

Office Order No. HO/591/038

27th August 2019

Sub: Purchase Procedure.

Ref: Office Order No. HO/591/029 dated 08.09.2016 (as amended)

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- 1.0 The rules and regulations governing Purchase Procedure of the Company are notified vide Office Order referred to above.
- 2.0 The Office Order referred to above is amended to the extent mentioned below:
- 2.1 **Add CHAPTER 21 (A)** in the above referred Office Order as under:

CHAPTER 21 (A)

21(A). MAKE-II PROCEDURE

21(A).1 The 'Make' procedure for indigenous design, development and manufacture of defence equipment/ weapon systems, was simplified in 2016 and promulgated as Chapter-III of DPP-2016 by MoD. Sub-category Make-I procedure was aimed at indigenous design & development with MoD funding upto 90% of the project cost to the selected Development Agencies (DAs). Make-II procedure was for indigenous design & development by DAs with NIL funding from MoD.

21(A).2 Subsequently, a simplified procedure for sub-category 'Make-II' was notified in Feb 2018 as Chapter-IIIA of DPP 2016. This was to encourage wider participation of Indian Industry, especially MSMEs.

21(A).3 Further, to promote import substitution and indigenization of defence products in DPSUs/OFB, MoD issued, in Feb 2019, a framework for implementation of the Make-II procedure in DPSUs/OFB. This chapter is for implementation of the Make-II procedure in BEL.

21(A).4 With the emerging dynamism of private sector and with the aim of achieving substantive self reliance in defence production/ manufacturing, it is imperative that BEL harness the potential of private sector by implementing Make-II procedure in BEL for indigenization mainly towards import substitution.

21(A).5 In the Make-II Procedure implementation at BEL, no BEL funding is envisaged for prototype development purposes but should indicate assurance of orders on *successful development and trials of the prototype by Development Agencies (DAs).

(*Note: For the purpose of the Make-II procedure, the successful development and trials of prototype will be defined as completion of development and successful completion of trials as per trial methodology mentioned in EoI/RFP).

21(A).6 The eligibility criteria of the Indian vendors for responding to the EoI/RFP in the Make-II procedure is given below:

All the entities (except start-ups/ MSMEs) satisfying all the criteria shall be considered as an eligible 'Indian Vendor' for evaluation of EoI by BEL:-

- i. Public limited company, private limited company, partnership firms, limited liability partnership, one Person Company, sole proprietorship registered as per applicable Indian laws. In addition, such entity shall also possess or be in the process of acquiring a license/development of products if the product under project requires license as per DIPP's licensing policy.
- ii. The entity has to be owned and controlled by resident Indian citizens; entity with excess of 49% foreign investment will not be eligible to take part in BEL- Make-II Projects.

21(A).6.1 Criteria for Startups:

- i. Startups recognized by Department of Industrial Policy & Promotion (DIPP) under the eligible Domain/Category as given below, shall be eligible to participate.

Categories & Domains of startups eligible for participation in Make-II

Sl. No	Category
(i)	Engineering
(ii)	Manufacturing
(iii)	Research
(iv)	Government

Sl. No	Industry Domain
i)	Aeronautics/Aerospace & Defence
(ii)	Analytics
(iii)	Augmented/Virtual Reality
(iv)	Automotive
(v)	Computer Vision
(vi)	IT Services
(vii)	Telecommunications and Networking
(viii)	Green Technology
(ix)	Internet of Things
(x)	Nanotechnology
(xi)	Renewable Energy
(xii)	Robotics
(xiii)	Security Solutions
(xiv)	Technology Hardware
(xv)	Any other domain as required by BEL

- ii. For projects with estimated cost of prototype development phase not exceeding Rs 10 lakhs and Procurement Cost not exceeding Rs 5 Crore, no separate technical/ financial criteria are defined for both 'startups' and 'MSMEs, to encourage their participation.

21(A).7 Successful development under Make-II Procedure would result in procurement, from successful Development Agency/Agencies (DA/DAs).

21(A).8 The requirement of indigenous content(IC) for prototype development and subsequent procurement phase under Make-II procedure shall be in sync with the requirement stipulated in 'Buy (Indian-IDDM)' category of Defence Procurement Procedure-2016 (as amended from time to time).

