

DEPARTMENT OF DEFENCE PRODUCTION
DTIS CELL / DGQA

12575/DGQA/DQA(WP)/DTIS Guidelines

14 May 20

DEFENCE TESTING INFRASTRUCTURE SCHEME (DTIS) - GUIDELINES

1. Context

1.1 Under “Make in India”, the Government has accorded high priority to development of manufacturing base of Defence and Aerospace sectors in the country to reduce dependence on imports. Towards this, Government has announced establishment of Defence Industrial Corridors (DICs) in Uttar Pradesh and Tamil Nadu.

1.2 One of the main impediments for domestic defence production is lack of easily accessible state-of-the-art testing infrastructure. Defence Testing Infrastructure is often capital intensive requiring continuous upgradation and it is not economically viable for individual defence industrial units to set up in-house testing facilities. The Scheme aims at setting up of Greenfield Defence Testing Infrastructure (required for defence and aerospace related production), as a common facility under private sector with Government assistance mainly in DICs.

2. Objective

2.1 The objective of the proposed Scheme is to promote indigenous defence production, with special focus on participation of MSMEs and Start Ups by bridging gaps in defence testing infrastructure in the country. Setting up of Defence Testing Infrastructure will provide easy access and thus meet the testing needs of the domestic defence industry.

3. Scope

3.1 The Scheme would provide financial assistance to private sector for setting up Testing and Certification facilities for manufacturers of defence equipment/systems. The financial assistance will be from Central Government in the form of Grant-in-Aid for setting up of Greenfield Defence Testing Infrastructures (DTIs) in the following verticals:-

- (a) Testing facilities for Drones / Unmanned Aerial Vehicles (UAVs)/Remotely Piloted Aircrafts (RPAs)
- (b) EMI/EMC Testing for Radars, UAVs/RPAs and Electronic/Telecom equipment
- (c) Rubber Testing for Defence and Aerospace Sectors
- (d) Radiated Noise and Shock Testing
- (e) Electronic Warfare
- (f) Software Testing
- (g) Specialised Test Driving Tracks
- (h) Ship Motion Testing
- (i) Test Facilities for Aerospace Industry
- (j) Ballistic and Blast Testing Facilities
- (k) Environmental Test Facilities

(l) Any other area in Defence manufacturing lacking testing infrastructure.

3.2 The DICs in UP and TN may be given preference for setting up of DTIs, being the focus areas. These corridors have been selected as they are expected to support large number of industries involved in defence and aerospace manufacturing in the future. However, the Scheme is not limited to setting up DTIs in the DICs only.

4. **Eligible Agencies**

4.1 Each DTI will be setup through a Special Purpose Vehicle (SPV), hereinafter referred to as the Implementation Agency, which may be promoted/constituted by private entities (Industry, Industry association, R&D/Academic institution) and State Government agencies.

4.2 The Implementation Agency under the Scheme shall be a Section 8 company registered under the Companies Act, 2013.

4.3 Only private entities registered in India and State Government agencies will qualify for forming the Implementation Agency.

4.4 The Central Govt assistance for setting up DTIs will be in the form of Grant-in-Aid and will be limited to sum total of Rs 400 Cr. Assistance for individual DTI under the Scheme shall not exceed 75% of the project cost. The balance of the project cost will be borne by the Implementation Agency.

4.5 At least 5 private entities and state government agencies may constitute the Implementation Agency. However, contribution from any of the Implementation Agency constituents cannot exceed 40% of the share capital of the Implementation Agency.

4.6 All the constituents of SPV (Implementation Agency) shall have positive net worth. This condition is relaxed for companies registered with Startup India. Any company black listed by Central or State Government will not be eligible to be part of SPV.

4.7 At least three constituents of the SPV should be in existence for more than three years and no relaxation will be provided in this regard.

4.8 The SPV (Implementation Agency) shall be responsible for obtaining statutory clearances required for testing of weapons and ammunition.

5. **Role of the Implementation Agency**

5.1 The Implementation Agency shall be responsible for setting up of DTI under the Scheme. The Implementation Agency shall be also responsible for operation and maintenance of assets created under the Scheme, in a self-sustainable manner, by way of collecting user charges plus applicable GST.

5.2 Cost of land is not proposed to be funded under the Scheme. Land for DTIs would be arranged by the Implementation Agency. In case the Implementation Agency is not owner of the land, they should have lease for the land for at least 30 years from the date of response to RFP. Land availability with Implementation Agency shall be essential condition for consideration of applicant's response.

