or the Segment Company shall not be under Corporate Debt Restructuring Mechanism (“CDR”) / Strategic Debt Restructuring Scheme / Joint Lender Forum’s corrective action plan, as prescribed by the RBI at the time of submission of application; and
- (ii) their account with any bank is not classified in ‘Non-performing asset’ category at the time of submission of the application.

The above should be supported by a certificate(s) of the statutory auditor(s).

(c) The latest audit reports of the Applicant Company and the Segment Group Co. should not have any qualifications.

3.2. **Group II Segments**

3.2.1. **Technical Gate:** For Group II Segments, the Task Force recommends that the Applicant Company shall be an engineering and/or a process technology company having commercially supplied engineering and/or process technology products or the specified Segment product. The entry gate prescribed for Group I Segments would not be applicable to Group II Segments as integration of systems for different platforms, equipment and technologies is not relevant in the context of Group II Segments.

3.2.2. **Financial Gate**²⁵: The Task Force recommends that for Group II Segments a different financial gate shall be specified (different from Group I Segments):

²⁵ Result and financial state of affairs for NBFCs and associate companies to be excluded in financial evaluation.

(a) **Consolidated turnover**²⁶: INR 500,00,00,000 (Indian Rupees five hundred crores) for each of last three (3) financial years based on consolidated financial statements audited under the relevant Companies Act and adopted and approved by the board of directors/shareholders (excluding NBFCs and any associate company).

(b) **Capital assets**: Capital assets at gross book value as specified in the last consolidated financial statements audited under the relevant Companies Act and adopted and approved by the board of directors/shareholders (excluding NBFCs and any associate company): INR 100,00,00,000 (Indian Rupees one hundred crores).

3.2.3. **Other Conditions**: The conditions as specified at para 3.1.3 above, should also be applicable to all Group II Segments.

3.3. Affidavit

As a condition to their appointment as a Strategic Partner and the MoD executing the Long Term Covenant, the selected Applicant Company shall submit an Affidavit stating that all the information it has supplied under the head “Other Conditions” in para 3.1.3 and para 3.2.3 in this Chapter III is correct as of the date of the affidavit and that it continues to be in compliance with the ‘Guidelines-Structure’ set out in Chapter II, para 2.2.

²⁶ Turnover to have the meaning as ascribed to it under Companies Act, 2013.

CHAPTER 4

FINANCIAL EVALUATION CRITERIA AND SCORING METHOD

4.1. Group I and Group II Segments: Financial

As mentioned above, Step 3 of evaluation by the Evaluation Committee involves comparative evaluation of the Applicant Companies. The Applicant Company shall be evaluated on the basis of criteria mentioned below with the object of assessing merit of the Applicant Companies in a descending order of preference. An Applicant Company shall be awarded a score only if it satisfactorily complies with the threshold criteria. Otherwise such an Applicant Company shall be given a score of zero for the characteristic which is not met. If the below specified characteristic is satisfied, score would be given on the basis of the formulae mentioned in the table below.

- (a) Applicant Company solvency ratio not higher than 1.5:1 (Total outside Debt²⁷ to net worth ratio)
- (b) Modified Applicant Company solvency ratio not higher than: 2.5:1 (Total outside Debt plus financial guarantees to net worth ratio)²⁸
- (c) Return on invested capital (RoI) of the Applicant Company (EBIDTA divided by average invested capital)²⁹: Average of RoI for last three (3) financial years should not be less than nine percent (9%)
- (d) Debt divided by EBITDA for the Applicant Company not higher than 3:1

²⁷ Total outside debt shall include all the borrowings contracted from external/third-party lenders; subordinated loans from Group Companies may be excluded

²⁸ Total outside debt as explained above and includes financial guarantees given by the Applicant Company.

²⁹ Invested Capital = [Average of (Total debt+ Net worth) - (capital work – in – progress)] Average shall mean average of opening and closing balances.

S.No	Assessment of subject	Weight	Score (1-5) ¹
1.	Applicant Company Solvency	25	Formula: $1 + [(1.5 - \text{parameter value}) \text{ divided by } 0.3125]$
2.	Modified Applicant Company solvency ratio maximum	25	Formula: $1 + [(2.5 - \text{parameter value}) \text{ divided by } 0.5]$
3.	Return on invested capital of the Applicant Company	25	Formula: $1 + [(\text{parameter value} - 0.09) \text{ divided by } 0.0275]$
4.	Debt divided by EBITDA for the Applicant Company	25	Formula: $1 + [(3 - \text{parameter value}) \text{ divided by } 0.625]$

The ratios shall be certified by a statutory auditor. The calculations of the ratios shall not take into consideration results from NBFCs and associate companies.

4.1.1. Operational Issues

In respect of para 4.1 above, the Applicant Company shall calculate and submit ratios (parameter values) on the basis of adjusted consolidated financial statements audited under the relevant Companies Act and adopted and approved by the board of directors/shareholders (excluding NBFCs and any associate company) for last financial year till the last quarter ending prior to submission. In respect of para 4.1(c), ratios (parameter values) arrived at on the basis of financials which are statutorily audited, adopted and approved by the board of directors/shareholders for last one (1) financial year or other relevant period should be used. The MoD may specify that in the event the latest financial information furnished by the Applicant Company exceeds six (6) months on the date of the application from the last balance sheet date, additional audited financial statements for specified quarter(s) should be used by the Company for calculation of ratio, in addition to ratios calculated based on audited yearly financial statement, in respect of S.No. 4 in the table above under para 4.1 using the same formula as given in this para 4.1.1 below. EBITA for this purpose will be annualized and twenty percent (20%) weight will be given to this updated ratio and the balance eighty percent (80%) will be given to the ratio calculated based on audited annual financial information provided by the Applicant Company.

CHAPTER 5

TECHNICAL EVALUATION CRITERIA AND SCORING METHOD

5.1. Selection of Strategic Partner for Segments

5.1.1. General Principles

5.1.1.1. The Task Force discussed that technical issues need to be carefully identified and evaluated in respect of the potential Applicant Companies to assess technical capabilities for selection of Strategic Partners. The criteria chosen must be cogent, corroborative, relevant and objective for evaluation. The facts in the application of the Applicant Company will be validated by Verification Sub-Committee in Step 2 as provided at para 2.3.6.2.

5.1.1.2. The marking system evolved is simple. It will be determined on percentile basis so that relative assessment is possible, where the best shall get the maximum and the worst shall get the minimum scores.

5.1.2. Criteria and Scoring

5.1.2.1. A total of seven Technical Criteria with weightages and general methodology of assessment have been specified. These are:

S.No.	Criteria	Weightage
1.	Performance Criteria	25%
2.	Engineering & Manufacturing Capabilities	20%
3.	Research and Development (“R & D”) Culture	15%
4.	Quality Criteria	15%
5.	Maintenance and Life Cycle Support Systems	10%
6.	HR Structure & Practices	10%
7.	Infrastructure Facilities	5%
Total		100%

5.1.2.2. Performance criteria

- (a) This criterion evaluates Applicant Company’s performance in preceding three (3) financial years in executing projects and taking the projects to completion. Project shall mean contracts executed for supply of goods/systems or engineering services and development

or modernizing work other than civil work in technology, research and development or manufacturing each amounting to INR 50,00,00,000 (Indian Rupees fifty crores) or more. It is clarified that development or modernizing work for non-technical or non-manufacturing facilities will not form part of the definition of “Project”.

This criteria would be evaluated through following four attributes:

S.No.	Performance Criteria: Attributes		Weightage
1.	Projects launched and completed (last 3 financial years)		
	1.1	Number of Projects	10
	1.2	Cost of the Project	15
2.	Percentage of Projects executed within estimated cost and time (last 3 financial years)		25
3.	Level of indigenous content		-
	3.1	Design	15
	3.2	Hardware	10
	3.3	Software	10
4.	No. of vendors developed		5
	Value of orders placed on such vendors		10
Total			100

(b) Notes

- (i) S.No. 1: The total physical number of projects planned in last three (3) financial years and the actual projects completed during the same period along with financial values, targets and actuals.
- (ii) S. No. 2: Execution of projects within estimated time & cost indicates Applicant Company’s project management capability on time without cost & time overrun.
- (iii) S. No. 3: Design, hardware and software developed and adapted in terms of percentage of project cost. Applicant Company would have to indicate the percentage of indigenous design, hardware and software. They also have to indicate collaborative agencies (Indian or Foreign).
- (iv) S. No. 4: No of vendor developed each year and the values of orders (both planned and actuals) placed after development for each year on the developed vendors (data for last three (3) financial years).

5.1.2.3. Engineering and manufacturing capabilities

- (a) Criteria of manufacturing and technological management capabilities are essential to estimate the potential of the Applicant Company to deliver complex projects. The objective is to assess the manufacturing capability in terms of adequate infrastructure (for manufacturing), technological competence and potential for growth. This criterion would be evaluated in following five attributes:

S.No.	Engineering & Manufacturing Capabilities: Attributes	Weightage
1	Percentage of CNC ² Machines of the Applicant Company over the number of all manufacturing plants	25
	CAPEX ³ for plant and machinery annually and aggregated (last 3 financial years)	15
2.	Material processing techniques	15
3.	Tool design and tool manufacturing capability	15
4.	Health Safety Environment and Security	15
5.	Niche Facilities : Like 3D printing, flow forming, and Rapid prototypes	15
Total		100

(b) Notes

- (i) S. No. 1: Percentage of numbers of CNC Machines over all the Applicant Company's manufacturing plants, to assess the modern and flexible manufacturing potential of the Applicant Company and level of automation.
- (ii) S. No. 2: Material Processing: No of processes like welding (including Robotic welding), heat treatment systems and facilities, etc. are required for examination of quality product.
- (iii) S. No. 3: Tool design and Tool manufacturing capability: Percentage of tools developed/ got developed for last three (3) financial years.
- (iv) S. No. 4: Health, Safety, Environment and Security: Number of industrial incidents/ accidents or environment violation and total compliance of Factories Act in last five (5) financial years (least number will get higher rating).
- (v) S. No. 5: Niche Facilities: Like 3D printing and Rapid prototyping etc. These multi manufacturing facilities will facilitate rapid prototyping typically required for continuous upgrade.

5.1.2.4. R & D Culture

- (a) The objective is to assess the efforts and capability of R & D competence. The criteria would be evaluated in following four attributes:

S.No.	R & D Culture: Attributes	Weightage
1.	R & D budget as % of total turn over	30
2.	Success in R & D over 5 Financial Years	-
	2.1 Copy rights filed or registered	7
	2.2 Design rights filed or registered	7
	2.3 Trade marks filed or registered	6
	2.4 No of patents filed and sealed	10
	2.5 Commercialization of intellectual property for Manufacture	20
3.	No of successful joint partnerships / alliances in R & D	10
4.	Certification & Accreditation	10
Total		100

(b) Notes

- (i) S. No. 1: R & D budget as % of turn over: Exclusive R&D budget in last five (5) financial years as % of turnover. The Applicant Company should reflect the R&D expenditure (both capital & revenue) in the annual report and statement of accounts of the Applicant Company in separate schedule for each of the five (5) financial years.
- (ii) S. No. 2 (2.1, 2.2, 2.3): Success in R & D (five (5) financial years): R&D activities should be separate from routine activities of the firm, such as, production and quality control. The success is to be assessed based on the intellectual property generated (data leading to its assessment), those in the pipe line and the number of R&D output deployed in the manufacturing floor (provide sufficient evidence for evaluation).
- (iii) S. No. 3: Joint partnerships / alliances in R & D: Wherever R&D has been carried out jointly with other organisations of the country, or with foreign collaboration and the outcomes thereof be indicated over last five (5) financial years.
- (iv) S. No. 4: Certification & Accreditation: Like from Department of Scientific and Industrial Research recognition, National Accreditation Board for Testing and Calibration Laboratories accreditation and/or similar systems, recognized by foreign regulatory authorities.

5.1.2.5. **Quality criteria**

- (a) The Applicant Company shall have the specification and requirements as proposed by the Applicant Company's customer. Primarily it is to assess quality control and systems which are in place which may lead to desired/specified quality requirements of the customer. The five attributes for this criteria are given:

S.No.	Quality Criteria Attributes	Weightage
1.	Certification and accreditation	40
2.	No of certified quality auditors	20
3.	Number of special facilities exclusively dedicated to quality	20
4.	Quality plan (Yes/No)	10
5.	Handling customer feedback including method and systems	10
Total		100

(b) Notes

- (i) S. No. 1: Certification and Accreditation: All quality related certification and accreditation be mentioned.
- (ii) S. No. 2: Number of certified Quality auditors (as per the requirements of ISO, TQM, Sixsigma etc. for quality systems being used by the Applicant Company): The strength of certified auditors available each year for the past five (5) financial years with details of the certification.

- (iii) S. No. 3: Number of special facilities exclusively dedicated to quality: The facilities exclusively dedicated for quality systems (both indigenous and imported with their values).
- (iv) S. No. 4: Quality Plan (Yes/ No): Provide evidence of the processes in last five (5) financial years that translated quality policy into measurable objectives and requirements, and laid down the sequence of steps that realised the objectives within a specified timeframe. This will be evaluated for its presence or absence.
- (v) S. No. 5: Handling customer feedback: Systems which are in place i) to solicit and process customer feedback as per International Organization for Standardization standards or equivalent systems' requirements based on rework and rejection reports (least number will get higher rating) and ii) for the resultant improvements in quality achieved in the last five (5) financial years. This shall include a certified analysis of examination of the complaints received in the last five (5) financial years and the manner and rate of resolution of the same.

5.1.2.6. Maintenance and life cycle support systems

- (a) Maintenance, overhaul, spares manufacture, up-gradation and life extension are essential aspects for long term sustainability relevant to long term contracts. Different type of work is required to be done in this area as compared to routine production. The three attributes for this criteria are given:

S.No.	Maintenance and Life Cycle Support Systems Attributes	Weightage
1.	Preventive, Predictive and Periodic maintenance Methodology	50
2.	Maintenance, overhaul spares manufacture	25
3.	Up gradation, and life extension	25
Total		100

(b) Notes

- (i) S. No. 1: Preventive, Predictive and Periodic maintenance Methodology: All original equipment manufacturers scientifically and consistently evolve these maintenance methodologies. The Applicant Company shall state the process and the statistical methods for periodic, preventive and predictive maintenance systems, and monitoring mechanism to ensure that the system performs as predicted.
- (ii) S. No. 2: Maintenance, overhaul spares manufacture: Processes in place to maintain the supply chain beyond the period of order fulfillment where systems are put in place for systematic manufacture and supply of spares required for life cycle sustainment.
- (iii) S. No. 3: Up gradation, and life extension: Number of planned and periodic up gradation programs undertaken to keep the system current and serviceable for its life time. Also systems planned and implemented to assess the residual life of critical systems and providing formal life extensions.

5.1.2.7. HR structure and practices

- (a) The human resources (HR) management forms an integral part of knowledge preservation for critical engineering systems. Thrust given to employee motivation, training, skill development etc., gives rise to robust system of human resource. For this analysis, only permanent employees (and not consultants/contract labour) of the Applicant Companies shall be considered. HR practices are to be assessed by the following four attributes:

S.No.	HR Structure & Practices: Attributes	Weightage
1.	Manpower – Number of engineering / technical workers	40
2.	Number of engineering / technical workers sent for training annually for skill development	30
3.	Man days lost due to strikes, worker's protests or other similar events (Cumulative in last 3 financial years)	20
4.	Attrition Rate of engineering / technical workers per annum for 3 financial years	10
Total		100

(b) Notes

- (i) S. No. 1: The ratio of the number of engineering/ technical workers – Data to be furnished for last three (3) financial years.
- (ii) S. No. 2: No of engineering/ technical workers sent for training annually for skill development. The training details may include significant up-skilling and re-skilling. Data be furnished for last three (3) financial years.
- (iii) S. No. 3: Cumulative record of man days lost in the last three (3) financial years (Minimum get maximum rating).
- (iv) S. No. 4: Attrition Rate: This data to indicate % of engineering / technical workers who exited the Applicant Company with respect to the total engineering / technical workers at the beginning of each such financial year mentioned at S.No. 1. (Minimum get maximum rating). Superannuated employees should not be considered for calculating attrition.

