

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE
DEPARTMENT OF DEFENCE PRODUCTION
LOK SABHA

UNSTARRED QUESTION NO.1358
TO BE ANSWERED ON THE 25TH JULY, 2018

MoU of RFI

1358. SHRI K.N. RAMACHANDRAN:
SHRI BHARATHI MOHAN R.K.:
SHRI PR. SENTHIL NATHAN:

Will the Minister of DEFENCE j{k k ea=h
be pleased to state:

- (a) whether the Government has received any request from MPs to probe into the issue of approval of MoU of RFI with a Technological Partner as decided by the Board Meeting of Ordnance Factory Board (OFB) held on 28 February 2017;
- (b) if so, the details thereof and the current status of vacancy position;
- (c) whether the OFB has written any specific reply on 24 October 2017 to the Department of Defence Production with regard to this issue; and
- (d) if so, the details thereof?

A N S W E R

MINISTER OF STATE
IN THE MINISTRY OF DEFENCE

(DR. SUBHASH BHAMRE)

रक्षा रक्षण मंत्री

(डा. सुभाष भामरे)

(a) to (d): A Statement is attached.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF LOK SABHA UNSTARRED QUESTION NO. 1358 FOR ANSWER ON 25.7.2018

(a) to (d): A letter was received from Hon'ble MP (LS) in October 2017 with a request to expedite the proposal under 'Make in India' program, Public-Private Partnership program [DCD Grand Power & Grand Power-OFB] for co-production of latest technology small arms.

Another letter was received in March 2018 from the same Hon'ble M.P. stating that even after the due process, the Department of Defence Production (DDP) had sent back the proposal to Ordnance Factory Board (OFB) citing incorrect procedure followed and also lack of Standard Operating Procedure (SOP) with OFB. The reply, clarifying the status of the case, was sent to the Hon'ble M.P. in May 2018, based on the grounds enumerated below.

The proposal for signing of MoU was forwarded by OFB to the DDP in March 2017. The MoU was returned to OFB in July 2017 as it was found deficient in terms of procedure followed. Earlier in September 2016, OFB had been asked to formulate a SOP for selection of the technology partners. In October 2017, OFB stated that the criterion adopted for the selection of a prospective partner has been clearly defined in the Expression of Interest (Eoi) issued by them. Pending approval of the SOP for the selection of technological partner, the proposal for MoU between M/s Grand Power and OFB was returned to OFB in January 2018 intimating that the same would be progressed based on the approved SoP for the selection of technological partner. The revised SOP for the selection of technological partner, incorporating the suggestions of the Ministry, was submitted by the OFB in February 2018 which after examination was approved by the Ministry in March 2018. Copy of the approved SOP by the Ministry is enclosed as Annexure-I.

**ANNEXURE-I REFERRED IN THE REPLY GIVEN IN THE STATEMENT IN PARTS
(a) TO (d) OF LOK SABHA UNSTARRED QUESTION NO.1358 FOR ANSWER ON
25.07.2018.**

Guidelines for Selection of Technology Partner

(As approved by DDP vide MoD ID No. 2(4)/2016/Empowering OFB/DP (Plg-III)
dated 12/03/2018)

1. OFB is engaged in production of items for Indian Defence Forces and Security Forces. To keep pace with technological developments and enter into new business areas to align with core strength, OFB needs to acquire new and advanced technologies through Transfer of Technology (ToT), co-production or collaboration agreements with suitable technology partners.
 2. Selection of technology partner may be necessitated by the need for the following:
 - a) Joint Research & Development activity
 - b) Manufacturing ToT
 - c) Co-production activity
 - d) Maintenance ToT
 - e) Short-term partnerships for specific projects/tenders
 - f) Separate Joint Venture company to be set-up jointly
 - g) To become Indian Offset Partner of foreign OEMs for areas relating to OFB
 - h) Up-gradation of existing products
 3. Selection of technology partner has to be done after careful analysis and consideration of several factors. Therefore, there is a need to formalise the process for selection of technology partners. The procedure, as outlined in succeeding paras, shall be followed for selection of technology partner.
- 3.1 The need for technology partner, in terms of technological requirement, can be divided in 2 categories:
- **Where defence equipment is required against an available PSQR/GSQR of Indian Armed Forces:** In such cases, it is essential that the technical/operational requirement of the equipment as mentioned in the QRs is fully met. If a respondent is not able to offer the equipment as per the stated QR, it becomes ineligible to be a technology partner.
 - **Where OFB is looking for a technology partner for a particular product segment or technology pro-actively, which could have the potential to be supplied to Indian Armed Forces, non-defence market and export:** In such cases, the requirement of performance parameters of the product or technology can be divided into 2 parts . one part which would be essentially required for the respondent to be eligible to be a probable technology partner and the other part may become part of evaluation criteria.

