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OUTSOURCING MANUAL

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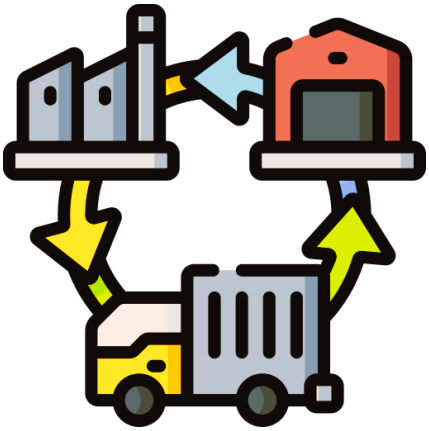






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CHAPTER I ESSENCE OF THE MANUAL

1.1 Scope

This 'Outsourcing Manual' lays down the procedure that would help to implement the objectives and guiding principles envisioned in the Outsourcing Policy document. This Manual covers the processes and procedures exclusively applicable to Outsourcing as defined in the Delegation of Powers (DoP) of HAL. Additional guidelines and amendments shall be issued from time-to-time as and when need arises.

1.2 Purpose

1.2.1 The Outsourcing Manual is intended to be the guiding document for management of outsourcing of identified activities for achieving lower cost of production, meeting rated production requirement that cannot be met with in-house capacity, reduction of cycle time by parallel progressing of activities, as a tool of risk management or to meet any other valid business objective.

1.2.2 At a broader level, this Manual is meant to be an instrument for HAL to further the stated intent of the Indian government to promote a robust ecosystem of private companies in the Defence Aerospace domain. Certain new provisions, especially related to TIER-1 outsourcing, introduced in this Manual are purposed to be enablers for HAL to progressively change its vertically integrated structure of business and to ultimately become a system integrator at the core of the Aerospace & Defence industry in India that will be ably and efficiently supported by the ecosystem that would develop as HAL's outsourcing expands to cover higher Tiers of the value chain.

CHAPTER II GUIDING PRINCIPLES & APPROACH

2.1 Overview

The outsourcing process is designed to encourage, enable and eventually develop long-term reliable partners who would support HAL's endeavours. The success of outsourcing is rooted in creation of a value chain of long-term partners while duly safeguarding HAL's own strategic interests. Therefore, vendors should be viewed and treated as HAL's partners in business, as its extended arms and as a crucial resource. This higher objective and perspective should be paramount considerations even while the Outsourcing function continues complying with the established norms & practices of commercial business transactions, CVC guidelines and the policies of the Central and State governments.

Unless expressly specified in this Manual, no procedures, formats, terms, conditions, etc. from the Purchase Manual, Works Manual, etc. shall be applied to the process of outsourcing. However, for generic principles, formats and procedures of tendering not specifically covered herein, relevant provisions of the Purchase Manual can be adopted.

2.2 The Approach to Outsourcing

2.2.1 Outsourcing may be carried out in many ways, viz., at HAL premises or at vendor's premises, with HAL's material or with vendors' material, with technology provided by HAL or with vendors' own technology, etc. The vendor may be located in India or abroad. Outsourcing shall be implemented at different levels by engaging vendors as below:

a) TIER 1: Such engagements shall involve the concept of "Build to Spec" which involves design and engineering analysis of the airworthy components and assemblies as well as the downstream activities of Tooling and manufacture. Financial and Technical Risk sharing by the vendor and recovery of initial investments made by the vendor over the long run through amortization are also defining characteristics of TIER-1 partnerships.

b) TIER 2: Engagements in this category are one level below TIER-1. Unlike TIER-1, the design and engineering analysis of the airworthy components and assemblies will be done by HAL. The vendor takes up only the downstream activities such as Design, analysis and realization of Tooling and manufacturing of airworthy components and assemblies designed by HAL.

c) TIER 3: Engagements in this category will be as per the concept of "Build to Print" in which the vendor manufactures and/or assembles Tooling, components and/or assemblies as per drawings provided by HAL.

d) Design Outsourcing: The scope of work in this case will be work packages for creation of 3-D Models, Drawings, Documentation, Reports, etc., Engineering Analysis of designs, Simulation, Testing and any other design-related activities covered in the R&D Manual.

See Para 6.3.2 for the criteria by which outsourcing cases can be classified into TIERs.