5.1.2.8. Infrastructure facilities

- (a) Following two attributes are to assess infrastructure facilities. Confirmation of availability these are required to assess the rapid expansion possibilities:

S.No.	Infrastructure Facilities: Attributes	Weightage
1.	Unhindered land available for expansion as % of Land in Possession	50
2.	In house Environmental test facilities (Yes/No)	50
Total		100

(b) Notes

- (i) S. No. 1: Unhindered land, available for expansion as % of land in Possession: Extent of land readily available for expansion with the Applicant Company as a % of overall land possession and its proximity to the Applicant Company.
- (ii) S. No. 2: In house environmental test facilities (possession and accessibility): Captive environmental test facilities to qualify items under manufacture. To be evaluated as Yes/ No based on disclosure.

CHAPTER 6

TECHNICAL EVALUATION CRITERIA: SEGMENT WISE

The specific attributes of the Segments for evaluation are detailed below:

6.1. Segment Specific Qualifications- Group I Segments

6.1.1. Segment Specific: Aircrafts

S.No	Attribute	Weightage
1.	Availability of hanger space exclusively for Aircrafts	10
2.	Aircraft/its systems/components under production (Number, volume and value)	10
3.	Availability of Special Machining Facilities (Aggregated functioning enterprise)	10
4.	Availability of Sheet Metal processing capabilities	10
5.	Availability of special processing facilities for metals (forging and casting) and composites	10
6.	Existing association/partnership with overseas platform production agencies in respect of this Segment	15
7.	Partnership/ technical assistance being availed from Indian industries, DRDO, Council of Scientific and Industrial Research (“CSIR”) and other R&D Laboratories and academic institutions in the course of in-house development and production relating to this Segment	15
8.	Number of customers in last 5 financial years in this Segment	10
9.	Value of contracts/orders placed in last 5 financial years in this Segment	10
Total		100

6.1.1.1. Notes

- Answer Yes or No for each. If Yes provide details of each.
- S.No.1: Area of hanger space.
- S.No 2: Give number, volume and value.
- S.No. 3: If Yes, provide details.
- S.No. 4: If Yes, provide details.
- S.No 5: If Yes, provide details.
- S.No 6: Association and partnership shall include any memorandum of understanding signed as well.
- S.No. 7: The Applicant Company shall outline verifiable outcome of the partnership.
- S. No. 8: If Yes, provide details.
- S. No. 9: If Yes, provide details.

6.1.2. Segment Specific: Helicopters

S.No	Attributes	Weightage
1.	Availability of hanger space exclusively for Helicopters	10
2.	Helicopter/its systems/components under production (Number, volume and value)	10
3.	Availability of Special Machining Facilities (Aggregated functioning enterprise)	10
4.	Availability of Sheet Metal processing capabilities	10
5.	Availability of special processing facilities for metals (forging and casting) and composites	10
6.	Existing association/partnership with overseas platform production agencies in respect of this Segment	15
7.	Partnership/ technical assistance being availed from Indian industries, DRDO, CSIR and other R&D Laboratories and academic institutions in the course of in-house development and production relating to this Segment	15
8.	Number of customers in last 5 financial years in this Segment	10
9.	Value of contracts/orders placed in last 5 financial years in this Segment	10
Total		100

6.1.2.1. Notes

- (a) Answer Yes or No for each. If Yes provide details for each.
- (b) S.No.1: Area of hanger space.
- (c) S.No 2: Give number, volume and value.
- (d) S.No. 3: If Yes, provide details.
- (e) S.No. 4: If Yes, provide details.
- (f) S.No 5: If Yes, provide details.
- (g) S.No 6: Association and partnership shall include any memorandum of understanding signed as well.
- (h) S.No. 7: The Applicant Company shall outline verifiable outcome of the partnership.
- (i) S. No. 8: If Yes, provide details.
- (j) S. No. 9: If Yes, provide details.

6.1.3. Segment Specific: Aero-engines

S.No	Attributes	Weightage
1.	Availability of hanger and test beds exclusively for aero-engines	10
2.	Aero-engines/ modules/ components under production (Number, Volume and value)	10
3.	Availability of Special Machining facilities such as Broaching, Electro-chemical Machining etc.	10
4.	Sheet Metal processing Facilities including Press Tool manufacturing capabilities	10
5.	Processing and facilities for special materials like Nimonics, Titanium etc., Precision Forging, Special casting for blades	10
6.	Existing association/partnership with overseas platform production agencies in respect of this Segment	15
7.	Partnership/technical assistance being availed from Indian industries, DRDO, CSIR and other R&D Laboratories and academic institutions in the course of in-house development and production relating to this Segment	15
8.	Number of customers in last 5 financial years in this Segment	10
9.	Value of contracts/orders placed in last 5 financial years in this Segment	10
Total		100

6.1.3.1. Notes

- (a) Answer Yes or No. If Yes provide details.
- (b) S.No.1: Area of hanger space and test bed.
- (c) S.No 2: Give number, volume and value.
- (d) S.No. 3: If Yes, provide details.
- (e) S.No. 4: If Yes, provide details.
- (f) S.No 5: If Yes, provide details.
- (g) S.No 6: Association and partnership shall include any memorandum of understanding signed as well.
- (h) S.No. 7: The Applicant Company shall outline verifiable outcome of the partnership.
- (i) S. No. 8: If Yes, provide details.
- (j) S. No. 9: If Yes, provide details.

6.1.4. Segment Specific: Warships

S.No	Attributes	Weightage
1.	Availability of dry dock, accessibility to sea exclusively for the purpose	20
2.	Warships /its systems/components under production (Number, volume and value)	15
3.	Availability of Special Machining, processing Facilities (Aggregated functioning enterprise)	5
4.	Availability of Sheet Metal capabilities	5
5.	Availability of special systems and materials for ship building	5
6.	Existing association/partnership with overseas platform production agencies in respect of this Segment	15
7.	Partnership/ technical assistance being availed from Indian industries, DRDO, CSIR and other R&D Laboratories and academic institutions in the course of in-house development and production relating to this Segment	15
8.	Number of customers in last 5 financial years in this Segment	10
9.	Value of contracts/orders placed in last 5 financial years in this Segment	10
Total		100

6.1.4.1. Notes

- (a) Answer Yes or No. If Yes provide details.
- (b) S.No.1: Area of dry dock.
- (c) S.No 2: Give number, volume and value.
- (d) S.No. 3: If Yes, provide details.
- (e) S.No. 4: If Yes, provide details.
- (f) S.No 5: If Yes, provide details.
- (g) S.No 6: Association and partnership shall include any memorandum of understanding signed as well.
- (h) S.No. 7: The Applicant Company shall outline verifiable outcome of the partnership.
- (i) S. No. 8: If Yes, provide details.
- (j) S. No. 9: If Yes, provide details.

6.1.5. Segment Specific: Submarines

S.No	Attributes	Weightage
1.	Availability of dry dock and accessibility to sea exclusively for the purpose	20
2.	Submarines /its systems/components under production (Number, volume and value)	10
3.	Availability of High Pressure Underwater test facility	10
4.	Availability of Special Machining, processing Facilities (Aggregated functioning enterprise)	5
5.	Availability of pressure hull manufacturing capabilities.	5
6.	Existing association/partnership with overseas platform production agencies in respect of this Segment	15
7.	Partnership/ technical assistance being availed from Indian industries, DRDO, CSIR and other R&D Laboratories and academic institutions in the course of in-house development and production relating to this Segment	15
8.	Number of customers in last 5 financial years in this Segment	10
9.	Value of contracts/orders placed in last 5 financial years in this Segment	10
Total		100

6.1.5.1. Notes

- (a) Answer Yes or No. If Yes, provide details.
- (b) S.No.1: Area of dry dock to be answered in Yes or No. If Yes, provide details.
- (c) S.No 2: Give number, volume and value.
- (d) S.No. 3: If Yes, provide details
- (e) S.No. 4: If Yes, provide details
- (f) S.No 5: If Yes, provide details
- (g) S.No 6: Association and partnership shall include any memorandum of understanding signed as well.
- (h) S.No. 7: The Applicant Company shall outline verifiable outcome of the partnership.
- (i) S. No. 8: If Yes, provide details.
- (j) S. No. 9: If Yes, provide details.

6.1.6. Segment Specific: Armoured Fighting Vehicles (AFV) including Main Battle Tanks (MBT)

S.No	Attributes	Weightage
1.	Availability of Testing and driving track exclusively for the purpose	10
2.	AFV (MBT) /its systems/components under production (Number, volume and value)	10
3.	Availability of Special Machining, (Aggregated functioning enterprise)	10
4.	Availability of Sheet metal processing capabilities	10
5.	Availability of Processing Facilities for metals (forging, casting) and composites	10
6.	Existing association/partnership with overseas platform production agencies in respect of this Segment	15
7.	Partnership/ technical assistance being availed from Indian industries, DRDO, CSIR and other R&D Laboratories and academic institutions in the course of in-house development and production relating to this Segment	15
8.	Number of customers in last 5 financial years in this Segment	10
9.	Value of contracts/orders placed in last 5 financial years in this Segment	10
Total		100

6.1.6.1. Notes

- (a) Answer Yes or No. If Yes, provide details.
- (b) S.No.1: Area of driving track length.
- (c) S.No 2: Give number, volume and value.
- (d) S.No. 3: If Yes, provide details.
- (e) S.No. 4: If Yes, provide details.
- (f) S.No 5: If Yes, provide details.
- (g) S.No 6: Association and partnership shall include any memorandum of understanding signed as well.
- (h) S.No. 7: The Applicant Company shall outline verifiable outcome of the partnership.
- (i) S. No. 8: If Yes, provide details.
- (j) S. No. 9: If Yes, provide details.

6.1.7. Segment Specific: Guns

S.No	Attributes	Weightage
1.	Availability/ Accessibility of test track exclusively for the purpose	10
2.	Gun /its systems/components under production (Number, volume and value)	10
3.	Availability of facilities for special processing facilities, special Machining, (Aggregated functioning enterprise)	10
4.	Availability of Special purpose processes and machining for Barrel, Carriage manufacturing capabilities (for guns)	10
5.	Facility for developing Armament electronics	10
6.	Existing association/partnership with overseas platform production agencies in respect of this Segment	15
7.	Partnership/ technical assistance being availed from Indian industries, DRDO, CSIR and other R&D Laboratories and academic institutions in the course of in-house development and production relating to this Segment	15
8.	Number of customers in last 5 financial years in this Segment	10
9.	Value of contracts/orders placed in last 5 financial years in this Segment	10
Total		100

6.1.7.1. Notes

- (a) Answer Yes or No. If Yes, provide details.
- (b) S.No.1: Area of firing range space.
- (c) S.No 2: Give number, volume and value
- (d) S.No. 3: If Yes, provide details.
- (e) S.No. 4: If Yes, provide details.
- (f) S.No 5: If Yes, provide details.
- (g) S.No 6: Association and partnership shall include any memorandum of understanding signed as well.
- (h) S.No. 7: The Applicant Company shall outline verifiable outcome of the partnership.
- (i) S. No. 8: If Yes, provide details.
- (j) S. No. 9: If Yes, provide details.

6.2. Segment Specific Qualifications- Group II Segments

6.2.1. Segment Specific: Ammunition

S.No	Attributes	Weightage
1.	Availability/ Accessibility of Firing ranges exclusively for the purpose	10
2.	Ammunition /its systems/components under production. (Number, type, volume and value)	10
3.	Facilities for processing high energy material	10
4.	Special Machining Facilities (Aggregated functioning enterprise)	10
5.	Facilities for chemical mixing and screw filling plants for Ammunition	10
6.	Existing association/partnership with overseas platform production agencies in respect of this Segment	15
7.	Partnership/ technical assistance being availed from Indian industries, DRDO, CSIR and other R&D Laboratories and academic institutions in the course of in-house development and production relating to this Segment	15
8.	Number of customers in last 5 financial years in this Segment	10
9.	Value of contracts/orders placed in last 5 financial years in this Segment	10
Total		100

6.2.1.1. Notes

- (a) Answer Yes or No. If Yes, provide details.
- (b) S.No.1: Area of firing ranges.
- (c) S.No 2: Give number, type volume and value.
- (d) S.No. 3: If Yes, provide details.
- (e) S.No. 4: If Yes, provide details.
- (f) S.No 5: If Yes, provide details.
- (g) S.No 6: Association and partnership shall include any memorandum of understanding signed as well.
- (h) S.No. 7: The Applicant Company shall outline verifiable outcome of the partnership.
- (i) S. No. 8: If Yes, provide details.
- (j) S. No. 9: If Yes, provide details.

6.2.2. Segment Specific: Material

S.No	Attributes	Weightage
1.	Special processing, testing and qualification facilities	20
2.	Special infrastructural facilities like Clean rooms	20
3.	Manpower distribution of ratio of Scientists to Engineers	10
4.	Existing association/partnership with overseas platform production agencies in respect of this Segment	15
5.	Partnership/ technical assistance being availed from Indian industries, DRDO, CSIR and other R&D Laboratories and academic institutions in the course of in-house development and production relating to this Segment	15
6.	Number of customers in last 5 financial years in this Segment	10
7.	Value of contracts/orders placed in last 5 financial years in this Segment	10
Total		100

6.2.2.1. Notes

- (a) Answer Yes or No. If Yes, provide details.
- (b) Scientists: Only those scientist permanently employed with a post graduate degree in physics, chemistry or material sciences will be included. Bachelors in metallurgical or chemical engineering having more than five (5) year of work experience in this field to also be included.
- (c) S. No. 1: If Yes, provide details.
- (d) S. No. 2: If Yes, provide details.
- (e) S. No. 3: If Yes, provide details.
- (f) S.No. 4: Association and partnership shall include any memorandum of understanding signed as well.
- (g) S.No. 5: The Applicant Company shall outline verifiable outcome of the partnership.
- (h) S. No. 6: If Yes, provide details.
- (i) S. No. 7: If Yes, provide details.

CHAPTER 7

ADDITIONAL OBSERVATIONS AND RECOMMENDATIONS

The Strategic Partnership method is a policy change to improve the procurement practices of the MoD and is intended to create a long term and reliable relationship which incentivizes technological advancement and innovation. The eventual objective is to make India self-reliant in respect of certain critical Segments which form the backbone of the defence infrastructure of the country. To achieve this end, the Task Force has a few recommendations, incidental to the basic aspects referred to the Task Force.

7.1. Selection Time Frame

Drafting of relevant documents including the Long Term Covenant and the application form should be completed within a period of three (3) months from the date of acceptance of this report. The Strategic Partners for the prioritized Segments should be selected within a period of nine (9) months from the date of acceptance of this report.

7.2. Contract Time Frame

Pursuant to the appointment of a Strategic Partner, the specific acquisition contracts in the Segment where it is allotted status of Strategic Partner should be placed on it at the earliest. In the event the first contract is a “Buy and Make” contract, the procurement plan should be shared with the Strategic Partner at the earliest and the joint negotiations of the MoD and Strategic Partner with the foreign government and the foreign defence sector original equipment manufacturer (“**Foreign OEM**”), if required should be initiated immediately thereafter. The Task Force believes that three (3) years from the date of acceptance of this report is an adequate time frame for the first acquisition contract to be signed between the Strategic Partner and the MoD.

7.3. An Independent Regulator

Why is it necessary? For proper regulation and development of the Strategic Partnership model, an independent regulatory body would be required. This body will also have a mediation and conciliation capability for preventing and avoiding time consuming disputes. The regulator will also have the power to suggest modifications to procurement contracts and the Long Term Covenant to avoid frustration of the same. The rigidity and slow pace of evolution of the current procurement norms and structures are often cited as the reason for

slow and difficult procurement process. Consequently, quick decision making for removal of difficulties and immediate guidance on subjects in case of practical problems is required for the success of Strategic Partnerships. Modification and improvement of this model of procurement and rules governing the same would have to be a continuous process as opposed to an annual or a once in a few year process, undertaken at the time of revision of the defence procurement procedures or other relevant policies.

7.3.1. **Independence:** This regulator would have to be independent and outside of the MoD. It should constitute such number of members as the GoI feels necessary in light of the expected work load. Initially at least three members are recommended. The members should include persons from technical, legal and financial backgrounds given the technical, legal and financial nature of the duties. The members shall have at least ten (10) years of relevant experience before their appointment.