5.3 The Implementation Agency will obtain all necessary statutory approval/clearances including those for environmental compliance and quality standards as applicable.

5.4 The respondent shall indicate the manner and modalities for operation and maintenance of the testing facility after its creation in its proposals for consideration of assistance, as a part of the DPR submitted in response to RFP issued by MoD/DDP.

5.5 The Implementation Agency shall be responsible for ensuring that procurement of all items, equipment and services, including works, are through a transparent and competitive bidding process. Appropriate performance guarantees should be built in the agreement to ensure timely and good quality delivery of goods and services procured.

5.6 The Implementation Agency shall execute an undertaking for proper utilization of the grant and abide by the target dates, as may be specified in the conditions of the Grant. It shall not divert the Grant for any other purpose. In the event of failure to comply with the conditions or breach of the undertaking, it shall be liable to refund to President of India the entire amount of the Grant. The undertaking is to be submitted by the Implementation Agency in a format as specified in RFP.

5.7 The Implementation Agency shall also execute an undertaking that the said project is not being funded under any other scheme of the Government of India. The undertaking is to be submitted by the Implementation Agency in the prescribed format as may be specified in the RFP.

6. **Extent of Financial Assistance**

6.1 The DTI Screening Committee (DTISC) constituted as per **Annexure 'A'** for approval of the projects will be the final authority to take decision on the proposals submitted by the Implementation Agency.

6.2 The total Central Govt assistance for setting up 06 to 08 DTIs will be in the form of Grant-in-Aid not exceeding Rs 400 Cr. The extant GFR provisions will be followed for setting up the DTIs. The test facilities planned to be set up can be divided into three types, namely, Small, Medium and Large. The estimated cost of each type of facility is given in the table below:-

SI No	Type	Estimated Cost	Nos
(a)	Small	0<20 Cr	03
(b)	Medium	20-50 Cr	03
(c)	Large	>50 Cr	02

The number of test facilities under each type may be varied, if need arises.

6.3 Assistance for individual DTI under the Scheme shall not exceed 75% of the project cost. The remaining project cost will be borne by the Implementation Agency.

6.4 For the purpose of calculating the extent of contribution of the Implementation Agency under the Scheme, the cost of land or such other component as may be specified

in EoI or RFP shall not be included in the project cost. The broad norms for funding of DTIs shall be as follows:-

- | | | |
|-----|--|----------------------------|
| (a) | Land | - to be provided by SPV |
| (b) | Capex for building | \leq 20% of Project Cost |
| (c) | Test Equipment, Installation, Training | \geq 80% of Project Cost |

6.5 No recurring expenditure or any establishment cost will be funded by Central Government under the Scheme.

6.6 Studies related to identification of defence testing infrastructure gaps and mapping of facilities, impact study etc may be done by engaging professional help after obtaining approval of DTISC.

7. **Submission of Proposal**

7.1 **Expression of Interest.** Expression of Interest (EoI) may be issued by DDP/DGQA to seek preliminary response from private entities willing to set up defence testing infrastructure. The EoI shall clearly indicate the Preliminary Qualitative Requirements (PQRs) of the testing infrastructure intended to be set up.

7.2 **Submission of Response to EOI.** The proposal in response to EoI is to be meticulously formulated after conducting a detailed study based on the Preliminary Qualitative Requirements (PQRs). Measurable outcomes should be indicated in the proposal, e.g. expected reduction in testing costs and time if the testing infrastructure is set up. The Proposal in the prescribed format may be filed by a private entity intending to form an SPV. The format of the Preliminary Proposal will be as specified in the EoI.

7.3 **Request For Proposal.** The Staff Qualitative Requirements (SQRs) may be refined after receipt of responses to EoI. For selection of Implementation Agency for execution of each DTI project, Request For Proposal (RFP) may be issued to the shortlisted participants of the EoI who meet the specified criteria.

7.4 **Submission of Response to RFP.** The Final Proposal, in the prescribed format, alongwith Detailed Project Report (DPR) and associated documents shall be submitted by the respondents in response to the RFP. The format of the Final Proposal will be specified in the RFP. The respondents will prepare the DPR (as prescribed in RFP), covering the technical, financial and implementation aspects, timelines for completion of the project including those for achieving financial closure, and the monitoring mechanism proposed to be put in place. He shall also submit details of his associate with whom he intends to form SPV. Respondents would be required to form an SPV within a time specified in RFP only in case he is selected under the scheme for setting Defence Testing Infrastructure. The format for DPR shall be such as may be prescribed in the RFP.