21(A).9 Projects under Make-II Procedure will involve prototype development of equipment / system / platform or their upgrades or their sub-systems / sub-assembly / assemblies / components / material, primarily for import substitution / innovative solutions, by DA/DAs for which no funding will be provided by BEL for prototype development.

21(A).10 Projects with estimated cost of prototype development phase not exceeding Rs 25 Lakhs (in Words: Rupees Twenty Five Lakhs) will be earmarked for MSMEs / Startups. However, if no MSME / Startup expresses interest for such proposal, the same may be opened up for all.

21(A).11 **Development Process steps(to be taken up by SBU/Unit level Indigenization Committee):**

The development & procurement process under this scheme would involve the following functions:-

- i. Formulation of Proposal by Indigenization Committee (IC) of SBU / Unit of BEL (and approved by concerned SBU / Unit head).
- ii. Approval of proposals by Corporate Indigenization Committee (Co-IC) and approval of D-Mktg and D-R&D.
- iii. Issue of Expression of Interest (EoI).
- iv. Evaluation of EoI responses and short listing of DA(s) by IC of the concerned SBU/Unit.
- v. Award of Purchase/Service Order on technically qualified DA(s) with Nil financial implications.
- vi Design and Development of Prototype.
- vii. Time Overrun (assessment and recommendation of Time Overrun, if any, by IC).
- viii. Solicitation of Commercial Offer (Commercial RFP) by IC to DAs who have successfully completed the prototype development and ready for trials within the stipulated project schedule.
- ix. Trials & evaluation of prototype (including on platforms wherever applicable).
- x. Opening commercial bids of successful DA(s) and Commercial negotiations by Price Negotiation Committee (PNC) of BEL.
- xi. Award of Procurement Contract by BEL on QTY as indicated in EoI/RFP.

21(A).11.1 **Formulation of Proposal (by IC of concerned SBU/Unit):**

21(A).11.1.1 On the basis of requirement of the Armed forces, Indigenization plan of BEL or otherwise (including projects suggested by industry or individual), BEL will

identify the potential BEL Make-II projects. SBU/Unit level Indigenization Committee shall include concerned stake holders.

21(A).11.1.2 List of projects proposed by SBU/Unit level IC and approved by Corporate level Committee (formed vide letter No. 4860/4/DIR(MKTG)/CO dated 21.03.2019) shall be hosted on BEL/DDP websites, along with Project briefs, as EoIs for Industry participation by MS/CO.

21(A).11.2 **Approval of proposal:**

Indigenization Committee (IC) will formulate the proposal indicating the quantities required, estimated project cost (Cost of development of prototype and cost of subsequent procurement, under separate heads), technical specifications/preliminary specifications, ESS requirements, trial methodology and qualification criteria etc. In Case technical specifications are not known, the same will be formulated by Indigenization Committee. The quantities for the subsequent procurement will be structured around following considerations:

- i. Visibility of orders (to BEL).
- ii. Economic viability of the project (Business potential /ROI etc).

For the purpose of EoI, BEL can indicate both 'firm quantities' (for committed purchase by BEL) and 'optional quantities' (Conditional based on BEL receiving the Contracts from its Customers).

The time period for assessment of visibility of Orders and Business potential can be for a maximum period of 10 years.

21(A).11.2.1 Approval for the EoI proposals shall be obtained from D-Mktg and D-R&D. Following would be highlighted while seeking approval: -

- i. Technical specifications, ESS & Qualification criteria & Trial methodology.
- ii. Estimated development cost & procurement cost (under separate heads).
- iii. Estimated time for successful completion of prototype development by DA(s).
- iv. Quantities ('Firm' and '*Optional' quantities) required post successful development of prototype. The proposals shall also indicate the estimated production delivery schedules from the vendor against firm orders with BEL. (*Quantities for the Orders anticipated).
- vi. Acceptability of Multiple Technological Solutions, if any.
- vii. Single vendor justification for cases where an innovative solution has been offered by an individual or a firm (these may also include Suo-Moto Proposals received by BEL from potential vendors).
- viii. For Prototypes which require the platforms/Systems/Sub systems of Armed Forces for validation, support of respective SHQ/DGQA, etc shall be sought to complete the Trials & Validation process.