7.3.2. **Arrangement:** The regulator should have the following powers:

- (a) Deal with all matters relating to development and regulation of the Strategic Partnership model;
- (b) Expressing non-binding opinions as experts on matters concerning Strategic Partnerships;
- (c) Reviewing the pricing mechanism and adjustments therein, if required in fixed pricing agreement;
- (d) Publishing binding guidance/rules/regulations/notifications on costs and pricing structure;
- (e) Recording and monitoring contracts with Strategic Partners or their vendors;
- (f) Investigation, in case of an allegation of fraud or misstatement in the making of the contract or violation or breach by the Strategic Partner;
- (g) Carry out such other functions as may be delegated to it from time to time by the GoI.
- (h) Suggesting modifications to procurement contracts and the Long Term Covenant to avoid frustration of the same.

7.4. **Setting-up a Specialised Wing by the MoD**

The Strategic Partnership model is new and a specific team or a wing would have to be created by the MoD specifically for dealing with the Strategic Partners. Under this structure, the interaction with private player would be far more regular and intense as compared to the current structures. For regular monitoring and hand holding a specialized and dedicated team would be required. Functions of this specialized wing should broadly be as follows:

- (a) Act as the single point of contact in the MoD for Strategic Partners.
- (b) Act as the single point of contact between the MoD and the independent regulator for the Strategic Partnership model.

- (c) To appoint the compliance officers to adjudicate penalty to ensure the Strategic Partners' or MoD's compliance with the contract requirements.
- (d) Undertake compliance and completeness checks on contract, schedule of performance and reports received from Strategic Partners.
- (e) Conduct assessments, analysis and monitor the vendors of the Strategic Partner.

7.5. Setting-up a Specialised Auditing Wing in the MoD

The Strategic Partnership model is new and there are significant issues requiring the cost plus structure to be formulated and thereafter audited based on internationally accepted principles. There are several cost plus models internationally known and the procurement contracts will require specified cost plus structures which will have to be pre-approved by MoD.

7.6. Teaming Agreements

As recognized in the initial chapters of this report, the Strategic Partners shall be in addition to and not as a replacement of DPSUs, OFs and DRDO. Similarly, the Strategic Partners are not expected to carry out all manufacturing themselves or cause the manufacturing of all parts and components by vendors but perform as system of systems integrators. The Task Force recommends that Strategic Partners should be encouraged to enter into teaming agreements with the DPSUs, OFs, DRDO, developmental partners, small and medium enterprises, Foreign OEMs (for technology transfer) and other suppliers so that an eco-system of domestic manufacturers in the Indian defence sector may be developed systematically.

7.7. Subsidiaries Permitted

The Strategic Partner shall be permitted to incorporate subsidiary companies in the nature of SPV or use existing subsidiaries as SPVs in respect of specific projects or contracts awarded by the MoD when procurement contracts are required. No other assignment of the contract or project shall be permitted. The status and contract with the Strategic Partner is not assignable. Final integration of system of systems shall be carried out by the Strategic Partner or its SPV in India. SPV shall be wholly owned by the Strategic Partner and the shareholding of such a Strategic Partner in the SPV should be locked in for the term of the Strategic Partnership. The only permitted exception to this condition is that in case of company(ies) or entity(ies) providing technology for a project or a contract so requires such company(ies) or entity(ies) shall together be allowed a maximum of forty nine percent (49%) in the SPV without loss of control or ownership of the SPV by the Strategic Partners. The making of the SPV and the terms of the joint venture shall be scrutinised by the MoD, or the regulator appointed to ensure that the SPV and/or the Strategic Partner are Indian owned and majority controlled by resident Indian citizens as defined in para 2.2.6.

Such SPVs should be set up in compliance with the policies and guidelines issued from time to time by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry. However, the overall responsibility of performance as owed to the MoD shall always be of the Strategic Partner. Strategic Partner and SPV(s) would be jointly and severally liable. It is clarified that SPV's joint and several liability with the Strategic Partner shall be prorated to the extent of its work share, as agreed at the time of approval of the SPV by the MoD.

7.8. No Transfer of Shareholding of the SPV (Lock-in)

The shareholding of the Strategic Partner in the SPV shall be subject to a lock-in for the duration of the Strategic Partnership.

7.9. New Segments

Notwithstanding the recommendations of the Task Force in relation to the Segments, the Task Force recognizes that the MoD has to be provided flexibility and ability to add new Segments to Group I and Group II Segments in the future and therefore it is clarified that the MoD shall have the discretion to add more Segments under the Strategic Partnership model in light of the requirement of Indian armed forces, financial feasibility and other practical considerations. The MoD shall in such a case specify the Segment specific Selection Criteria and other relevant conditions that may be required for selection and appointment of a Strategic Partner in relation to such new Segment.

7.10. Acquisition Contracts

The Task Force recommends that the MoD shall provide a draft standard form acquisition contract for comments to all strategic partners with whom long term covenants are executed and shall finalise the form of the acquisition contract after duly considering the comments and suggestions of the strategic partners. Such finalised form shall be used for Acquisition Contracts in respect of all strategic partners. MoD and the relevant strategic partner shall have the power to modify the standard form of the Acquisition Contract, as may be reasonably required for a specific acquisition, upon mutual agreement.

7.11. Competition Law

There is currently no exemption from the applicability of Sections 3 and 5 of the Competition Act, 2002 for enterprises in defence manufacture. The Central Government has powers under Section 54 of the Competition Act, 2002 to exempt by notification the applicability of the Competition Act, 2002 or any provision thereof for such a period as may be specified in the notification. Accordingly, it is recommended that a notification may be issued by the Ministry of Corporate Affairs and duly gazetted so that the selection of Strategic Partners and their carrying on activities as enterprises in the field of defence manufacture are rendered exempt

from Sections 3 and 5 of the Competition Act, 2002. The draft notification is appended as **Appendix II**.

7.12 Long Term Covenant

The Strategic Partners and the MoD shall enter into a long term covenant (“Long Term Covenant”) which shall contain the principles of the relationship between the Strategic Partner and the MoD. It is clarified that the format of the Long Term Covenant shall be made part of the expression of interest / public notice issued for inviting application for Strategic Partnerships. A draft of the Long Term Covenant would be circulated for comments of the intending applicants. The GoI / MoD will take into consideration the comments offered and finalise such a draft Long Term Covenant which shall then be the standard basis of contracting with the Strategic Partner. Such a standard Long Term Covenant shall be executed by the Applicant Company before the allotment is announced and kept undated in the escrow. The MoD will sign this agreement post selection of the Strategic Partner with such successful Applicant Company.

CHAPTER 8

THE LONG TERM COVENANT

- 8.1. The Expert Committee recognized that the Strategic Partnership model has to be developed further and in this context the Expert Committee noted that *“There are other operational issues which would need to be clarified so that there is a clear understanding between the MoD and the SP. These may include:*
- i. Investment on the basis of assured orders;
 - ii. **Cost + mechanism of funding.** Programme specific Fixed / Variable cost models;
 - iii. **Risk sharing** – Inflation correction, ERV, Taxes and duties change mechanisms;
 - iv. **Risk – Reward model** for development and programme implementation;
 - v. **Hand holding by Collaborator / MoD-** Joint Review mechanism, mechanisms to deal with unknowns and imponderables as they surface during the execution phase;
 - vi. Prime contractors (SPs) to be mandated to develop tierised industries as partners, on the same principles, to accelerate program execution;
 - vii. Encourage teaming agreements between prime contractors and tierised industry;
 - viii. Encourage teaming agreements between SPs and DPSUs, because of the latter’s head start;
 - ix. Long term covenants between Government, Strategic Partners and tierised partners to guide not only the first contract (after determination of the segment and SP) but subsequent ones to follow, so that resources are utilised optimally over long periods of time.”³⁰
- 8.2 The Task Force is of the view that in the interest of transparency and to allow the Applicant Companies a complete understanding of the playing field, clarity on the above listed items would have to be provided upfront before allotting the status as a Strategic Partner and contracting with it. In this context, the exact nature of restrictions and rights available to the Strategic Partners are detailed in the long term covenant (**“Long Term Covenant”**).

³⁰ Para 3.3.09, page 48, Expert Committee Report.

LONG TERM COVENANT

Agreement between the Government of the Republic of India, Ministry of Defence and [*Insert name of the public company*] for establishing strategic partnership in relation to [*Insert name of Segment*] in the defence sector.

Contract No. _____ (“**Agreement**”)

PREAMBLE

This Agreement is made on this day, the (*date*) day of (*Month & Year*) (“**Effective Date**”) in New Delhi, between the President of India represented by the [*Insert name and designation of the authorised officer*], Ministry of Defence, Government of India, South Block, New Delhi, hereinafter referred to as the “**MoD**” (which terms unless excluded by the context, shall be deemed to include its successors) on one part, and [*name of the public company with address*] duly represented by [*specify the name and designation*], and incorporated under the laws of India, having its registered office at _____ (which terms unless expressly indicated by the context shall be deemed to include its successors), hereinafter referred to as the “**Strategic Partner**” on the other part. MoD and the Strategic Partner shall individually be referred to as a “**Party**” and collectively as the “**Parties**”.

WHEREAS, an expression of interest was issued by the MoD on [*Insert Date*] for selection and appointment of strategic partners in respect of [*insert name of the Segment*], [*insert name of the Segment*], [*insert name of the Segment*] and [*insert name of the Segment*]. Accordingly, the Strategic Partner applied for and has been selected for appointment as a strategic partner by the MoD in respect of [*Name of the Segment*] (“**Segment**”).

WHEREAS, the MoD agrees to appoint the Strategic Partner in respect of the Segment to establish a long term acquisition relationship in respect of the Segment (“**Strategic Partnership**”) such that capacity and capability in the Indian private sector may be developed to eventually achieve self-reliance in critical defence production infrastructure.

WHEREAS the Strategic Partner agrees to be appointed as a strategic partner in respect of the Segment.

NOW, THEREFORE in consideration of the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1. Definitions

In this Agreement and the Preamble, where the context so admits, the following words and expressions shall have the following meanings:

“ Acquisition Contracts ”	shall have the meaning as ascribed to it in Clause 2.3;
“ DPSU(s) ”	shall have the meaning as ascribed to it in Clause 3.2;
“ DRDO ”	shall have the meaning as ascribed to it in Clause 3.2;
“ Effective Date ”	shall have the meaning as ascribed to it in the Preamble;
“ Foreign OEM(s) ”	shall have the meaning as ascribed to it in Clause 9.1.2;
“ GoI ”	shall have the meaning as ascribed to it in Clause 7.3;
“ Group Company ”	means a company that controls, is controlled by, or is under common control with such entity, but any such company shall be deemed to be a Group Company only as long as such control exists and all such companies shall collectively be referred to as Group . For the purposes of this definition, “control” shall mean the right to appoint a majority of the directors or direct or indirect ownership of more than 50% (fifty percent) of the voting power. It is specifically clarified that associate companies (as defined under the Companies Act, 2013) are excluded from this definition. It is further clarified that the Strategic Partner may itself be a controlled company or under common control of a parent.
“ Group I SPs ”	shall have the meaning as ascribed to it in Clause 9.1.1;
“ Group II SPs ”	shall have the meaning as ascribed to it in Clause 9.1.1;
“ MoD ”	shall have the meaning as ascribed to it in the Preamble;
“ MSME(s) ”	shall have the meaning as ascribed to it in Clause 9.1.2;
“ OF(s) ”	shall have the meaning as ascribed to it in Clause 3.2;

“Owner”	shall have the meaning as ascribed to it in Clause 21.1;
“Party”	shall have the meaning as ascribed to it in the Preamble;
“Parties”	shall have the meaning as ascribed to it in the Preamble;
“Proprietary Information”	shall have the meaning as ascribed to it in Clause 21.1;
“Recipient”	shall have the meaning as ascribed to it in Clause 21.1;
“Regulator”	shall have the meaning as ascribed to it in Clause 7.3;
“Segment”	shall have the meaning as ascribed to it in the Preamble;
“Segment Group Co.”	shall have the meaning as ascribed to it in Clause 15.1;
“SPV”	shall have the meaning as ascribed to it in Clause 7.1;
“Strategic Assets”	shall have the meaning as ascribed to it in Clause 15.1.1;
“Strategic Partner”	shall have the meaning as ascribed to it in the Preamble;
“Strategic Partnership”	shall have the meaning as ascribed to it in the Preamble;
“Takeover Rights”	shall have the meaning as ascribed to it in Clause 15.1;
“Technology Source”	shall have the meaning as ascribed to it in Clause 3.1.2; and
“Term”	shall have the meaning as ascribed to it in Clause 2.1.

1.2. Interpretation

In this Agreement,

1.2.1. Any reference to any statute or statutory provision shall include:

- (i) all subordinate legislation made from time to time under that provision (whether or not amended, modified, re-enacted or consolidated);
- (ii) such provision as from time to time amended, modified, re-enacted or consolidated.

1.2.2. any reference to the singular shall include the plural and vice-versa;

1.2.3. any references to the masculine, the feminine and the neuter shall include each other;

- 1.2.4. references to this Agreement or any other document shall be construed as references to this Agreement or that other document as amended, varied, novated, supplemented or replaced from time to time;
- 1.2.5. any references to Clauses are to Clauses of this Agreement;
- 1.2.6. the expression “this Clause” shall, unless followed by reference to a specific provision, be deemed to refer to the whole Clause (not merely the subClause, paragraph or other provision) in which the expression occurs;
- 1.2.7. headings to Clauses are for convenience only and do not affect the interpretation of this Agreement;
- 1.2.8. the words “include”, “including” and “in particular” shall be construed as being by way of illustration or emphasis only and shall not be construed as, nor shall they take effect as, limiting the generality of any preceding words;
- 1.2.9. references to a person (or to a word importing a person) shall be construed so as to include that person’s successors in title and assigns or transferees permitted in accordance with the terms of this Agreement;
- 1.2.10. references to a person’s representatives shall be to its officers, employees, legal or other professional advisers, sub-contractors, agents, attorneys and other duly authorised representatives;
- 1.2.11. any reference to books, files, records or other information or any of them means books, files, records or other information or any of them in any form or in whatever medium held or stored including paper, electronically stored data, magnetic media, film and microfilm; and
- 1.2.12. if the date on which any act or obligation specified in this Agreement is to be performed falls on a day which is not a business day, then the date on which such act or obligation is to be effected or performed shall be deemed to fall on the next business day.

2. TERM AND SCOPE OF THE AGREEMENT

- 2.1. MoD hereby appoints and the Strategic Partner hereby accepts the appointment as a strategic partner of MoD in respect of the Segment for an initial period of 20 (twenty) years from the Effective Date (“**Term**”), subject to an earlier termination of this Agreement in accordance with its terms.

- 2.2. The Parties have the right to extend the Term in writing for a further period of [•] years, upon mutual agreement. MoD shall consider and assess the performance and quality of relationship during the Term, prior to agreeing to an extension of the Term.
- 2.3. During the Term, MoD shall make best efforts to procure from the Strategic Partner Segment systems / products and the Parties agree to enter into specific acquisition contracts for acquisition of specified products in relation to the Segment (“**Acquisition Contracts**”)³¹.

3. ACQUISITION CONTRACT

3.1. Contracts

- 3.1.1. The MoD agrees that it shall make best efforts to issue acquisition requests to the Strategic Partner for acquisitions in the Segment including associated deliveries, supplies and performance of the required service, in accordance with this Agreement. Pursuant to such acquisition requests, the Parties shall commence discussions and negotiations to enter into Acquisition Contracts.
- 3.1.2. The MoD shall facilitate transfer of technology, if required for the fulfilment of the Acquisition Contracts. Where MoD is facilitating a transfer of technology, it shall identify a technology source, whether from within India or outside India (“**Technology Source**”) from whom the technology transfers would take place. Upon identification of the Technology Source, the MoD along with the Strategic Partner shall enter into negotiations (a) where the Technology Source is from outside India, with such Technology Source and the relevant foreign government and (b) where the Technology Source is Indian, with such Indian entity or person.
- 3.1.3. The Parties agree that in case of repeat or subsequent orders in relation to identical or similar products, the MoD may mandate reasonable discounts to encourage and benefit from costs based efficiencies developed from continuous improvements in manufacturing processes.