7.5 The proposal shall clearly indicate details related to the mode of Operation and Maintenance of the asset after its creation. It should also suggest the mechanism for operation and maintenance of the infrastructure proposed to be created on sustained basis by levying user charges/fees, etc.

7.6 The project proposal must be complete in all respects including the documents to be submitted as may be prescribed in RFP.

8. Process of Scrutiny, Selection Criteria and Approval

8.1 The project proposals alongwith DPR submitted by the respondent in response to RFP shall be technically and financially evaluated by an independent agency as per evaluation criteria given in RFP. The evaluation will include confirming compliance to technical criteria, availability of land and financial viability etc. The Respondent requesting least Grant-in-Aid etc. will be selected.

8.2 The proposals of the respondents alongwith Project Monitoring Committee (PMC) evaluation report will be considered by the DTISC. While appraising the project, the PMC would look into justification, including the intended benefit in terms of addressing the specific bottleneck in defence testing infrastructure, and make recommendation to DTISC. The respondent shall provide details of the financing tie-ups for the projects which will be considered before approval of the project.

8.3 Immediately after registration of SPV (Implementing Agency), the respondent shall inform DDP/DGQA about names of SPV constituents share holding pattern of the SPV and whether they qualify the eligibility criteria. Hereafter, all correspondence shall be made by Government with SPV (Implementing Agency).

8.4 Respondent will be liable to forfeiture of earnest money deposit in case of non formation of SPV.

9. Release of Funds

9.1 Disbursement shall be subject to the Implementation Agency achieving financial closure.

9.2 The funds shall ordinarily be released to the Implementation Agency for an approved project in installments as approved by the DTISC. However, the number of installments may be limited to 5 installments for each project.

9.3 The Implementation Agency shall submit a bond to be executed regarding utilisation of funds in the format as may be specified in RFP.

9.4 The Implementation Agency will submit a pre-receipt bill for the funds to be disbursed to it alongwith certificate that it has not indulged in corrupt practices in the format as may be specified in the RFP.

9.5 The funds will be kept in a separate Escrow Account of the Implementation Agency.

9.6 The first installment will be released against Bank Guarantee after approval for the project is accorded by the DTISC. The Implementation Agency shall submit the Utilisation Certificate (UC) for the amounts utilised as per format as may be specified in the RFP.

9.7 Release of further installments shall be subject to furnishing of complete Utilisation Certificate, Project Consultant (PC) report and the proof of matching contribution of the funds having been invested by the Implementation Agency from its own or other sources on pari-passu basis as per the approved cost sharing. Disbursing Advance Payment of subsequent installments may be done after recommendation of the DTISC and against submission of matching Bank Guarantee by the Implementation Agency.

9.8 Certification of the physical and financial progress by the PC would be a pre-requisite for release of further installments.

10. **Evaluation and Monitoring**

10.1 The DTISC shall periodically review progress of the approved projects in the Scheme and will take necessary steps to ensure achievement of objectives of the Scheme.

10.2 **Project Monitoring Committee**. A Project Monitoring Committee (PMC) shall be constituted by MoD/DDP and it shall be responsible for timely and proper implementation of each DTI Project without time and cost overruns. The composition of the PMC is given at **Annexure 'A'**.

10.3 The PMC shall meet once in every quarter to review the progress report submitted by the Project Consultant in a format as may be prescribed.

10.4 **Project Consultant (PC)**. Project monitoring shall be done by DDP/DGQA. A suitable Project Consultant (PC) may be engaged to assist DDP/DGQA in technical and financial appraisal of all projects under the Scheme. The PC will appraise the DPR submitted by the Implementation Agency with respect to technical feasibility, financial viability and optimal utilization of resources. The PC will undertake periodic monitoring of the projects including their physical progress, quality of execution of work, procurement of items/equipment and adherence to timelines, and submit reports to the Project Monitoring Committee (PMC).

10.5 The Implementation Agency would be required to maintain subsidiary accounts of the Government Grant and furnish to the PC a set of audited statement of accounts as per Companies Act. These audited statement of accounts shall be furnished after utilization of the Grant-in-Aid or whenever called for. The requirement for submission of the audited accounts/ statements shall be as specified in the RFP.

