

1(18)/02/Indigenization/DP(PIg-ES)/PC-6/818
Government of India
Ministry of Defence
Department of Defence Production
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G-Block, New Delhi
Date: 15th Nov 2019

Sub: Framework for placing Long Term Orders for Indigenization by Defence PSUs and OFB.

“Policy for indigenization of components and spares used in defence platforms for DPSUs/OFB” was notified by the Government on 8th March 2019. One of the strategies (Cl. 3.14) of the Policy is on Long Term Orders. The Government has approved a “Framework for placing Long Term Orders for indigenization by Defence PSUs and OFB” on 04th Nov 2019”. The approved framework is annexed here with.

2. The salient points of the Framework are:

(a) The procuring organization may aggregate demand of the item (component or material, spares or sub systems, LRU or aggregate, system or equipment) for a long term period of upto 10 years, in cases where it finds challenges in indigenization of the item because the number required at a given point of time for the item is small and does not make economic case for the industry to invest in its development/indigenization.

(b) The indigenization committee of each DPSU/OFB will identify the imported items which can benefit from Long Term Orders with approval of the Competent Financial Authority, based on one or more of the three parameters as mentioned in para 2.4 of the Framework.

(c) Long Term Orders is for the purpose of indigenization and it does not cover sourcing from import or from indigenous industry.

(d) The period for Long Term Orders should be for the shortest period which gives adequate economic viability to the project. It should be for a period not longer than 10 years.

3. OFB is advised to take necessary action for getting it approved by the Competent Authority for implementation of the framework.

4. All Defence PSUs are advised to take necessary action for getting it approved by their respective Board for implementation of the framework.

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Framework for placing
Long Term Orders
for Indigenization
by Defence PSUs and OFB

Shrisha 15/11/19
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**Government of India
Ministry of Defence
Department of Defence Production**

No.1(18)/02/Indigenization/DP(Plg-ES)/818

Date 15th Nov, 2019

**FRAMEWORK FOR PLACING LONG TERM ORDERS FOR INDIGENIZATION BY
DEFENCE PSUs AND OFB**

1.0 Background

1.1 The Department of Defence Production has issued Indigenization policy for DPSUs and OFB vide GOI/MoD/DDP Notification No 1(18)/02/Indigenization/DP(Plg-ES)/818 dated 08 Mar 2019. Para 3.14 of Indigenization policy on Long Term Orders, states that, “*Where ever the Defence PSUs and Ordnance Factory have visibility of long term demand of a component, they shall issue long term tenders for development of indigenous replacement of imported component (including alloys & special materials)*”. This framework lays down broad guidelines in furtherance of said policy declaration.

1.2 One of the common challenges faced in indigenization of an item (component or material, spares or sub-systems, LRU or aggregate, system or equipment) is that the number required at a given point of time is small and does not make economic case for incurring development/indigenization cost for such small number. Long Term Orders framework attempts to address this issue. It provides for procuring organization guidelines where it may aggregate the demand of the said item for a long term period up to 10 years to make it economically attractive for the industry to invest in its development/indigenization.

1.3 This framework is to be implemented mutatis-mutandis with existing procurement procedure of the procuring organization.

2.0 Identifying items/material for Long Term Orders(LTOs):

2.1 The Indigenization Committee of each DPSU/OFB will be responsible for identifying the imported items which can benefit from Long Term Order of up to 10 years.

2.2 The end users (Army, Navy, Air force, Indian Coast Guard, etc.) may be consulted in the process of identifying items/materials for long term Orders.