3.2. Exceptions

The MoD shall endeavour to procure all Segment related items, supplies and services from the Strategic Partner, when procuring from within India. Notwithstanding anything contained in this Agreement, it is clarified that the MoD shall always retain the right to procure all Segment related items, supplies and services from Defence Public Sector Undertakings (“**DPSUs**”),

³¹The Task Force recommends that the MoD shall provide a draft standard form contract for comments to all strategic partners with whom long term covenants are executed and shall finalise the form of the Acquisition Contract after duly considering the comments and suggestions of the strategic partners. Such finalised form shall be used for Acquisition Contracts in respect of all strategic partners. MoD and the relevant strategic partner shall have the power to modify the standard form of the Acquisition Contract, as may be reasonably required for a specific acquisition, upon mutual agreement.

Ordnance Factories (“OFs”) and Defence Research and Development Organisation (“DRDO”) subject to their capacity constraints. Additionally the MoD shall have the right to place purchase orders or enter into acquisition contracts with any other entity in India in the following situations:

- (a) Single source: Only one source is available in India which would satisfy the requirements of the MoD.
- (b) Emergency: When the MoD’s need for the supplies or services is of an urgent and immediate nature due to certain extreme circumstances of conflict like war.
- (c) Existing procurements which are underway or already initiated by the MoD.

4. TECHNOLOGY ABSORPTION

MoD shall have a right to periodically assess level of technology absorption carried out by the Strategic Partner. The MoD may carry out this assessment either itself or by appointing subject matter experts. The Strategic Partner shall co-operate and provide all reasonably requested information and documents to the MoD / experts appointed by the MoD in such an assessment.

5. RESEARCH AND DEVELOPMENT PLAN

The Strategic Partner shall carry out research and development and improvements in the product with an aim to achieve self-reliance within the country in respect of the Segment. Within a period of 6 (six) months from the Effective Date, the MoD undertakes to indicate to the Strategic Partner the expected acquisition for next 10 (ten) years with details of products to be procured from the Strategic Partner to enable the Strategic Partner to plan and make investments. On the basis of such expected acquisitions as indicated by the MoD, the Strategic Partner will formulate a research and development plan, which shall be finalised mutually by the MoD and the Strategic Partner.

6. INTELLECTUAL PROPERTY

- 6.1. The Parties agree that the Strategic Partner shall endeavour to secure ownership or irrevocable license for intellectual property rights which are necessary for performance by the Strategic Partner of its obligations under this Agreement or specific Acquisition Contracts.
- 6.2. The Parties shall endeavour to secure the technology with an objective to enable the Strategic Partner to engineer, manufacture, assemble, commission, upgrade, test, repair and service the relevant product in India. The Parties acknowledge that technology denial regimes exist in various countries however they shall endeavour to ensure that the technology transferred to the Strategic Partner shall be unfettered such that the Strategic Partner may utilise it to manufacture the product in India within the specified timelines, use and exploit it for future procurement

needs of the MoD as well as export rights and use such technology in further research and development activities.

- 6.3. The Parties shall try to ensure that the Technology Source does not have any exclusive rights over further advancements and development of technology by the Strategic Partner, using the transferred technology.
- 6.4. The intellectual property rights developed by the Strategic Partner or SPV attached to the overall design, manufacturing, assembly, testing and all processes of the goods manufactured by the Strategic Partner or SPV, shall at all times remain vested with the Strategic Partner or SPV or its subcontractors, as applicable.
- 6.5. If the Strategic Partner or its SPV develops patent as per the Patents Act, 1970, the Strategic Partner or the SPV should have exclusive rights over such developed technology and the Strategic Partner or the SPV shall be eligible to apply for patents under the Patents Act, 1970 or other relevant laws.

7. SPECIAL PURPOSE VEHICLE

- 7.1. The Strategic Partner is permitted to incorporate subsidiary companies in the nature of special purpose vehicle or use existing subsidiaries (“**SPV**”) in respect of specific Acquisition Contracts. Upon the MoD informing the Strategic Partner of its intention to enter into an Acquisition Contract with the Strategic Partner, the Strategic Partner shall immediately inform the MoD whether it intends to execute the same itself or partially or completely through an SPV. In the event the Strategic Partner communicates its intention of using an SPV to the MoD, such an SPV shall enter into a deed of adherence, acknowledging an obligation to adhere to the obligations of the Strategic Partner therein. Further, in such a case the Acquisition Contract shall be a tri-partite agreement between the MoD, the Strategic Partner and the SPV.
- 7.2. SPV shall be wholly owned by the Strategic Partner and the shareholding of the Strategic Partner in the SPV should be locked in for the Term. Notwithstanding the above, a company(ies) or any other entity(ies) providing technology (either directly or through a group company) for the project or contract shall together be allowed to hold a maximum of 49% (forty nine percent) in the SPV without loss of control of the SPV by the Strategic Partner.
- 7.3. The Strategic Partner shall submit the joint venture agreement or agreement/documents reflecting the shareholding of the Strategic Partner in an SPV, to the MoD or the regulatory body established by Government of India (“**GoI**”) to regulate Strategic Partnerships (“**Regulator**”) for seeking an approval for use of the SPV in respect of an Acquisition Contract.

- 7.4. An SPV shall ensure compliance with the applicable policies and guidelines issued from time to time by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry.
- 7.5. An SPV shall be jointly and severally liable with the Strategic Partner under the Acquisition Contract prorated to the extent of its work share and agreed at the time of approval of the SPV by the MoD.

8. PRICING METHODOLOGY

- 8.1. The MoD shall specify the details of the pricing model in the Acquisition Contract after due consultation with the Strategic Partner and other stakeholders. The pricing methods used for Acquisition Contracts may include cost plus method.³²

9. ROLE AND RESPONSIBILITY OF STRATEGIC PARTNER

- 9.1. The Strategic Partner undertakes that:

- 9.1.1. Subject to the MoD releasing the names of the other strategic partners in respect of Group I Segments (other “**Group I SPs**”):

- (a) it shall have no crossholding of shares, debt or other securities in Group I SPs; and
- (b) it or its promoter companies shall not be dependent in any way on other Group I SPs.

Or

Subject to the MoD releasing the names of the other strategic partners in respect of Group II Segments (other “**Group II SPs**”):

- (a) it shall have no crossholding of shares, debt or other securities in Group II SPs; and
- (b) it or its promoter companies shall not be dependent in any way on other Group II SPs.

- 9.1.2. It shall endeavour to make India self-reliant in respect of the Segment and shall make best efforts to develop tierised industries by entering into teaming agreements with tierised industry, DPSUs, OFs, DRDO, foreign defence sector original equipment manufacturers (“**Foreign OEM(s)**”) (for technology transfer), micro, small and medium enterprises (“**MSME(s)**”) and other suppliers so that an eco-system of domestic manufacturers in the Indian defence sector is developed systematically and shall provide details of such tierised industry to the MoD.

³² The Task Force recommends that MoD shall device and develop pricing methodologies prior to entering into any Acquisition Contract. Such pricing methodologies may include various types of ‘cost plus’ pricing mechanisms used in India or elsewhere. The specific pricing method applicable shall be specified in the Acquisition Contract by the MoD after due consultation with the Strategic Partner and other stakeholders.

- 9.1.3. It shall optimize costs and pricing including by way of implementing mechanism (including competitive bidding) to ensure cost efficient downstream procurement from sub-suppliers.
- 9.1.4. It shall not create a charge on the Strategic Assets without prior written approval of the MoD and shall charge only to the same creditor/ consortium of creditors.
- 9.1.5. The charge of the creditors shall be subordinate to MoDs' right for performance of this Agreement and the same shall be included in the financial agreements.
- 9.1.6. It shall not pledge the shares of the SPV without prior written approval of the MoD and shall charge only to the creditor/ consortium of creditors to whom other Strategic Assets are charged.
- 9.1.7. It shall comply with the instructions and regulations as issued by the Regulator in relation to the Strategic Partnership.

10. TEST AND EVALUATION FACILITIES

The MoD shall make best efforts to provide access to test and evaluation facilities of the MoD and bodies thereunder to the Strategic Partner and its authorised vendors and partners, if required. The terms of such access as well as cost or fees for the same shall be mutually decided between the Parties.

11. AUDIT (Applicable only to cost plus contracts)

- 11.1. The Strategic Partner shall submit periodic audited reports (audited by a practicing chartered accountant or a practicing cost accountant) on the progress of a project as required under a specific Acquisition Contract.
- 11.2. The Strategic Partner shall also submit regular cost audit reports (audited by a practicing cost accountant) in respect of costing and expenses as required under a specific Acquisition Contract.
- 11.3. A cost statement report (duly audited by a practicing cost accountant approved by GoI) shall be provided by the Strategic Partner detailing the costs and expenses incurred with supporting documentation to the MoD and the Regulator in accordance with an Acquisition Contract in formats as specified by the MoD.
- 11.4. Costing systems / methods used by the Strategic Partner shall be examined by the MoD and suggestions for improvement of costing systems / methods may be made by the MoD. The Strategic Partner shall make best efforts to implement the suggestions of the MoD.

- 11.5. The MoD shall have the right to conduct a special audit of all certifications and costs relevant to the Segment at all or any stages (tiers) of manufacturing/ production/ assembly, on the Strategic Partner.
- 11.6. The audit(s) could be conducted by a practicing chartered accountant and/ or a practicing cost accountant, jointly appointed by the Parties.
- 11.7. In the event the Parties fail to jointly appoint a practicing chartered accountant and/ or a practicing cost auditor within [*insert time period*], the MoD may conduct the audit itself and/ or by an agency/ institution/ officer(s) nominated by the MoD, as may be decided by the MoD.

12. REPORTING

- 12.1. The following reports shall be submitted to the MoD and the Regulator by the Strategic Partner in accordance with an Acquisition Contract in formats as specified by the MoD.
 - (a) Quarterly progress report: This report shall provide a regular update on the project progress;
 - (b) Interim contract report: This report shall be provided at specified stages implemented during the term of an Acquisition Contract by the Strategic Partner;
 - (c) On-demand contract report: The MoD shall have a right to request for information at any stage in the form of on-demand reports; and
 - (d) Contract completion report: Upon completion of a project under an Acquisition Contract, a contract completion report, including approved deviation to the specifications, shall be provided by the Strategic Partner.

13. ACCESS TO BOOKS OF ACCOUNTS

The Strategic Partner on specific request of the MoD and/or Regulator, shall provide necessary information, allow inspection of the relevant financial and other documents to them and keep its books of accounts and relevant records open for inspection at normal business hours.

14. TERMINATION

- 14.1. The MoD shall have the right to terminate this Agreement in the following events provided the Strategic Partner fails to cure the breach or defect or delay in supply etc. where curable, upon expiry of 90 (ninety) days cure period from the date of delivery of a written notice of breach or defect or delay to the Strategic Partner and where not capable of being cured, immediately:-
 - (a) If an individual Acquisition Contract is terminated by the MoD for material breach of such an Acquisition Contract in accordance with the terms of such an Acquisition Contract.

- (b) The Strategic Partner or the SPV loses 50% (fifty percent) of net worth as submitted in its application (for appointment as strategic partner) or is unable to pay its dues.
- (c) The Strategic Partner or the SPV used is adjudged insolvent, commences a voluntary winding-up, is subject to the appointment of a receiver, administrative receiver, official liquidator, trustee or a similar person over its assets or undertaking or any part thereof.
- (d) Material breach of the Agreement or an integrity related provision of any of the Acquisition Contracts by the Strategic Partner or the SPV.
- (e) An Acquisition Contract not being signed between the Parties within a period of 5 (five) years from the Effective Date.
- (f) Violation of restrictions on use of agents by the Strategic Partner.
- (g) As per decision of the arbitral tribunal under Clause 18.

14.2. The Strategic Partner shall have a right to terminate this Agreement in the following events provided the MoD fails to cure the breach or defect etc. within 90 (ninety) days:

- (a) An Acquisition Contract not being signed between the Parties within a period of 3 (three) years from the Effective Date.
- (b) Material breach of the Agreement by the MoD.

14.3. The Parties shall also have the right to terminate this Agreement as per Clause 16.3.

15. TAKEOVER RIGHTS

15.1. Notwithstanding anything in this Agreement, the MoD shall have the right to take over the assets, rights and facilities of the Strategic Partner or the SPV or the Group Company's whose specific experience in a Segment in respect of fulfilling the segment specific criteria the Strategic Partner had relied upon ("**Segment Group Co.**") ("**Takeover Rights**") (a) temporary and (b) permanent in the following specific circumstances:

15.1.1. Temporary: In certain extreme circumstances of conflict like war, the MoD shall have a temporary right to take over the possession of and use the assets, rights, property (including intellectual property) and facilities of the Strategic Partner, the SPV or the Segment Group Co. ("**Strategic Assets**"). It is clarified that immediately upon the emergency being over, the use of the Strategic Assets shall be immediately ceased and possession returned to the Strategic Partner, the SPV or the Segment Group Co., as the case may be.

15.1.2. Permanent: In the event of a material breach or material failure by the Strategic Partner or in the event of liquidation or winding-up of the Strategic Partner or the SPV, the MoD shall have a preferential right to take over the Strategic Assets upon payment of a fair market value of the same.

16. HARDSHIP

- 16.1. A Party is bound to perform its contractual duties under this Agreement even if events have rendered performance more onerous than could reasonably have been anticipated at the time of the conclusion of this Agreement.
- 16.2. Notwithstanding Clause 16.1 above, where a Party to the Agreement proves that: (i) the continued performance of its contractual duties has become excessively onerous due to an event beyond its reasonable control which it could not reasonably have been expected to have taken into account at the time of the conclusion this Agreement; and that (ii) it could not reasonably have avoided or overcome the event or its consequences, the parties are bound, within a reasonable time of the invocation of this Clause, to negotiate alternative contractual terms which reasonably allow for the consequences of the event.
- 16.3. Where Clause 16.2 applies, but where alternative contractual terms which reasonably allow for the consequences of the event are not agreed by the other Party to this Agreement as provided in Clause 16.2, the Party invoking this Clause is entitled to terminate this Agreement.

17. LAW

This Agreement shall be governed by and interpreted in accordance with the laws of the Republic of India.

18. DISPUTE RESOLUTION

- 18.1. All disputes or differences arising out of or in connection with this Agreement, including the one connected with the validity of the present Agreement or any part thereof, shall be settled by bilateral discussions.
- 18.2. Any dispute, disagreement or question arising out of or relating to this Agreement or relating to construction or performance (except as to any matter the decision or determination whereof is provided for by these conditions), which cannot be settled amicably under Clause 18.1, shall within 30 (thirty) days from the date on which either Party informs the other in writing by a notice that such dispute, disagreement or question exists, will be referred to an arbitral tribunal consisting of three members. Within 30 (thirty) days of the receipt of the said notice, one arbitrator shall be nominated in writing by the Strategic Partner and one arbitrator shall be nominated by the MoD. The third arbitrator shall be nominated by the other two selected arbitrators.
- 18.3. The arbitral tribunal shall have its seat in New Delhi or such other place in India as may be decided by the arbitrators.

- 18.4. The arbitration proceedings shall be conducted in India and governed in accordance with the rules of arbitration of LCIA-India or rules of any other mutually agreeable arbitral institution in India.
- 18.5. The decision of the majority of the arbitrators shall be final and binding on the Parties to this Agreement.
- 18.6. Each party shall bear its own cost of preparing and presenting its case. The cost of arbitration including the fees and expenses of arbitrators shall be shared equally by the Parties, unless otherwise awarded by the tribunal.
- 18.7. The Parties shall continue to perform their respective obligations under this Agreement during the pendency of the arbitration proceedings except in so far as such obligations are the subject matter of the said arbitration proceedings.