11. **Administrative Expenses**

11.1 The administrative expenses of DDP/DGQA connected with the implementation of each DTI project including hiring of PC are not to exceed 3% of the funds available under the Scheme.

12. **Assets**

12.1 The assets created by the Implementation Agency shall be owned by it after completion of the DTI project.

12.2 The assets acquired/created by the Implementation Agency out of government assistance under the Scheme shall not be disposed, encumbered or utilized for purposes other than those for which funds have been released.

12.3 A register of permanent and semi-permanent assets acquired wholly or partly out of the funds provided by the Central Govt under the Scheme should be maintained in the Form GFR 21.

12.4 In case of cancellation of any DTI project at any point of time, all assets and any unutilized grant shall vest with the Government of India.

13. **Accreditation**

13.1 The Implementation Agency will mandatorily obtain certification/ accreditation from appropriate National/International Agencies.

14. **Operation and Maintenance of Assets**

14.1 The Implementation Agency shall be responsible for Operation & Maintenance of assets created under the Scheme by way of collecting user charges.

14.2 The Implementation Agency shall ensure that the services at the facilities created under the Scheme are extended to the users on pay and use basis without discrimination.

15. **Recall of the Central Grant**

15.1 In case of unsatisfactory use of the Grant by the SPV including compromise with the quality of work envisaged, or partial/incomplete implementation of the project, the Central Govt shall cancel the project and for the purpose of recovery of Grant in Aid retains the rights to the following, but not limited to:-

- (a) disposing of all assets acquired by the SPV for the DTI project and vested with the Central Govt.
- (b) recall unspent amount of grant lying in the escrow account and
- (c) encashment of Bank Guarantee.

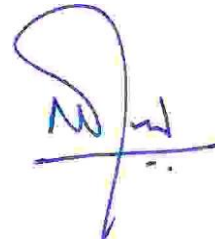
16. **Debarment**

16.1 The Implementation Agency or any of its constituents shall be debarred if:-

- (a) It has been convicted of an offence under the Prevention of Corruption Act, 1988
- (b) It has been convicted for an offence under the Indian Penal Code or any other law for the time being in force, for causing any loss of life or property or causing a threat to public health as part of execution of a public procurement contract.
- (c) Proceedings against any of its constituents are running under Insolvency and Bankruptcy code (IBC).
- (d) The constituents of SPV (Implementation Agency) are black listed by Government of India/ State Government.

16.2 The Implementation Agency or any of its constituents debarred under any of the sub-sections mentioned above or any successor of the Implementation Agency/its constituents shall not be eligible to participate in a procurement process of any procuring entity for a period not exceeding three years commencing from the date of debarment.

17. The Department of Defence Production may issue directions/clarification from time to time for smooth implementation of the Scheme.



(Nagesh Jain)
Captain (IN) QA - DTIS
for ADGQA(WP)

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MoD DDP website
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Composition of Monitoring Committees/Agencies

Defence Testing Infrastructure Screening Committee(DTISC)

- | | |
|--|-------------|
| 1. Secretary, DP, MoD | Chairman |
| 2. Secretary (Def Fin) | Member |
| 3. Addl Secy (DP) | Member |
| 4. Rep State Gov (TN & UP) | Member |
| 5. Joint Secretary (NS) | Member |
| 6. Joint Secretary (DIP) | Member |
| 7. DGQA | Member |
| 8. DGAQA | Member |
| 9. ADGQA(WP) | Member |
| 10. Rep Niti Aayog | Member |
| 11. Captain QA | Member Secy |
| 12. Any other member Co-opted by the Chairman, DTISC | |

Project Monitoring Committee (PMC)

- | | |
|---|-------------|
| 1. Addl DGQA (WP) | Chairman |
| 2. Director DIP, DDP | Member |
| 3. Director from Min of MSME | Member |
| 4. Director DGAQA | Member |
| 5. Rep Niti Aayog | Member |
| 6. Rep SIDM | Member |
| 7. Rep Project Consultant (PC) | Member |
| 8. Capt QA | Member Secy |
| 9. Any other member Co-opted by the Chairman, PMC | |

Project Consultant (PC)

Independent Project Consultant (PC) hired by DDP/DGQA for appraisal of proposals submitted by Implementation Agency and progress monitoring.