21(A).11.2.2 Approval for proposals will be valid for six months. For cases where EoI is not issued within six months from accord of approval, Head of the SBU/Unit will revalidate the approval after due justification by IC.

21(A).11.2.3 Indigenization Committee of the SBU/Unit shall, inter-alia, carry out the following important functions: -

- i. Preparing and issue of EOI/RFP which includes evaluation and acceptance criteria, firm and optional Quantities etc.,.
- ii. Receipt and evaluation of EoI/RFP responses.
- iii Recommendation for issue of Purchase/Service Order with NIL financial implications.
- iv. Monitoring and reporting of aspects relating to prototype development including generation of Intellectual Property.
- v. Ensuring issuance of Commercial RFP.
- vi. Conduct of trials/evaluation and finalization of trial report.
- vii. Any other responsibilities as entrusted by the SBU/Unit Head.

21(A).11.3 **Issue of EoI:**

Indigenization Committee of the SBU/Unit shall get the EoIs hosted on BEL Website. SBU/Unit IC shall host the EoIs on DDP website through MS/CO. The EoIs will contain the following:

- i. Technical specifications/ Preliminary specifications, evaluation and acceptance criteria.
- ii. Scope of the project including number of Prototypes required
- iii. Time frames and critical activities.
- iii. Cost sharing mechanism for trials may be specified with the objective to facilitate the development process.

OR

List of trials/items/facilities/consumables that will be provided free of cost and also specify 'number of times' such free trials will be allowed.

- iv. Quantities in procurement phase ('Firm' and 'Optional' Quantities).
- v. Acceptability of Multiple Technological Solutions, if any and splitting of procurement quantities between L1 & L2 (if the quantities are large).
- vi. Details of Evaluation Criteria for assessment of EOI response.

21(A).11.4 **Evaluation of EoI responses and shortlisting of DA(s):**

21(A).11.4.1 Responses to EoI shall be evaluated by IC of the concerned SBU/Unit as per criteria given in EoI and shall be approved by IC. All the shortlisted vendors will be called Development Agencies (DAs).

- 21(A).11.4.2 Project shall be progressed ahead, even if only one EoI respondent is found meeting the evaluation criteria.
- 21(A).11.5 **Award of Purchase/Service Order on technically qualified DA(s) with Nil financial implications:**
- Award of Purchase/Service Order on technically qualified DA(s) with Nil financial implications by IC after obtaining necessary approvals.
- 21(A).11.6 **Design and Development of Prototype:**
- Indigenization Committee (IC) will act as the primary interface for DA(s) during the design and development stage and will facilitate the following: -
- i. Provision of requisite professional inputs/documentation/samples to industry.
 - ii. Providing clarifications related to functional or operational aspects of the equipment.
 - iii. Coordinate trials including provisioning of trial range/platforms (with support from end user agencies)/ test facilities/consumables, etc., as mentioned in the EoI/RFP.
 - iv. Monitoring the progress of prototype development and reporting to Co-IC periodically (as applicable).
- 21(A).11.7 **Time Overrun:**
- 21(A).11.7.1 The approval of extension of timelines, if any, for 'BEL-Make-II' project may be accorded by IC with the concurrence of SBU/Unit Head. In case, only one vendor has offered the prototype within timelines stipulated in the Purchase/Service Order, the other DAs will not be accorded more than two time-extensions (duration of such extensions will be as decided by the IC with concurrence of SBU/Unit Head), and thereafter, the case will be progressed as resultant Single Vendor Case (SVC).
- 21(A).11.7.2 In case, more than one vendor has offered the prototype within timelines stipulated in the Purchase/Service Order, the other DAs will not be accorded more than two time-extensions (duration of such extensions will be as decided by the IC with concurrence of SBU/Unit Head).
- 21(A).11.8 **Solicitation of Commercial offers:**
- 21(A).11.8.1 A commercial Request for Proposal (RFP) for 'Procurement Phase', as per BEL Purchase procedure, will be issued to all successful DAs for submission of their commercial offer prior to commencement of trials.
- 21(A).11.8.2 The quantities in Procurement phase cannot be reduced from the quantities (firm quantities) indicated in EoI issued for the prototype development.
- 21(A).11.9 **User Trials & Evaluation:**