19. PENALTY FOR USE OF UNDUE INFLUENCE

- 19.1. The Strategic Partner undertakes that it has not given, offered or promised to give, directly or indirectly any gift, consideration, reward, commission, fees brokerage or inducement to any person in service of the MoD, directly or indirectly, in procuring this Agreement or forbearing to do or for having done or forborne to do any act in relation to the obtaining or execution of this Agreement or any other contract with the GoI for showing or forbearing to show favour or disfavour to any person in relation to this Agreement or any other contract with the GoI. Any breach of the aforesaid undertaking by the Strategic Partner or any one employed by it or acting on its behalf (whether with or without the knowledge of the Strategic Partner) or the commission of any offers by the Strategic Partner or anyone employed by it or acting on its behalf, as defined in Chapter IX of the Indian Penal Code, 1860 or the Prevention of Corruption Act, 1988 or any other act or regulation enacted for the prevention of corruption shall entitle the MoD to cancel this Agreement and all or any other contracts with the Strategic Partner and recover from the Strategic Partner the amount of any loss arising from such cancellation. A decision of the MoD or its nominee to the effect that a breach of the undertaking had been committed shall be final and binding on the Strategic Partner.
- 19.2. Giving or offering of any gift, bribe or inducement or any attempt at any such act on behalf of the Strategic Partner towards any officer/employee of the MoD or to any other person in a position to influence any officer/employee of the MoD for showing any favor in relation to this or any other contract, shall render the Strategic Partner to such liability/ penalty as the MoD may deem proper, including but not limited to termination of this Agreement, imposition of penal damages and refund of the amounts paid by the MoD under specific Acquisition Contracts.

20. AGENTS/AGENCY COMMISSION

The Strategic Partner confirms and declares to the MoD that the Strategic Partner has neither engaged any person, whether Indian or foreign whatsoever, to intercede, facilitate or in any way to recommend to the GoI or any of its functionaries, whether officially or unofficially, to award it the status of a strategic partner in relation to the Segment or enter into this Agreement nor has any amount been paid, promised or intended to be paid to any such individual or firm in respect of any such intercession, facilitation or recommendation. The Strategic Partner agrees that if it is established at any time to the satisfaction of the MoD that the above declaration is in any way incorrect or if at a later stage it is discovered by the MoD that the Strategic Partner has engaged any such person, and paid or intended to pay any amount, gift, reward, fees, commission or consideration to such person, party, firm or institution, whether before or after the signing of this Agreement, the Strategic Partner will be liable to refund such amount to the MoD as paid by the MoD in various acquisition contracts. The Strategic Partner will also be debarred from entering into any acquisition contract with the GoI for a minimum period of 5 (five) years. The MoD will also have a right to consider cancellation of acquisition contracts either wholly or in part, without any entitlement or compensation to the Strategic Partner who shall in such an event be liable to refund all payments made by the MoD in terms of the respective acquisition contract along with interest at the rate of 2% (two percent) per annum above Base Rate of State Bank of India. The MoD will also have the right to recover any such amount from any acquisition contract concluded earlier with the GoI.

21. PROPRIETARY AND CONFIDENTIAL INFORMATION

21.1. Definition of Proprietary Information

For purposes of this Agreement, “**Proprietary Information**” shall mean all oral, written and/or tangible information whether provided by electronic media, by visual display or orally disclosed by one Party (in either case “**Owner**”) to the receiving Party (“**Recipient**”) which is confidential, proprietary and/or not generally available to the public, including, but not limited to, information relating in whole or in part to present and future products, services and concepts, present and future product plans, pricing, financial data, development plans, specifications or other technical and business information.

21.2. Protection of Proprietary Information

The Recipient shall keep confidential and shall not disclose, to third parties, the Proprietary Information received from, or made available by the Owner in the course of the transactions contemplated hereby and will use the same level of care with respect to the Proprietary

Information as the Recipient employs with respect to its own proprietary and confidential information, and will not use such Proprietary Information for any purpose other than the performance of its obligations under this Agreement.

21.3. Proprietary Information Exclusions

Notwithstanding the foregoing, information shall not be deemed confidential and the Recipient shall have no obligation with respect to any such information which: (a) is already known to the Recipient, or (b) is or becomes publicly known, through publication, inspection of a product, or otherwise, and through no negligence or other wrongful act of the Recipient, or (c) is received by the Recipient from a third party without similar restriction and without breach of this Agreement, or (d) is independently developed by the Recipient.

21.4. Third Party Requests for Proprietary Information

If the Recipient is required or compelled under applicable law to disclose any Proprietary Information, the Recipient will promptly notify the Owner of, such request or requirement so that the Owner may seek an appropriate protective order or waive compliance with the provisions of this Clause 21. If, in the absence of a protective order or the receipt of a waiver hereunder, Recipient is in the written opinion of the Recipient's counsel compelled to disclose the Proprietary Information or else stand liable for contempt or suffer other censure or penalty, the Recipient may disclose only so much of the Proprietary Information to the Person compelling disclosure as is required by law. The Recipient will exercise reasonable efforts to obtain a protective order or other reliable assurance that confidential treatment will be accorded to Proprietary Information.

For avoidance of doubt, it is clarified that the MoD shall have a right to disclose a list of names of companies appointed as strategic partners.

22. NOTICES

Each notice, demand or other communication given or made under this Agreement shall be in writing and given to the relevant Party at its address or fax number set out below (or such other address or fax number as the addressee has by 10 (ten) day's prior written notice specified to the other Parties):

To the MoD:

Address:

Fax Number:

Attention:

To the Strategic Partner:

Address:

Fax Number:

Attention:

Any notice, demand or other communication to a Party shall be deemed to have been delivered (a) if given or made by letter, 10 (ten) days after the time at which it was posted by an internationally recognized courier service, registered pre-paid airmail or speed post and (b) if given or made by fax, when dispatched with a confirmed transmission report. Any notice given under or in connection with this Agreement shall be made in the English language.

23. TRANSFER AND SUB-LETTING

- 23.1. The Strategic Partner has no right to give, bargain, sell, assign or sublet or otherwise dispose of this Agreement or any part thereof, as well as to give or to let a third party take benefit or advantage of the present Agreement or any part thereof except as provided at Clause 7 of this Agreement.
- 23.2. It is further clarified that the status of a strategic partner and this Agreement with the Strategic Partner is not assignable.

24. SURVIVAL

Notwithstanding anything contained hereinabove, the terms of Clause 17 (Law), Clause 18 (Dispute Resolution), Clause 21 (Proprietary and Confidential Information) and Clause 22 (Notices) shall survive the termination of this Agreement. The Parties further agree that provisions contained in this Agreement which are required to give effect to clauses which shall survive termination shall also survive termination of this Agreement only to such extent that they are required to give effect to any of the clauses which shall survive the termination hereof.

25. AMENDMENTS

No provision of this Agreement shall be changed or modified in any way (including this provision) either in whole or in part except by an instrument in writing made after the date of this Agreement and signed on behalf of both Parties and which expressly states to amend this Agreement.

26. SEVERABILITY

If any provision or part of a provision of this Agreement or its application to any Party, shall be, or be found by any authority of competent jurisdiction to be, invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions or parts of such provisions of this Agreement, all of which shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names, as of the date first written above.

MOD

By: _____

Name:

Title:

STRATEGIC PARTNER

By: _____

Name:

Title:

CHAPTER 9

DEFINITIONS

For the purposes of this report, the following words and phrases shall be defined as follows:

Affidavit	A written sworn statement of fact before an oath commissioner made by a person under an oath or affirmation administered by a person authorized to do so by law
Applicant Company(ies)	shall have the meaning as ascribed to it at para 2.2.1
CDR	shall have the meaning as ascribed to it at para 3.1.3(b)(i)
Consolidated FDI Policy	the policy issued by Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, GoI from time to time. The current policy which is modified is dated May 12, 2015
CSIR	shall have the meaning as ascribed to it at para 6.1.1
DPP	shall have the meaning as ascribed to it at para 1.1.1
DPP-2013	Defence Procurement Procedure, 2013 issued by GoI, MoD
DPSU(s)	shall have the meaning as ascribed to it at para 1.1.2
DRDO	shall have the meaning as ascribed to it at para 1.1.2
EBITDA	income before interest, taxes, depreciation, and amortization
Evaluation Committee	shall have the meaning as ascribed to it at para 2.3.1
Expert Committee	shall have the meaning as ascribed to it at para 1.1.1
Expert Committee Report	shall have the meaning as ascribed to it at para 1.1.3
FDI	shall have the meaning as ascribed to it at para 2.2.6
FII (s)	shall have the meaning as ascribed to it at para 2.2.7
Financial Criteria	shall have the meaning as ascribed to it at para 2.3.6.3
Foreign OEM	shall have the meaning as ascribed to it at para 7.2
FPI (s)	shall have the meaning as ascribed to it at para 2.2.6
FVCI (s)	shall have the meaning as ascribed to it at para 2.2.7
GoI	shall have the meaning as ascribed to it at para 1.1.13

Group Company(ies)	A company that controls, is controlled by, or is under common control with such entity, but any such company shall be deemed to be a Group Company only as long as such control exists and all such companies shall collectively be referred to as Group . For the purposes of this definition, “control” shall mean the right to appoint a majority of the directors or direct or indirect ownership of more than fifty percent (50%) of the voting power. It is specifically clarified that associate companies (as defined under the Companies Act, 2013) are excluded from this definition. It is further clarified that the Applicant Company may itself be a controlled company or under common control of a parent.
Group I Segments	the segments listed at para 2.1.4 under the heading Group I Segments.
Group II Segments	the segments listed at para 2.1.4 under the heading Group II Segments
Indian Entity	shall have the meaning as ascribed to it at para 2.2.6
Long Term Covenant	shall have the meaning as ascribed to it at para 7.12
MSMEs	micro, small and medium enterprises
MoD	shall have the meaning as ascribed to it at para 1.1.1
NBFC	shall have the meaning as ascribed to it at para 2.2.2
NRI(s)	shall have the meaning as ascribed to it at para 2.2.7
OF(s)	shall have the meaning as ascribed to it at para 1.1.2
QFI(s)	shall have the meaning as ascribed to it at para 2.2.7
PWC	shall have the meaning as ascribed to it at para 1.1.9
RBI	shall have the meaning as ascribed to it at para 3.1.3(a)(ii)
R&D	shall have the meaning as ascribed to it at para 5.1.2.1
Segments	means all the Group I Segments and Group II Segments
Segment Group Co.	shall have the meaning as ascribed to it at para 2.3.7
Segment Specific Criteria	shall have the meaning as ascribed to it at para 2.3.6.3
SPV(s)	shall have the meaning as ascribed to it at para 2.2.2
Strategic Partner(s)	shall have the meaning as ascribed to it at para 1.1.3
Strategic Partnership	shall have the meaning as ascribed to it at para 1.1.2
Task Force	shall have the meaning as ascribed to it at para 1.1.5
Technical Criteria	shall have the meaning as ascribed to it at para 2.3.6.3
UK	shall have the meaning as ascribed to it at para 1.1.9
USA	shall have the meaning as ascribed to it at para 1.1.9
Verification Sub-Committee	shall have the meaning as ascribed to it at para 2.3.3

APPENDIX I

Government of India
Ministry of Commerce and Industry
Department of Industrial Policy and Promotion
Press Note No. __ (2016 Series)

Subject: Introduction of a new category of “Strategic Partners” as appointed by the Ministry of Defence

The Government of India has reviewed the extant FDI policy on various sectors and made following amendments in the Consolidated FDI Policy Circular of ____ (**FDI Policy**), effective from _____, and as amended from time to time.

1. After para 6.2.6.2 of the FDI Policy, following new paras are added:

Sector/Activity	% of Equity/FDI Cap	Entry Route
6.2.6.3 Strategic Partner as notified by the MoD	49%	Automatic

6.2.6.4. Other conditions

- (i) The Strategic Partner should be an Indian public company as defined under the Companies Act, 2013 owned and controlled by resident Indian citizens.
- (ii) The management of Strategic Partner should be in Indian hands with majority representation on the board of directors being resident Indians.
- (iii) The chief executive(s) of the Strategic Partner shall be resident Indians who shall be nominees of the Indian group owning and controlling the Strategic Partner.
- (iv) The calculation of foreign investment in the Strategic Partner shall include:
 - (i) The paid up equity share capital held by the foreign company either by itself, through its subsidiary companies or nominees in the Strategic Partner;
 - (ii) The paid up equity share capital held by **other** foreign investors (person resident outside India) in the Strategic Partner; and
 - (iii) The quantum represented by that proportion of the paid-up equity share capital to the total issued equity share capital held or controlled by persons mentioned in (a) or (b) above in an Indian company or a limited liability partnership which is a shareholder in the Strategic Partner (“**Indian Entity**”). It is pertinent to note that, for the calculation of foreign equity in the Indian Entity equity held by FPI(s) (category I and II only) and Indian mutual funds will not be included.
- (v) FDI limit of forty nine percent (49%) in respect of the Strategic Partner is composite and includes all kinds of foreign investments i.e. FDI, FII(s), FPIs, NRI(s), FVCI(s) and QFI(s) regardless of whether the said investments have been made under Schedule 1

(FDI), 2 (FII), 2A (FPI), 3 (NRI), 6 (FVCI) and 8 (QFI) of Foreign Exchange Management (Transfer or Issue of Security by Persons Resident Outside India) Regulations, 2000.

- (vi) Indirect foreign investment shall be accounted for in counting the forty-nine percent (49%) FDI.

For the purpose of 6.2.6.4, 'Control' shall include the right to appoint a majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements. Further, a company is considered as 'Owned' by resident Indian citizens if more than fifty percent (50%) of the capital in it is directly or beneficially owned by resident Indian citizens and / or Indian companies, which are ultimately owned and controlled by resident Indian citizens.

2. The group companies on which an applicant company has relied upon for segment specific experience shall also have the same restrictions on FDI as a Strategic Partners and shall be notified separately by the MoD. Further, in the event such applicant company is appointed a Strategic Partner pursuant to the application for the same, the group companies on which the applicant companies have relied upon for segment specific experience shall continue to attract restrictions as applicable to a Strategic Partner till the relevant applicant company continues to be a Strategic Partner of the Ministry of Defence.
3. The above decision will take immediate effect.

Signature
(Name and Designation)

APPENDIX II

The Gazette of India
MINISTRY OF CORPORATE AFFAIRS
NOTIFICATION

New Delhi, the ____ day of _____, 2016

S.O. ____ (E). In exercise of the powers conferred by clause (a) of Section 54 of the Competition Act, 2002 (12 of 2003), the Central Government in the interest of the security of the State and in public interest exempts the Strategic Partnerships, the long term covenants and the specific contracts thereunder for defence manufacture entered into between the Government of India, Ministry of Defence and the Strategic Partner and their tier 1 and tier 2 manufacturers and micro, small and medium enterprises and supplier arrangements for implementing the Strategic Partnership, from the provisions of Sections 3 and 5 of the said Act, for a period of twenty (20) years from the date of publication of this Notification in the Official Gazette, in respect of manufacture and supply of:

- (a) Aircraft;
 - (b) Helicopters;
 - (c) Aero Engines;
 - (d) Submarines;
 - (e) Warships;
 - (f) Guns (including artillery guns);
 - (g) Armored vehicles including tanks;
 - (h) Ammunition including smart ammunition;
 - (i) Metallic materials and alloys; and
 - (j) Non-metallic materials (including composite polymers)
- for defence purposes.