4. The selection of technology partner will be through Global Expression of Interest (Eol).
- 4.1 Member of the concerned division of OFB will decide to issue Global Eol on case to case basis in consultation with Member/Finance.

5. Issue of Eol

- 5.1 Eol will be issued by OFBHQ.
- 5.2 Member of the concerned division of OFB will constitute an Eol Committee for preparation of Eol document to be issued for selection of technology partner. The Committee will have a member from Finance. Further, if considered necessary, an officer from concerned lab of DRDO may be co-opted as a member of the Eol committee. In case representative from concerned lab of DRDO in the Eol committee is not considered necessary, the reasons of the same may be recorded while constituting the Committee.
- 5.3 The Eol Committee will specify all the essential technical and financial parameters in the Eol document. These parameters will determine the eligibility of the respondents. Only those respondents, who satisfy these parameters, will be considered for further evaluation for ranking amongst themselves as stated in the succeeding paras.
- 5.4 Besides the essential parameters/criteria, the Eol document will invariably specify the criteria for comparative evaluation of the eligible responses. Comparative evaluation of eligible responses will be done only in those cases where more than one response is found eligible based on the essential parameters/criteria. If there is only one eligible response, comparative evaluation will not be required.
- 5.5 The criteria for comparative evaluation of eligible responses may include the following parameters:
 - a. **Range and depth of technology being offered:** To evaluate range of technology being offered, the respondents will be asked to provide a list of all the assemblies and their value in terms of percentage of the total system. Against each system, the respondents will have to indicate whether technology for the assemblies would be provided or not. This will also include details of propriety content. In order to assess the depth of technology, all the assemblies/sub-assemblies for which technology is being offered, will be divided into following categories:
 - **Category A:** Complete technology is provided i.e. product documents/specifications as well as production process documents. For such assemblies, full weightage for the value of the assembly in percentage terms will be given.

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- **Category B:** Only product document is provided and no production/process documents are provided. Only 50% weightage for such assemblies/sub-assemblies will be given.

The respondents will have to provide information in Table at [Annexure-Aq](#)

There could be certain assemblies/sub-assemblies which may fall in the area of core-competency of OFB, and for which OFB may have greater preference for ToT as compared to other assemblies/sub-assemblies. Such assemblies/sub-assemblies should be specified in the EoI document. Further, the EoI Committee may assign higher weightage for such assemblies/sub-assemblies over and above the weightage specified for Categories ~~Aq~~ & ~~Bq~~ above.

- Proposed Indigenisation Content:** In some cases, it is possible that the respondent, which may be foreign OEM, may already have tie-up with some Indian company for supply of a particular sub-assembly and would like to continue supplying that sub-assembly through their Indian partner. Considering ~~Make~~ in India policy of Government of India, weightage may be given to this parameter.
- Status of the respondent:** The respondents against the EoI issued by OFB may have the status of being either OEMs or their authorized licensees or Design Agency or Government sponsored Export Agencies. However, considering the relative ease and advantage of partnership depending upon the status of the respondent, as mentioned above, suitable weightage may be given for this parameter.
- Status of System offered:** Suitable weightage may be given against this parameter considering whether the system offered by the respondent is in-service or proven or under evaluation. In case the EoI Committee decides that the system has to be in-service/proven, this parameter may be removed from here and included in the eligibility criteria suitably.
- Technologies and performance parameters offered:** As brought out at para 3.1 above, suitable weightage may be given for various technologies sought and performance parameters desired from the product.
- Exclusivity of collaboration/ToT in India:** The respondents who would enter into an exclusive collaboration/ToT arrangement with OFB need to be given preference over others who intend to have collaboration/ToT arrangement with other companies in India also. This is to ensure that the respondent has full commitment towards OFB, which is essentially required to safeguard the interest of OFB.