- 21(A).11.9.1 User trials would be carried out by BEL to validate the performance of the prototype offered by DA(s). For Prototypes which require the platforms/Systems/Sub systems of Armed Forces for validation, support of respective SHQ/DGQA, etc shall be sought to complete the Trials & Validation process. IC will co-ordinate the process.
- 21(A).11.9.2 Projects, where prototype of only a single firm/individual clears the trials, shall be progressed as resultant single vendor.
- 21(A).11.10 **Opening commercial bids of successful DA(s) and Commercial Negotiations by Price Negotiation Committee (PNC):**
- 21(A).11.10.1 The Estimated Project cost at the time of approval, will be calculated on the basis of last purchase price of the imported item being substituted (if applicable). The PNC constituted as per purchase procedure will carry out all processes from opening of commercial bids till placement of Supply Order.
- 21(A).11.10.2 Negotiations in case of multivendor projects having procurement cost less than Rs 50 Lakhs shall be carried out only in special circumstances with reasons to be recorded.
- 21(A).11.10.3 However, PNC will carry out negotiations for all single vendor cases, other than resultant single vendor, irrespective of value of the project.
- 21(A).11.10.4 The products which are being developed under 'BEL Make-II' as an import substitute and their prices are known, no benchmarking & no negotiation will be carried out, even in single vendor cases, if the offered price is lower than BEL's approved Budgeted cost (as mentioned in the proposal sought by the IC prior to the issue of EoI) by 20% or more. However, in such cases, the PNC will ensure that the price of the selected offer is reasonable with respect to the approved cost and consistent with the quality required.
- 21(A).11.11 **Award of Procurement Contract:**
- After PNC, the Supply Order will be issued. The Supply Order will be signed as per SDOP. Terms and Conditions like Bank Guarantees, NDA and Integrity Pacts will be as per Purchase Procedure.
- 21(A).12 **Multiple technological solutions:**
- 21(A).12.1 In cases involving large quantities and where multiple technological solutions are acceptable, an option may be provided in the EoI and subsequently in the 'Commercial RFP for the procurement phase' for procurement of specified quantities (in the ratio of 70:30) from L2 vendor who have successfully developed the prototype/product, on the condition that this second vendor accepts the price and terms & conditions quoted by the L1 vendor.
- 21(A).12.2 In case, multiple technological solutions are not acceptable, the successful other vendors will be issued a certificate indicating that the product has been successfully trial evaluated, to facilitate such vendors to explore other markets and remain in the production of the product.

21(A).13 Intellectual Property Rights (IPRs):

DA and BEL shall be co-owner of Intellectual Property generated during the development of project and each of the co-owners will have independent rights to exploit the IP rights, to their own benefit, without the consent of co-owner. DA will be required to provide necessary documentation to BEL, enabling BEL to exploit IP rights independently.

21(A).14 Project Management, Review and Monitoring:

21(A).14.1 The progress of the project would be monitored by Indigenization Committee (IC) on regular basis. IC may engage services of independent consultants/experts for assessing the progress of the project, if deemed necessary.

21(A).14.2 Review of the Make-II projects shall be carried out on Quarterly basis by Co-IC and Quarterly Report shall be sent to DDP through MS/CO.

21(A).15 Foreclosure:

21(A).15.1 No Foreclosure of the Project will be done after issue of Purchase/Service Order, other than for reasons of default/ non-adherence to NDA clauses/ Purchase/Service Order conditions by Vendors/DA(s).

21(A).15.2 However, if rates quoted by the DA in procurement phase are found to be abnormally high, BEL reserves the right to foreclose the procurement process (This clause should be included in the EoI/commercial RFP).

21(A).16 Other Terms & Conditions:

21(A).16.1 All deviations on matters concerned with 'BEL-Make-II' cases not covered under the Make-II Procedure, shall require prior approval of CMD.

21(A).16.2 Any grievance during the process shall be redressed through extant mechanism existing in BEL.

3.0 The above amendments come into force with immediate effect.

4.0 All other rules & regulations contained in the above referred Office Order shall remain unaltered.


27/8/11
✓ GENERAL MANAGER (HR)

EDs / GMs
UNIT HR / FINANCE HEADS
RO / MC HEADS
Company Secretary

CMD D(OU) D(MKTG) D(F) D(R&D) D(BC) D(HR) CVO