During the said period of twenty (20) years the _____ [give designation], Ministry of Defence, Government of India shall monitor such agreements and for which the persons responsible for implementing the Strategic Partnership and their tier 1 and tier 2 manufacturer and supplier arrangements in respect of the aforementioned defence manufacture shall file copies of the existing Strategic Partnerships and long term covenant and supplementary documents to be entered into with applicability during the said period along with other relevant documents within one (1) year from the date of publication of this Notification in the Official Gazette or within ten (10) days of the signing of such agreements, whichever is later, with the _____ [give designation], Ministry of Defence

APPENDIX III

**APPLICATION FORM FOR
STRATEGIC PARTNER FOR GROUP I SEGMENTS**

A. GENERAL DETAILS OF THE APPLICANT COMPANY

S.No.	Information Required	Information Furnished
1.	Name of the Applicant Company	
2.	Corporate Identification Number of the Applicant Company	
3.	Date of Incorporation of the Applicant Company (Please provide certificate(s) of incorporation, Memorandum of Association and Articles of Association)	
4.	Address of Registered Office, head office, corporate office.	
5.	Ultimate holding company/ entity/ person of the Group ¹ to which the Applicant Company belongs	
6.	Website of the Applicant Company	
7.	Name of Chief Executive Officer (by whatever name called) and Directors (with designations)	
8.	Address of Factory(ies)/Facility(ies) of the Applicant Company	
9.	Name and contact details of authorized executive nominated for coordination with Ministry of Defence (“MOD”)	<div>Name:</div> <div>Address:</div> <div>E-mail:</div> <div>Telephone (landline and mobile phone):</div>
10.	Brief profile of the Applicant Company	
11.	Nature of business with details (Such as manufacturer, EPC Contractor, Processor, Service Provider)	

12.	Whether any Group Company ² has been previously selected as a Strategic Partner for any Group I Segment	Yes <input type="checkbox"/> No <input type="checkbox"/>
13.	Whether any other Group Company of the Applicant Company has made an application to be selected in the current round as a Strategic Partner for any Group I Segment. If Yes, provide details.	Yes <input type="checkbox"/> No <input type="checkbox"/> Details:
14.	Whether the Applicant Company has made an application to be selected in the current round as a Strategic Partner for any Group II Segment. If Yes, provide details.	Yes <input type="checkbox"/> No <input type="checkbox"/>
15.	Whether shareholding Pattern of the Applicant Company complies with restriction on foreign investment applicable to Strategic Partners ³	Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, certificate of Statutory Auditor appointed under Section 139 of the Companies Act, 2013 to be provided confirming the same with details of foreign investment.
16.	Preference list of the Applicant Company in respect of Group I Segments in descending order of preference. ⁴	
17.	Any other relevant information	

B. GENERAL DETAILS OF THE SEGMENT GROUP CO.

S.No.	Information Required	Information Furnished
1.	Name of the Segment Group Co.	
2.	Corporate Identification Number of the Segment Group Co.	
3.	Date of Incorporation of the Segment Group Co. (Please provide certificate(s) of incorporation, Memorandum of Association and Articles of Association)	
4.	Address of Registered Office, head office, corporate office.	
5.	Ultimate holding company/entity/person of the group to which the Segment Group Co. belongs	
6.	Website of the Segment Group Co.	
7.	Name of Chief Executive Officer (by whatever name called) and Directors (with designations)	
8.	Address of Factory(ies)/ Facility(ies) of the Segment Group Co. ⁵	
9.	Whether a copy of draft Deed of Adherence and confirmation cum undertaking providing the MOD and the Applicant Company an irrevocable right to access, enter upon and use the facilities of the Segment Group Co. has been filed along with this application.	Yes <input type="checkbox"/> No <input type="checkbox"/>
10.	Name and contact details of authorized executive/employee nominated for Coordination with MOD	Name:
		Address:
		E-mail:
		Telephone (landline and mobile phone):
11.	Brief Profile of the Segment Group Co.	

12.	Nature of Business with details (Such as manufacturer, EPC Contractor, Processor, Service Provider)	
13.	Whether shareholding pattern of the Segment Group Co. complies with restriction on foreign investment applicable to Strategic Partners ⁶	Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, certificate of Statutory Auditor appointed under Section 139 of the Companies Act, 2013, to be provided confirming the same with details of foreign investment.
14.	Any other relevant information	

C. QUALIFICATION

Each Applicant Company will have to satisfy the minimum threshold criteria which have technical conditions, financial conditions and other conditions. The evaluation of the above technical, financial and other factors will be simultaneous. In the event an Applicant Company fails to meet any of the threshold/fundamental criteria as on the date of this application, it will not be considered any further. All information required below will be in respect of the Applicant Company, unless specifically provided otherwise.

1. Technical Gate: System of Systems Integration

S. No.	Information Required	Information Furnished
1.	Details of existing capability of integration of “System of Systems”	

2. Financial Gate

S. No.	Information Required	Information Furnished
1.	Consolidated turnover ⁷ for each of last 3 financial years based on consolidated financial statements audited under the relevant Companies Act and adopted and approved by the board of directors/shareholders (excluding NBFCs ⁸ and any associate company)	
2.	Consolidated capital assets at gross book value as specified in the last consolidated financial statements audited under the relevant Companies Act and adopted and approved by the board of directors/shareholders (excluding NBFCs and any associate company)	
3.	Consolidated revenue growth per annum in last 5 financial years based on consolidated financial statements audited under the relevant Companies Act and adopted and approved by the board of directors/shareholders (excluding NBFCs and any associate company).	
4.	Credit rating (long term/issuer rating) ⁹	

3. Other Conditions

S. No.	Information Required	Information Furnished
1.	Whether the promoters and directors of the Applicant Company and the Segment Group Co. are:	
	Willful defaulters to the banking system as on the date of this application.	Yes <input type="checkbox"/> No <input type="checkbox"/> Details:
	Listed on exporters' caution list of the Export Credit Guarantee Corporation or be otherwise banned or blacklisted by Reserve Bank of India ("RBI"), Government of India ("GoI"), other government agencies and Public Sector Undertakings etc. in the context of procurement or otherwise	Yes <input type="checkbox"/> No <input type="checkbox"/> Details:
2.	Whether the Applicant Company or the Segment Group Co. is under Corporate Debt Restructuring Mechanism ("CDR") / Strategic Debt Restructuring Scheme / Joint Lender Forum's corrective action plan as prescribed by the RBI as on the date of this application	Yes <input type="checkbox"/> No <input type="checkbox"/> Details:
3.	Whether an account of the Applicant Company or any Segment Group Company with any bank is classified in 'Non-performing asset' category as on the date of this application	Yes <input type="checkbox"/> No <input type="checkbox"/> Details:
4.	Whether the latest audit reports of the Applicant Company and the Segment Group Co. have any qualifications	Yes <input type="checkbox"/> No <input type="checkbox"/> Details:

D. FINANCIAL INFORMATION

S. No.	Information Required	Information Furnished
1.	Applicant Company solvency ratio (i.e. Total outside Debt ¹⁰ to net worth ratio)	
2.	Modified Applicant Company solvency ratio (i.e. Total outside Debt plus financial guarantees to net worth ratio) ¹¹	
3.	Return on invested capital of the Applicant Company for the last 3 financial years (EBIDTA ¹² divided by average invested capital) ¹³	
4.	Debt divided by EBITDA for the Applicant Company	

E. TECHNICAL INFORMATION

1. Performance

S. No.	Information Required	Information Furnished
1.	Projects ¹⁴ launched and completed (last 3 financial years)	Number of Projects:
		Cost of the Project:
2.	Percentage of Projects executed within estimated cost and time (3 financial years)	
3.	Level of indigenous content	Design:
		Hardware:
		Software:
4.	Vendors Developed	Number:
		Value of order placed on such developed vendors:

2. Engineering and Manufacturing Capabilities

S. No.	Information Required	Information Furnished
1	Percentage of CNC ¹⁵ Machines of the Applicant Company over the number of all manufacturing plants	
	CAPEX ¹⁶ for plant and machinery annually and aggregated (last 3 financial years)	
2.	Material processing techniques	

3.	Tool design and tool manufacturing capability	
4.	Health Safety Environment and Security	
5.	Niche Facilities : Like 3D printing, flow forming, and Rapid prototypes	

3. R & D Culture

S. No.	Information Required	Information Furnished
1.	R & D budget as % of total turn over	
2.	Success in R & D over 5 financial years	
2.1	Copyrights filed or registered	
2.2	Design rights filed or registered	
2.3	Trade marks filed or registered	
2.4	No of patents filed and sealed	
2.5	Commercialization of intellectual property for manufacture	
3.	Number of successful joint partnerships / alliances in R & D	
4.	Certification & Accreditation	

4. Quality

S. No.	Information Required	Information Furnished
1.	Certification and Accreditation	
2.	Number of certified Quality auditors	
3.	Number of special Facilities exclusively dedicated to quality	
4.	Quality Plan (Yes/No)	
5.	Handling customer feedback including method and systems	

5. Maintenance and Life Cycle Support Systems

S. No.	Information Required	Information Furnished
1.	Preventive, Predictive and Periodic maintenance methodology	
2.	Maintenance, overhaul spares manufacture	
3.	Up gradation, and life extension	

6. HR Structure & Practices

S. No.	Information Required	Information Furnished
1.	Manpower – Number of engineering / technical workers	
2.	Number of engineering / technical workers sent for training annually for skill development	
3.	Man days lost due to strikes, worker's protests or other similar events (Cumulative in last 3 financial years)	
4.	Attrition Rate of engineering / technical workers per annum for 3 financial years	

7. Infrastructure Facilities

S. No.	Information Required	Information Furnished
1.	Unhindered land available for expansion as % of Land in Possession	
2.	In house Environmental test facilities	

F. SEGMENT SPECIFIC INFORMATION

1. Aircrafts

S. No.	Information Required	Information Furnished
1.	Availability of hanger space exclusively for Aircrafts	
2.	Aircraft/its systems/components under production (Number, volume and value)	
3.	Availability of Special Machining Facilities (Aggregated functioning enterprise)	
4.	Availability of Sheet Metal processing capabilities	
5.	Availability of special processing facilities for metals (forging and casting) and composites	
6.	Existing association/partnership with overseas platform production agencies in respect of this Segment	

7.	Partnership/ technical assistance being availed from Indian industries, DRDO ¹⁷ , Council of Scientific and Industrial Research (“CSIR”) and other R&D Laboratories and academic institutions in the course of in-house development and production relating to this Segment	
8.	Number of customers in last 5 financial years in this Segment	
9.	Value of contracts/orders placed in last 5 financial years in this Segment	

2. Helicopters

S. No.	Information Required	Information Furnished
1.	Availability of hanger space exclusively for Helicopters	
2.	Helicopter/its systems/components under production (Number, volume and value)	
3.	Availability of Special Machining Facilities (Aggregated functioning enterprise)	
4.	Availability of Sheet Metal processing capabilities	
5.	Availability of special processing facilities for metals (forging and casting) and composites	
6.	Existing association/partnership with overseas platform production agencies in respect of this Segment	
7.	Partnership/ technical assistance being availed from Indian industries, DRDO, CSIR and other R&D Laboratories and academic institutions in the course of in-house development and production relating to this Segment	
8.	Number of customers in last 5 financial years in this Segment	
9.	Value of contracts/orders placed in last 5 financial years in this Segment	

3. Aero-Engines

S. No.	Information Required	Information Furnished
1.	Availability of hanger and test beds exclusively for aero-engines	
2.	Aero-engines/ modules/ components under production (Number, Volume and value)	
3.	Availability of Special Machining facilities such as Broaching, Electro-chemical Machining etc.	
4.	Sheet Metal processing Facilities including Press Tool manufacturing capabilities	
5.	Processing and facilities for special materials like Nimonics, Titanium etc., Precision Forging, Special casting for blades	
6.	Existing association/partnership with overseas platform production agencies in respect of this Segment	
7.	Partnership/ technical assistance being availed from Indian industries, DRDO, CSIR and other R&D Laboratories and academic institutions in the course of in-house development and production relating to this Segment	
8.	Number of customers in last 5 financial years in this Segment	
9.	Value of contracts/orders placed in last 5 financial years in this Segment	

4. Warships

S. No.	Information Required	Information Furnished
1.	Availability of dry dock, accessibility to sea exclusively for the purpose	
2.	Warships /its systems/components under production (Number, volume and value)	
3.	Availability of Special Machining, processing Facilities (Aggregated functioning enterprise)	
4.	Availability of Sheet Metal capabilities	
5.	Availability of special systems and materials for ship building	

6.	Existing association/partnership with overseas platform production agencies in respect of this Segment	
7.	Partnership/ technical assistance being availed from Indian industries, DRDO, CSIR and other R&D Laboratories and academic institutions in the course of in-house development and production relating to this Segment	
8.	Number of customers in last 5 financial years in this Segment	
9.	Value of contracts/orders placed in last 5 financial years in this Segment	

5. Submarines

S. No.	Information Required	Information Furnished
1.	Availability of dry dock and accessibility to sea exclusively for the purpose	
2.	Submarines /its systems/components under production (Number, volume and value)	
3.	Availability of High Pressure Underwater test facility	
4.	Availability of Special Machining, processing Facilities (Aggregated functioning enterprise)	
5.	Availability of pressure hull manufacturing capabilities	
6.	Existing association/partnership with overseas platform production agencies in respect of this Segment	
7.	Partnership/ technical assistance being availed from Indian industries, DRDO, CSIR and other R&D Laboratories and academic institutions in the course of in-house development and production relating to this Segment	
8.	Number of customers in last 5 financial years in this Segment	
9.	Value of contracts/orders placed in last 5 financial years in this Segment	

6. Armoured Fighting Vehicles (AFV) including Main Battle Tanks (MBT)

S. No.	Information Required	Information Furnished
1.	Availability of Testing and driving track exclusively for the purpose	
2.	AFV (MBT) /its systems/components under production (Number, volume and value)	
3.	Availability of Special Machining, (Aggregated functioning enterprise)	
4.	Availability of Sheet metal processing capabilities	
5.	Availability of Processing Facilities for metals (forging, casting) and composites	
6.	Existing association/partnership with overseas platform production agencies in respect of this Segment	
7.	Partnership/ technical assistance being availed from Indian industries, DRDO, CSIR and other R&D Laboratories and academic institutions in the course of in-house development and production relating to this Segment	
8.	Number of customers in last 5 financial years in this Segment	
9.	Value of contracts/orders placed in last 5 financial years in this Segment	

7. Guns

S. No.	Information Required	Information Furnished
1.	Availability/ Accessibility of test track exclusively for the purpose	
2.	Gun /its systems/components under production (Number, volume and value)	
3.	Availability of facilities for special processing facilities, special Machining (Aggregated functioning enterprise)	
4.	Availability of Special purpose processes and machining for Barrel, Carriage manufacturing capabilities (for guns)	

5.	Facility for developing Armament electronics	
6.	Existing association/partnership with overseas platform production agencies in respect of this Segment	
7.	Partnership/ technical assistance being availed from Indian industries, DRDO, CSIR and other R&D Laboratories and academic institutions in the course of in-house development and production relating to this Segment	
8.	Number of customers in last 5 financial years in this Segment	
9.	Value of contracts/orders placed in last 5 financial years in this Segment	

(Endnotes)

¹For details on Group, see Chapter 9 (Definitions), definition of Group Company(ies) of the Report of the Task Force.

²For details on Group Company see Chapter 9 (Definitions), definition of Group Company(ies) of the Report of the Task Force.

³For details on restrictions on foreign investment see para 2.2.6 of the Report of the Task Force.

⁴For details on Preference List see para 2.4 of the Report of the Task Force.

⁵Only such Factory(ies) of the Segment Group Co. may be listed which are being relied upon for segment specific experience/capability by the Applicant Company.

⁶For details on restrictions on foreign investment see para 2.2.6 of the Report of the Task Force.

⁷Turnover to have the meaning as ascribed to it under Companies Act, 2013.

⁸Non-Banking Financial Company(ies).

⁹A certified true copy of the credit rating certificate to be provided.

¹⁰Total outside debt shall include all the borrowings contracted from external/third-party lenders; subordinated loans from Group Companies may be excluded.

¹¹Total outside debt as explained above and includes financial guarantees given by the Applicant Company.

¹²For details on EBITDA see Chapter 9 (Definitions), definition of EBITDA of the Report of the Task Force.

¹³Invested Capital = [Average of (Total debt+ Net worth) - (capital work – in – progress)] Average shall mean average of opening and closing balances.

¹⁴For details on Project see para 5.1.2.2 of the Report of the Task Force.

¹⁵Computerized Numerically Controlled

¹⁶Capital Expenditure

¹⁷Defence Research and Development Organisation.

APPENDIX TO APPLICATION FORM FOR STRATEGIC PARTNER FOR GROUP I SEGMENTS

NOTES:

A. TECHNICAL INFORMATION

1. Performance

- (i) S.No. 1: The total physical number of projects planned in last three (3) financial years and the actual projects completed during the same period along with financial values, targets and actuals.
- (ii) S. No. 3: Design, hardware and software developed and adapted in terms of percentage of project cost. Applicant Company would have to indicate the percentage of indigenous design, hardware and software. They also have to indicate collaborative agencies (Indian or Foreign).
- (iii) S. No. 4: Number of vendor developed each year and the values of orders (both planned and actuals) placed after development for each year on the developed vendors (data for last three (3) financial years).