2.2.2 It shall be ensured that activities/items that fall within the scope of "Goods", "Services" or "Works" as per the extant DoP are not undertaken/procured through the Outsourcing process. In line with Chapter-10 of the Purchase Manual Issue-04, outsourcing/sub-

contracting to foreign vendors shall be handled by IMM department through Purchase procedure with Outsourcing dept. providing assistance and inputs as required by IMM.

2.3 Outsourcing Organization

2.3.1. In order to provide the necessary impetus & direction to outsourcing, to the extent feasible considering the staffing situation, outsourcing sections of the Divisions shall function as self-contained independent departments, capable of performing all the required functions ranging from vendor development to execution or Orders. In those Divisions where the scope of outsourcing activities is very limited or is sporadic in nature, an Officer not below Grade VI level can be designated as Head of Outsourcing with other departments like Finance, IMM, etc. providing functional support for outsourcing using their own staff and facilities.

2.3.2. Full-fledged Outsourcing departments should preferably have specialized groups for varied activities such as vendor development, technical co-ordination, commercial activities, logistics, Quality Assurance and financial vetting & support, etc.

The organizational structure given below is indicative and Divisions may develop their own Outsourcing organizational structures to suit Divisional needs:

a) Vendor development group
   - Identification and development of vendors
   - Registration facilitation

b) Technical/ Project Management group
   - Co-ordination/monitoring for execution
   - Technical support (methodizing, tooling, design, etc.)

c) Commercial group
   - Tendering and Ordering
   - Recommending payments and recoveries.
   - Handling of Indemnity Bonds, Bank Guarantees, etc.

d) Logistics group
   - Production Engineering
   - Receipt/dispatch of:
     - Materials, Consumables, Tools, etc.
     - Documentation
     - Semi-finished parts for intermediate operations
     - Finished parts
     - IFS activities including reserving materials, store crediting, etc.

e) Quality Assurance group
   - Dedicated Inspection Group for PDI and inward inspection
   - Quality Audits, QMS, Vendor Rating, Qualification of special processes
   - Co-ordination with certification agencies like DGAQA, DGCA, etc.

   This Quality/inspection group will functionally report to Divisional Quality Head as per convention but will be dedicated to Outsourcing and under its administrative control.

f) Finance group

- Coordination with MSD/Tool Planning/Users for Cost estimation
- Financial Coordination of Outsourcing proposals
- Payments and recoveries
- Enforcing Indemnity Bond, Bank Guarantees, etc.

2.3.3. The Outsourcing Department may optionally create "Extended Outsourcing Cells" at main vendor hubs (Bangalore, Hyderabad etc.) to function as Single Window contact points for technical support, inspection, organizing pre-bid meetings, logistics, etc.

2.4 E-Procurement & Government e-Market Place (GeM)

2.4.1. In respect of outsourcing, efforts should be made to implement e-procurement and outsourcing through GeM as per the provisions of this Manual. Vendors should be persuaded to get Class-III Digital Signature Certificate (DSC) for on-line registration on HAL's e-procurement portal and GeM Portal.

2.4.2. In order to enhance effectiveness, demonstrate transparency and enable monitoring, all activities of outsourcing should be progressively operated through ERP/IFS in line with the evolution of the Project Parivartan.

2.4.3. Interface between HAL and Vendors should be through a suitable *Vendor Relationship Management Module* similar to SRM module. Vendors should be trained and encouraged to channelize all communication including queries, PDI request, production status, etc. through the module. HAL should ensure complete vendor data in the module. For paperless exchange of confidential information between HAL and vendors, FTP Servers with controlled access and security safeguards can be provided. Compliance to this clause is subject to IT infrastructure and regulations.

2.4.4. The relevant circulars and guidelines issued for e-procurement/ GeM from time-to-time shall be followed, as applicable.

2.5 Risk Management

2.5.1 Outsourcing proposals in the TIER-1 category or proposals where the CFA is beyond Divisional level shall contain a summary of risks identified together with mitigation/ contingency plans.

2.5.2 Towards effective management of the risks involved in the outsourcing activities, the same shall be monitored by the Divisions as per the guidelines of the Risk Management Policy.