- g. **Possibility of addressing exports from India:** The companies which do not put any restrictive clause in the collaboration agreement for export of defence equipment developed in collaboration to foreign countries will be given preference over others, who put conditions such that the equipment developed can be supplied to Indian Armed Forces only.
 - h. **The provision for support on upgrades:** Suitable weightage may be given to this parameter considering that upgrades are a very important aspect of any defence industry.
 - i. **Addressing of obsolescence:** Generally, defence equipment have a life cycle varying from 25-40 years and therefore addressing of obsolescence of spares/sub-assemblies of the defence equipment is a very important activity for sustaining the weapon for its full life.
 - j. **The provision of product support:** Sometimes OFB may need product support to complement the capability and capacity at Ordnance Factories. Therefore, if necessary, suitable weightage may be assigned to this aspect.
 - k. **Delivery period required for proprietary items:** Timely availability of proprietary items will have a bearing on production and supply of defence equipment by OFB. Higher weightage may be given for faster delivery.
 - l. **Financial Parameters:** The Eol Committee may lay down suitable financial parameters to assess the financial health of the respondent. The Eol Committee may also like to refer to DPP or relevant guidelines/policies of Govt. of India for defining these parameters.
- 5.6 The above parameters are broad guidelines. The Eol Committee may choose to include any or all of the above parameters based on the specific requirement of Eol. Further, the Eol Committee may include additional technical parameters that may be considered necessary for the Eol.
- 5.7 The Eol Committee will assign weightages to the parameters chosen for evaluation, as well as specify the method/principle for assigning unweighted score against each parameter. The weightages and the method/principle for assigning unweighted scores should be mentioned in the Eol document. Table at [Annexure. B](#) indicates the procedure to be followed for calculation of points for evaluation.
- 5.8 The Eol committee may also consider holding Pre-Bid meeting for any clarification required by the vendors.
6. **Evaluation of Eol**
- 6.1 An evaluation committee will be constituted by Member of the concerned division of OFB for evaluation of Eol. The committee will have a member from Finance. Further, if considered necessary, an officer from concerned lab of DRDO may be co-opted as a member of the evaluation committee. In case

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representative from concerned lab of DRDO in the evaluation committee is not considered necessary, the reasons of the same may be recorded while constituting the Committee. The EoI committee and Evaluation committee can have common members.

- 6.1.1 The Evaluation Committee will prepare a matrix of various parameters as mentioned at para 5.5 above. The matrix will be prepared in the format given at [Annexure. Bq](#) Based on the matrix, the committee will rank the eligible technology holders as Rank I, Rank II, etc.
- 6.2 The Evaluation Committee shall recommend suitable technology partner with highest ranking for Memorandum of Understanding (MoU) / Collaboration Agreement.
- 6.3 The evaluation report will be examined by the concerned division and approved by the concerned Member/OFB.
7. After the approval as above, a Board Paper will be processed for signing of MoU with the selected technology partner.

**ANNEXURE-‘A’ REFERRED IN THE REPLY GIVEN IN THE STATEMENT
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Technology Transfer

Name of the Sub-Assembly	Value of Sub-Assembly as a percentage of total system	ToT offer (Yes/No)	Category (A/B)	Weightage (1/0.5)	Final percentage after considering weightage
(A)	(B)	(C)	(D)	(E)	(BxE)
Sub-Assy. (I)					
Sub-Assy. (II)					
Sub-Assy. (III)					
Sub-Assy. (IV)					
Total Technology offered					n (BxE)

**ANNEXURE-‘B’ REFERRED IN THE REPLY GIVEN IN THE STATEMENT
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Evaluation Matrix

Performance Parameter	Weightage	Score		
		Respondent A	Respondent B	Respondent C
P1	W1	A1	B1	C1
P2	W2	A2	B2	C2
P3	W3	A3	B3	C3
\bar{o}	\bar{o}	\bar{o}	\bar{o}	\bar{o}
Pn	Wn	An	Bn	Cn
Total Points earned by the respondent		n (Wi X Ai)	n (Wi X Bi)	n (Wi X Ci)