2. Engineering and Manufacturing Capabilities

- (i) S. No. 1: Percentage of numbers of CNC Machines over all the Applicant Company's manufacturing plants, to assess the modern and flexible manufacturing potential of the Applicant Company and level of automation.
- (ii) S. No. 2: Material Processing: Number of processes like welding (including Robotic welding), heat treatment systems and facilities, etc. are required for examination of quality product.
- (iii) S. No. 3: Tool design and Tool manufacturing capability: Percentage of tools developed/ got developed for last three (3) financial years.
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- (v) S. No. 5: Niche Facilities: Like 3D printing and Rapid prototyping etc.

3. R&D Culture

- (i) S. No. 1: R & D budget as % of turn over: Exclusive R&D budget in last five (5) financial years as % of turnover. The Applicant Company should reflect the R&D expenditure (both capital & revenue) as specified in the annual report and statement of accounts of the Applicant Company in separate schedule for each of the five (5) financial years.
- (ii) S. No. 3: Joint partnerships / alliances in R & D: Specify wherever R&D has been carried

out jointly with other organisations of the country, or with foreign collaboration and the outcomes thereof be indicated over last five (5) financial years.

- (iii) S. No. 4: Certification & Accreditation: Like from Department of Scientific and Industrial Research recognition, National Accreditation Board for Testing and Calibration Laboratories accreditation and/or similar systems, recognized by foreign regulatory authorities.

4. Quality

- (i) S. No. 1: Certification and Accreditation: All quality related certification and accreditation be mentioned.
- (ii) S. No. 2: Number of certified Quality auditors (as per the requirements of ISO, TQM, Sixsigma etc. for quality systems being used by the Applicant Company): The strength of certified auditors available each year for the past five (5) financial years with details of the certification.
- (iii) S. No. 3: Number of special facilities exclusively dedicated to quality: The facilities exclusively dedicated for quality systems (both indigenous and imported with their values).
- (iv) S. No. 4: Quality Plan (Yes/ No): Provide evidence of the processes in last five (5) financial years that translated quality policy into measurable objectives and requirements, and laid down the sequence of steps that realised the objectives within a specified timeframe. This will be evaluated for its presence or absence.
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- (i) S. No. 1: Preventive, Predictive and Periodic maintenance Methodology: The Applicant Company shall state the process and the statistical methods for periodic, preventive and predictive maintenance systems, and monitoring mechanism to ensure that the system performs as predicted.
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6. HR structure and practices

- (i) S. No. 1: The ratio of the number of engineering/ technical workers – Data to be furnished for last three (3) financial years.
- (ii) S. No. 2: Number of engineering/ technical workers sent for training annually for skill development. The training details may include significant up-skilling and re-skilling. Data be furnished for last three (3) financial years.
- (iii) S. No. 3: Cumulative record of man days lost in the last three (3) financial years (Minimum get maximum rating).
- (iv) S. No. 4: Attrition Rate: This data to indicate % of engineering / technical workers who exited the Applicant Company with respect to the total engineering / technical workers at the beginning of each such financial year mentioned at S.No. 1. (Minimum get maximum rating). Superannuated employees should not be considered for calculating attrition.

7. Infrastructure Facilities

- (i) S. No. 1: Unhindered land, available for expansion as % of land in Possession: Extent of land readily available for expansion with the Applicant Company as a % of overall land possession and its proximity to the Applicant Company.
- (ii) S. No. 2: In house environmental test facilities (possession and accessibility): Captive environmental test facilities to qualify items under manufacture.

B. SEGMENT SPECIFIC INFORMATION**1. Aircrafts**

- (i) Answer Yes or No for each. If Yes provide details of each.
- (ii) S.No.1: Area of hanger space.
- (iii) S.No 2: Give number, volume and value.
- (iv) S.No. 3: If Yes, provide details.
- (v) S.No. 4: If Yes, provide details.
- (vi) S.No 5: If Yes, provide details.
- (vii) S.No 6: Association and partnership shall include any memorandum of understanding signed as well.
- (viii) S.No. 7: The Applicant Company shall outline verifiable outcome of the partnership.
- (ix) S. No. 8: If Yes, provide details.
- (x) S. No. 9: If Yes, provide details.

2. Helicopters

- (i) Answer Yes or No for each. If Yes provide details for each.
- (ii) S.No.1: Area of hanger space.
- (iii) S.No 2: Give number, volume and value.

- (iv) S.No. 3: If Yes, provide details.
- (v) S.No. 4: If Yes, provide details.
- (vi) S.No 5: If Yes, provide details.
- (vii) S.No 6: Association and partnership shall include any memorandum of understanding signed as well.
- (viii) S.No. 7: The Applicant Company shall outline verifiable outcome of the partnership.
- (ix) S. No. 8: If Yes, provide details.
- (x) S. No. 9: If Yes, provide details.

3. Aero-engines

- (i) Answer Yes or No. If Yes provide details.
- (ii) S.No.1: Area of hanger space and test bed.
- (iii) S.No 2: Give number, volume and value.
- (iv) S.No. 3: If Yes, provide details.
- (v) S.No. 4: If Yes, provide details.
- (vi) S.No 5: If Yes, provide details.
- (vii) S.No 6: Association and partnership shall include any memorandum of understanding signed as well.
- (viii) S.No. 7: The Applicant Company shall outline verifiable outcome of the partnership.
- (ix) S. No. 8: If Yes, provide details.
- (x) S. No. 9: If Yes, provide details.

4. Warships

- (i) Answer Yes or No. If Yes provide details.
- (ii) S.No.1: Area of dry dock.
- (iii) S.No 2: Give number, volume and value.
- (iv) S.No. 3: If Yes, provide details.
- (v) S.No. 4: If Yes, provide details.
- (vi) S.No 5: If Yes, provide details.
- (vii) S.No 6: Association and partnership shall include any memorandum of understanding signed as well.
- (viii) S.No. 7: The Applicant Company shall outline verifiable outcome of the partnership.
- (ix) S. No. 8: If Yes, provide details.
- (x) S. No. 9: If Yes, provide details.

5. Submarines

- (i) Answer Yes or No. If Yes, provide details.
- (ii) S.No.1: Area of dry dock to be answered in Yes or No. If Yes, provide details.
- (iii) S.No 2: Give number, volume and value.

- (iv) S.No. 3: If Yes, provide details
- (v) S.No. 4: If Yes, provide details
- (vi) S.No 5: If Yes, provide details
- (vii) S.No 6: Association and partnership shall include any memorandum of understanding signed as well.
- (viii) S.No. 7: The Applicant Company shall outline verifiable outcome of the partnership.
- (ix) S. No. 8: If Yes, provide details.
- (x) S. No. 9: If Yes, provide details.

6. Armoured Fighting Vehicles (AFV) including Main Battle Tanks (MBT)

- (i) Answer Yes or No. If Yes, provide details.
- (ii) S.No.1: Area of driving track length.
- (iii) S.No 2: Give number, volume and value.
- (iv) S.No. 3: If Yes, provide details.
- (v) S.No. 4: If Yes, provide details.
- (vi) S.No 5: If Yes, provide details.
- (vii) S.No 6: Association and partnership shall include any memorandum of understanding signed as well.
- (viii) S.No. 7: The Applicant Company shall outline verifiable outcome of the partnership.
- (ix) S. No. 8: If Yes, provide details.
- (x) S. No. 9: If Yes, provide details.

7. Guns

- (i) Answer Yes or No. If Yes, provide details.
- (ii) S.No.1: Area of firing range space.
- (iii) S.No 2: Give number, volume and value
- (iv) S.No. 3: If Yes, provide details.
- (v) S.No. 4: If Yes, provide details.
- (vi) S.No 5: If Yes, provide details.
- (vii) S.No 6: Association and partnership shall include any memorandum of understanding signed as well.
- (viii) S.No. 7: The Applicant Company shall outline verifiable outcome of the partnership.
- (ix) S. No. 8: If Yes, provide details.
- (x) S. No. 9: If Yes, provide details.

C. An Applicant Company may use additional sheets for providing information.

D. Please provide this Application Form and documents required with it in soft copies along with the hard copies as submitted.

AFFIDAVIT

[On Stamp Paper of applicable amount]

I [*inset name of authorized person*], [*inset age*], at present residing at [*inset address*] do hereby solemnly affirm and state as under:

1. That I am an authorized representative of the Applicant Company and conversant with the facts of this Application Form and therefore competent to swear this Affidavit.
2. That the information and documents provided under the Application Form are true, accurate and correct to the best of my knowledge and no part of it is false and nothing material has been concealed therefrom.
3. That all hard copies of the documents including the Application Form or documents which may be filed in future by the Applicant Company have been provided in softcopy format also. Moreover, there is no discrepancy between the softcopy version and the hardcopy version of any document so filed.
4. I understand that the selection will be considered solely on the basis of the Application Form and the documents along with it.

I further undertake and accept that if any information or documents provided are found to be materially false or incorrect the Ministry of Defence shall have the right to disqualify the Applicant Company.

Signature

(Deponent)

Verification

Verified at [*inset place*] on [*inset date*] that the contents of the above Affidavit are true and correct to the best of my knowledge. No part of it is false and nothing material has been concealed therefrom.

Signature

(Deponent)

APPLICATION FORM FOR STRATEGIC PARTNER FOR GROUP II SEGMENTS

GENERAL DETAILS OF THE APPLICANT COMPANY

S.No.	Information Required	Information Furnished
1.	Name of the Applicant Company	
2.	Corporate Identification Number of the Applicant Company	
3.	Date of Incorporation of the Applicant Company (Please provide certificate(s) of incorporation, Memorandum of Association and Articles of Association)	
4.	Address of Registered Office, head office, corporate office	
5.	Ultimate holding company/ entity/ person of the Group ¹ to which the Applicant Company belongs	
6.	Website of the Applicant Company	
7.	Name of Chief Executive Officer (by whatever name called) and Directors (with designations)	
8.	Address of Factory(ies)/Facility(ies) of the Applicant Company	
9.	Name and contact details of authorized executive nominated for coordination with Ministry of Defence (“MOD”)	<div>Name:</div> <div>Address:</div> <div>E-mail:</div> <div>Telephone (landline and mobile phone):</div>
10.	Brief profile of the Applicant Company	
11.	Nature of business with details (Such as manufacturer, EPC Contractor, Processor, Service Provider)	

12.	Whether any Group Company ² has been previously selected as a Strategic Partner for any Group II Segment	Yes <input type="checkbox"/> No <input type="checkbox"/>
13.	Whether any other Group Company of the Applicant Company has made an application to be selected in the current round as a Strategic Partner for any Group II Segment. If Yes, provide details.	Yes <input type="checkbox"/> No <input type="checkbox"/> Details:
14.	Whether the Applicant Company has made an application to be selected in the current round as a Strategic Partner for any Group I Segment. If Yes, provide details.	Yes <input type="checkbox"/> No <input type="checkbox"/>
15.	Whether shareholding Pattern of the Applicant Company complies with restriction on foreign investment applicable to Strategic Partners ³	Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, certificate of Statutory Auditor appointed under Section 139 of the Companies Act, 2013 to be provided confirming the same with details of foreign investment.
16.	Preference list of the Applicant Company in respect of Group II Segments in descending order of preference. ⁴	
17.	Any other relevant information	

A. GENERAL DETAILS OF THE SEGMENT GROUP CO.

S. No.	Information Required	Information Furnished
1.	Name of the Segment Group Co.	
2.	Corporate Identification Number of the Segment Group Co.	

3.	Date of Incorporation of the Segment Group Co. (Please provide certificate(s) of incorporation, Memorandum of Association and Articles of Association)	
4.	Address of Registered Office, head office, corporate office.	
5.	Ultimate holding company/entity/person of the group to which the Segment Group Co. belongs	
6.	Website of the Segment Group Co.	
7.	Name of Chief Executive Officer (by whatever name called) and Directors (with designations)	
8.	Address of Factory(ies)/ Facility(ies) of the Segment Group Co. ⁵	
9.	Whether a copy of draft Deed of Adherence and confirmation cum undertaking providing the MOD and the Applicant Company an irrevocable right to access, enter upon and use the facilities of the Segment Group Co. has been filed along with this application	Yes <input type="checkbox"/> No <input type="checkbox"/>
10.	Name and contact details of authorized executive/employee nominated for coordination with MOD	Name: Address: E-mail: Telephone (landline and mobile phone):
11.	Brief profile of the Segment Group Co.	
12.	Nature of business with details (Such as manufacturer, EPC Contractor, Processor, Service Provider)	
13.	Whether shareholding pattern of the Segment Group Co. complies with restriction on foreign investment applicable to Strategic Partners ⁶	Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, certificate of Statutory Auditor appointed under Section 139 of the Companies Act, 2013, to be provided confirming the same with details of foreign investment.
14.	Any other relevant information	

B. QUALIFICATION

Each Applicant Company will have to satisfy the minimum threshold criteria which have technical conditions, financial conditions and other conditions. The evaluation of the above technical, financial and other factors will be simultaneous. In the event an Applicant Company fails to meet any of the threshold/fundamental criteria as on the date of this application, it will not be considered any further. All information required below will be in respect of the Applicant Company, unless specifically provided otherwise.

1. Technical Gate

S. No.	Information Required	Information Furnished
1.	Details of commercially supplied engineering and/or process technology products or the specified Segment product	

2. Financial Gate

S. No.	Information Required	Information Furnished
1.	Consolidated turnover ⁷ for each of last 3 financial years based on consolidated financial statements audited under the relevant Companies Act and adopted and approved by the board of directors/shareholders (excluding NBFCs ⁸ and any associate company)	
2.	Capital assets at gross book value as specified in the last consolidated financial statements audited under the relevant Companies Act and adopted and approved by the board of directors/shareholders (excluding NBFCs and any associate company)	

3. Other Conditions

S. No.	Information Required	Information Furnished
1.	Whether the promoters and directors of the Applicant Company and the Segment Group Co. are: Willful defaulters to the banking system as on the date of this application	<div>Yes <input type="checkbox"/></div> <div>No <input type="checkbox"/></div> <div>Details:</div>
	Listed on exporters' caution list of the Export Credit Guarantee Corporation or be otherwise banned or blacklisted by Reserve Bank of India ("RBI"), Government of India ("GoI"), other government agencies and Public Sector Undertakings etc. in the context of procurement or otherwise	<div>Yes <input type="checkbox"/></div> <div>No <input type="checkbox"/></div> <div>Details:</div>
2.	Whether the Applicant Company or the Segment Group Co. is under Corporate Debt Restructuring Mechanism ("CDR") / Strategic Debt Restructuring Scheme / Joint Lender Forum's corrective action plan as prescribed by the RBI as on the date of this application	<div>Yes <input type="checkbox"/></div> <div>No <input type="checkbox"/></div> <div>Details:</div>
3.	Whether an account of the Applicant Company or any Segment Group Company with any bank is classified in 'Non-performing asset' category as on the date of this application	<div>Yes <input type="checkbox"/></div> <div>No <input type="checkbox"/></div> <div>Details:</div>
4.	Whether the latest audit reports of the Applicant Company and the Segment Group Co. have any qualifications	<div>Yes <input type="checkbox"/></div> <div>No <input type="checkbox"/></div> <div>Details:</div>

C. FINANCIAL INFORMATION

S. No.	Information Required	Information Furnished
1.	Applicant Company solvency ratio (i.e. Total outside Debt ⁹ to net worth ratio)	
2.	Modified Applicant Company solvency ratio (i.e. Total outside Debt plus financial guarantees to net worth ratio) ¹⁰	
3.	Return on invested capital of the Applicant Company for the last 3 financial years (EBIDTA ¹¹ divided by average invested capital) ¹²	
4.	Debt divided by EBITDA for the Applicant Company	

D. TECHNICAL INFORMATION

1. Performance

S. No.	Information Required	Information Furnished
1.	Projects ¹³ launched and completed (last 3 financial years)	Number of Projects:
		Cost of the Project:
2.	Percentage of Projects executed within estimated cost and time (3 financial years)	
3.	Level of indigenous content	Design:
		Hardware:
		Software:
4.	Vendors developed	Number:
		Value of order placed on such developed vendors:

2. Engineering and Manufacturing Capabilities

S. No.	Information Required	Information Furnished
1.	Percentage of CNC ¹⁴ Machines of the Applicant Company over the number of all manufacturing plants	
	CAPEX ¹⁵ for plant and machinery annually and aggregated (last 3 financial years)	
2.	Material processing techniques	

3.	Tool design and tool manufacturing capability	
4.	Health Safety Environment and Security	
5.	Niche Facilities : Like 3D printing, flow forming, and Rapid prototypes	

3. R & D Culture

S. No.	Information Required	Information Furnished
1.	R & D budget as % of total turn over	
2.	Success in R & D over 5 financial years	
2.1	Copyrights filed or registered	
2.2	Design rights filed or registered	
2.3	Trade marks filed or registered	
2.4	No of patents filed and sealed	
2.5	Commercialization of intellectual property for manufacture	
3.	Number of successful joint partnerships / alliances in R & D	
4.	Certification & Accreditation	

4. Quality

S. No.	Information Required	Information Furnished
1.	Certification and Accreditation	
2.	Number of certified Quality auditors	
3.	Number of special facilities exclusively dedicated to quality	
4.	Quality Plan (Yes/No)	
5.	Handling customer feedback including method and systems	

5. Maintenance and Life Cycle Support Systems

S. No.	Information Required	Information Furnished
1.	Preventive, Predictive and Periodic maintenance methodology	
2.	Maintenance, overhaul spares manufacture	
3.	Up gradation, and life extension	

6. HR Structure & Practices

S. No.	Information Required	Information Furnished
1.	Manpower – Number of engineering / technical workers	
2.	Number of engineering / technical workers sent for training annually for skill development	
3.	Man days lost due to strikes, worker's protests or other similar events (Cumulative in last 3 financial years)	
4.	Attrition Rate of engineering / technical workers per annum for 3 financial years	

7. Infrastructure Facilities

S. No.	Information Required	Information Furnished
1.	Unhindered land available for expansion as % of Land in Possession	
2.	In house Environmental test facilities	

E. SEGMENT SPECIFIC INFORMATION

1. Ammunition

S. No.	Information Required	Information Furnished
1.	Availability/ Accessibility of Firing ranges exclusively for the purpose	
2.	Ammunition /its systems/components under production. (Number, type, volume and value)	
3.	Facilities for processing high energy material	
4.	Special Machining Facilities (Aggregated functioning enterprise)	
5.	Facilities for chemical mixing and screw filling plants for Ammunition	
6.	Existing association/partnership with overseas platform production agencies in respect of this Segment	
7.	Partnership/ technical assistance being availed from Indian industries, DRDO ¹⁶ , CSIR and other R&D Laboratories and academic institutions in the course of in-house development and production relating to this Segment	

8.	Number of customers in last 5 financial years in this Segment	
9.	Value of contracts/orders placed in last 5 financial years in this Segment	

2. Material

S. No.	Information Required	Information Furnished
1.	Special processing, testing and qualification facilities	
2.	Special infrastructural facilities like Clean rooms	
3.	Manpower distribution of ratio of Scientists to Engineers	
4.	Existing association/partnership with overseas platform production agencies in respect of this Segment	
5.	Partnership/ technical assistance being availed from Indian industries, DRDO, CSIR and other R&D Laboratories and academic institutions in the course of in-house development and production relating to this Segment	
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7.	Value of contracts/orders placed in last 5 financial years in this Segment	

(Endsnotes)

¹For details on Group, see Chapter 9 (Definitions), definition of Group Company(ies) of the Report of the Task Force.

²For details on Group Company see Chapter 9 (Definitions), definition of Group Company(ies) of the Report of the Task Force.

³For details on restrictions on foreign investment see para 2.2.6 of the Report of the Task Force.

⁴For details on Preference List see para 2.4 of the Report of the Task Force.

⁵Only such Factory(ies) of the Segment Group Co. may be listed which are being relied upon for segment specific experience/capability by the Applicant Company.

⁶For details on restrictions on foreign investment see para 2.2.6 of the Report of the Task Force.

⁷Turnover to have the meaning as ascribed to it under Companies Act, 2013.

⁸Non-Banking Financial Company(ies).

⁹Total outside debt shall include all the borrowings contracted from external/third-party lenders; subordinated loans from Group Companies may be excluded.

¹⁰Total outside debt as explained above and includes financial guarantees given by the Applicant Company.

¹¹For details on EBITDA see Chapter 9 (Definitions), definition of EBITDA of the Report of the Task Force.

¹²Invested Capital = [Average of (Total debt+ Net worth) - (capital work – in – progress)] Average shall mean average of opening and closing balances.

¹³For details on Project see para 5.1.2.2 of the Report of the Task Force.

¹⁴Computerized Numerically Controlled

¹⁵Capital Expenditure

¹⁶Defence Research and Development Organisation

APPENDIX TO APPLICATION FORM FOR STRATEGIC PARTNER FOR GROUP II SEGMENTS

NOTES

A. TECHNICAL INFORMATION

1. Performance

- (i) S. No. 1: The total physical number of projects planned in last three (3) financial years and the actual projects completed during the same period along with financial values, targets and actuals.
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- (iii) S. No. 4: Certification & Accreditation: Like from Department of Scientific and Industrial Research recognition, National Accreditation Board for Testing and Calibration Laboratories accreditation and/or similar systems, recognized by foreign regulatory authorities.

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- (iii) S. No. 3: Cumulative record of man days lost in the last three (3) financial years (Minimum get maximum rating).
- (iv) S. No. 4: Attrition Rate: This data to indicate % of engineering / technical workers who exited the Applicant Company with respect to the total engineering / technical workers at the beginning of each such financial year mentioned at S.No. 1. (Minimum get maximum rating). Superannuated employees should not be considered for calculating attrition.

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- (i) S. No. 1: Unhindered land, available for expansion as % of land in Possession: Extent of land readily available for expansion with the Applicant Company as a % of overall land possession and its proximity to the Applicant Company.
- (ii) S. No. 2: In house environmental test facilities (possession and accessibility): Captive environmental test facilities to qualify items under manufacture.

B. SEGMENT SPECIFIC INFORMATION

1. Ammunition

- (i) Answer Yes or No. If Yes, provide details.
- (ii) S.No.1: Area of firing ranges.
- (iii) S.No 2: Give number, type volume and value.
- (iv) S.No. 3: If Yes, provide details.
- (v) S.No. 4: If Yes, provide details.
- (vi) S.No 5: If Yes, provide details.
- (vii) S.No 6: Association and partnership shall include any memorandum of understanding signed as well.
- (viii) S.No. 7: The Applicant Company shall outline verifiable outcome of the partnership.
- (ix) S. No. 8: If Yes, provide details.
- (x) S. No. 9: If Yes, provide details.

2. Material

- (i) Answer Yes or No. If Yes, provide details.
- (ii) Scientists: Only those scientist permanently employed with a post graduate degree in physics, chemistry or material sciences to be included. Bachelors in metallurgical or

chemical engineering having more than five (5) year of work experience in this field to also be included.

- (iii) S. No. 1: If Yes, provide details.
- (iv) S. No. 2: If Yes, provide details.
- (v) S. No. 3: If Yes, provide details.
- (vi) S.No. 4: Association and partnership shall include any memorandum of understanding signed as well.
- (vii) S.No. 5: The Applicant Company shall outline verifiable outcome of the partnership.
- (viii) S. No. 6: If Yes, provide details.
- (ix) S. No. 7: If Yes, provide details.

C. An Applicant Company may use additional sheets for providing information.

D. Please provide this application form and documents required with it in soft copies along with the hard copies as submitted.

AFFIDAVIT

[On Stamp Paper of applicable amount]

I [*inset name of authorized person*], [*inset age*], at present residing at [*inset address*] do hereby solemnly affirm and state as under:

1. That I am an authorized representative of the Applicant Company and conversant with the facts of this Application Form and therefore competent to swear this Affidavit.
2. That the information and documents provided under the Application Form are true, accurate and correct to the best of my knowledge and no part of it is false and nothing material has been concealed therefrom.
3. That all hard copies of the documents including the Application Form or documents which may be filed in future by the Applicant Company have been provided in softcopy format also. Moreover, there is no discrepancy between the softcopy version and the hardcopy version of any document so filed.
4. I understand that the selection will be considered solely on the basis of the Application Form and the documents along with it.

I further undertake and accept that if any information or documents provided are found to be materially false or incorrect the Ministry of Defence shall have the right to disqualify the Applicant Company.

Signature

(Deponent)

Verification

Verified at [*inset place*] on [*inset date*] that the contents of the above Affidavit are true and correct to the best of my knowledge. No part of it is false and nothing material has been concealed therefrom.

Signature

(Deponent)

APPENDIX IV

Ministry of Defence
[Acquisition Wing Secretariat]

* * * * *

Subject: CONVENING ORDER - TASK FORCE TO LAY DOWN CRITERIA FOR SELECTION OF THE STRATEGIC PARTNERS FOR VARIOUS PLATFORMS FROM THE PRIVATE SECTOR INDUSTRY.

The Ministry of Defence had constituted a Committee of Experts under the chairmanship of ShriDhirendra Singh, IAS (Retd.), to evolve a policy framework to facilitate 'Make in India', align it with the Defence Procurement Procedure and suggest requisite amendments in DPP-2013. The Committee submitted its Report on 23rd July 2015. The Committee inter alia has recommended a 'Strategic Partnership (SP)' model for creating capacity in the private sector on a long-term basis for strategic platforms such as aircraft/helicopters, warships/submarines, armoured vehicles, missiles, command control systems and critical materials. It has recommended the constitution of a Task Force for laying down the criteria for selection of Strategic Partners (SPs) in the aforementioned six segments.

2. Accordingly, RakshaMantri has approved the constitution of a Task Force with the Terms of Reference as given below:

1. Dr. V.K. Aatre, former SA to RM ---- **Chairman**
2. Shrilshan Shankar, Former CMD, National Industrial Development Corporation & former CEO, Bharat Heavy Electricals Ltd;
3. ShriN.R. Mohanty, Former Chairman, Hindustan Aeronautics Ltd.
4. Shri V.P. Shetty, Former Chairman, Canara Bank, UCO Bank, IDBI Bank
5. ShriShardulShroff, Executive Chairman, ShardulAmarchandMangaldas
6. ShriNareshTakkar, MD & CEO, ICRA
7. ShriKaushikDutta, Director, Thought Arbitrage Research Institute
8. Dr. Ashish Bhattacharyya, Prof. & Head, School of Corporate Governance and Public Policy Institute of Corporate Affairs (Ministry of Corporate Affairs)
9. Lt. Genl. A.V. Subramanian (Retd.)
10. Shri Sanjay Garg, Joint Secretary (DIP), DDP-Member Secretary

3. The Terms of Reference of the Task Force shall be as under:

- (a) To recommend criteria in detail for the selection of Strategic Partners which include the generic criteria and the specific criteria for the platforms identified by the Dhirendra Singh Committee, after studying the best practices.
- (b) To prescribe the methodology for selection of the Strategic Partners by laying down specific parameters based on the criteria of selection.
- (c) To prepare a draft of a long-term covenant to be entered into between the Government and the selected Strategic Partners for their respective roles and responsibilities in the development and production of systems/platforms.

(d) Any other recommendation incidental to the basic aspects referred to the Task Force.

4. The Members of the Task Force will work in honorary capacity and would be provided transport, logistics and secretarial assistance by HQ IDS.

5. The Task Force may co-opt subject matter specialists relating to the various strategic platforms and seek their assistance in identifying technical parameters for selection. The Task Force may submit its recommendation based on the aforementioned Terms of Reference within a period of three weeks from the date of issue of this Order.


 (Praveen Kumar)
 Director (Acquisition)
 Telefax: 23792865

Distribution:

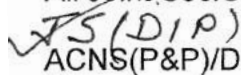
- 1) Dr. V.K. Aatre, former SA to RM
- 2) Shri Ishan Shankar, Former CMD, National Industrial Development Corporation & former CEO, Bharat Heavy Electricals Ltd;
- 3) Shri N.R. Mohanty, Former Chairman, Hindustan Aeronautics Ltd.
- 4) Shri V.P. Shetty, Former Chairman, Canara Bank, UCO Bank, IDBI Bank
- 5) Shri Shardul Shroff, Executive Chairman, Shardul Amarchand Mangaldas
- 6) Shri Naresh Takkar, MD & CEO, ICRA
- 7) Shri Kaushik Dutta, Director, Thought Arbitrage Research Institute
- 8) Dr. Ashish Bhattacharyya, Prof. & Head, School of Corporate Governance and Public Policy Institute of Corporate Affairs (Ministry of Corporate Affairs)
- 9) Lt. Genl. A.V. Subramanian (Retd.)
- 10) Shri Sanjay Garg, Joint Secretary (DIP), DDP, MoD.

MoD ID No.1(3)/D(Acq)/15 dated 07.09.2015

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Ministry of Defence
[Acquisition Wing Secretariat]
 * * * * *

Subject: CONVENING ORDER - TASK FORCE TO LAY DOWN CRITERIA FOR SELECTION OF THE STRATEGIC PARTNERS FOR VARIOUS PLATFORMS FROM THE PRIVATE SECTOR INDUSTRY.

Ref: MoD ID No.1(3)/D(Acq)/15 dated 07.09.2015

Kind attention is invited to Para 5 of the subject Convening Order issued vide the above referred MoD ID.

2. RM has approved extension of the time period for the submission of the recommendations by the Task Force upto 30th November, 2015.


 (Praveen Kumar)
 Director (Acquisition)
 Telefax: 23792865

Distribution:

- 1) Dr. V.K. Aatre, former SA to RM
- 2) Shri Ishan Shankar, Former CMD, National Industrial Development Corporation & former CEO, Bharat Heavy Electricals Ltd;
- 3) Shri N.R. Mohanty, Former Chairman, Hindustan Aeronautics Ltd.
- 4) Shri V.P. Shetty, Former Chairman, Canara Bank, UCO Bank, IDBI Bank
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- 8) Dr. Ashish Bhattacharyya, Prof.& Head, School of Corporate Governance and Public Policy Institute of Corporate Affairs (Ministry of Corporate Affairs)
- 9) Lt. Genl. A.V. Subramanian (Retd.)
- 10) Shri Sanjay Garg, Joint Secretary (DIP), DDP, MoD.

MoD ID No.1(3)/D(Acq)/15 dated 06.10.2015

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Ministry of Defence
[Acquisition Wing Secretariat]

Sub : CONVENING ORDER - TASK FORCE TO LAY DOWN CRITERIA FOR SELECTION OF THE STRATEGIC PARTNERS FOR VARIOUS PLATFORMS FROM THE PRIVATE SECTOR INDUSTRY.

Ref : MoD ID No.1(3)/D(Acq)/15 dated 07.09.2015 and 06.10.2015.

Kind attention is invited to Para 5 of the subject Convening Order issued vide the above referred MoD ID dated 07.09.2015.

2. RM has approved extension of the time period for the submission of the recommendations by the Task Force upto 15th January, 2016.


(Praveen Kumar)
Director (Acquisition)
Telefax: 2379 2865

Distribution:

- 1) Dr. V.K. Aatre, former SA to RM
- 2) Shri Ishan Shankar, Former CMD, National Industrial Development Corporation & former CEO, Bharat Heavy Electricals Ltd;
- 3) Shri N.R. Mohanty, Former Chairman, Hindustan Aeronautics Ltd.
- 4) Shri V.P. Shetty, Former Chairman, Canara Bank, UCO Bank, IDBI Bank
- 5) Shri Shardul Shroff, Executive Chairman, Shardul Amarchand Mangaldas
- 6) Shri Naresh Takkar, MD & CEO, ICRA
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- 8) Dr. Ashish Bhattacharyya, Prof.& Head, School of Corporate Governance and Public Policy Institute of Corporate Affairs (Ministry of Corporate Affairs)
- 9) Lt. Genl. A.V. Subramanian (Retd.)
- 10) Shri Sanjay Garg, Joint Secretary (DIP), DDP, MoD.

MoD ID No.1(3)/D(Acq)/15 dated 02.12.2015

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