2.6 Price determination and negotiations

2.6.1. The approach to price determination and price/contract negotiations should be along the following lines:

a) If the lowest quote is significantly higher or lower (±50% or more) than the HAL estimate, the estimate can be critically reviewed to ascertain its robustness. PNC should be done only after such critical review.

b) An abnormally low quote should lead to a strict verification to ensure that it is not a low freak quote. Refer Para 8.4.1.b infra for guidance on this aspect.

c) If the vendor is likely to be impacted by currency exchange rate fluctuations (usually when the vendor procures the material, procures foreign engineering

services, etc.), a suitable ERV clause can be inserted in the Order/Contract. ERV will be allowed only if the vendor declares FE content in the bidding process and against proof of incurrence of FE.

d) The payment terms should be set fairly and equitably such that the payments are commensurate with the progress of work. Milestone payments should be appropriately included to take care of this.

e) Price negotiations should be based on comparing valid HAL estimates with the vendor's quote and seeking reductions based on quantified reasoning.

2.7 Clarifications

Clarifications sought in respect of this Manual shall be forwarded to the Head of Outsourcing at Corporate Office with the concurrence of the Head of the Division. A three-member standing Committee comprising reps from CO-Outsourcing, CO-Planning and CO-Finance shall be responsible for providing clarifications. Additional members can be co-opted on need basis. Head of Outsourcing at CO will communicate the clarifications back to the Division which raised the query. It shall be ensured that clarifications so issued shall not result in a material alteration of the basic intent or essential principles embodied in this Manual.

CHAPTER III VENDOR DEVELOPMENT

3.1 Registration of new vendors

3.1.1 In order to register new vendors, Divisions will carry out intensive market surveys. For this purpose, the requirements may be put up on HAL website. If considered necessary, Vendor Directory of other reputed companies, Trade Directories, Websites, etc. may be referred and prospective vendors may be requested to register with HAL. Further, press advertisements along with hosting on the website, may be issued to enlist new vendors. Interactions with Industrial bodies, both national and international like CII, NSIC, SIATI, ACMA / Aerospace manufacturing associations, etc. can be held on periodical basis to tap the potential vendors inside & outside the country.

3.1.2 HAL should organize symposia/ seminars and participate in industrial exhibitions/ workshops/ seminars such as DEFEXPO/ AERO INDIA, etc., to interact with potential vendors and to project outsourcing requirements. Regular vendor meets should be organized to develop new vendors as well as to strengthen the relationship with existing vendors.

3.1.3 Divisions need to make best efforts so that adequate number of vendors exist for each category. Vendors of significant repute, standing and credibility including other PSUs/ DRDO/ CSIR Labs and other Government entities can be included in the vendor list on need basis, without seeking additional details for registration.

TIER-1 vendors are to be selected through the Two-Stage Tendering process. Vendors shortlisted at the end of Stage-1 (Technical evaluation) should be registered as per the relaxed procedure mentioned above.

TIER-2 and TIER-3 vendors can be registered by following normal registration procedure mentioned below.

3.1.4 Registration will be through submission of an application form (placed at **Annexure-1**) in person, by post or by e-mail. Vendor may register online through e-procurement portal, download the application and apply.

3.1.5 A Committee (approved by Divisional Head) comprising members from Quality, Outsourcing, Finance and other relevant Technical Departments should evaluate the applications received. The same Committee shall co-ordinate in case of deregistration, changes in name/ address/ category, etc. The Committee as above (except the technical members who are included on need basis) should preferably be a Standing Committee with permanent members. Further inclusion/exclusion of technical members should be approved by the Chairman of the Committee. Representative of the Outsourcing Dept. should be the Member-Secretary.

3.1.6 After preliminary screening of the applications, the Committee may visit the vendors' factory/premises, if considered necessary, for better assessment of their technical / financial / managerial capabilities. For airborne components/ assemblies, if required, CRI/ DGAQA/ CRE (RCMA) representative may be associated. The Committee may consider the following criteria as applicable while evaluating prospective vendors for registration:

a. Broad assessment of the capabilities and work centre-wise or activity-wise capacity
b. Facilities and Human resources available
c. Past experience of the firm or the proprietor(s).

d. Past performance of the vendor if registered/ dealt with previously.

e. Adequacy of Quality Systems, accreditations and procedures

f. Design & Development capabilities, if applicable

g. Financial position

h. Management

i. Profile of customers. If required, feedback regarding the vendor's performance / credibility may be obtained directly from customers.

j. After sales support & service, if applicable.

MSMEs which are relatively new can also be considered for registration provided the promoters are well-experienced in the requisite area. Government guidelines on MSMEs are to be followed.

3.1.7 The Committee shall make recommendation for registration of the vendors as per format at **Annexure- 3(a), 3(b)** and **3(c)** and shall categorize the vendors according to the type of items to be outsourced. The Committee shall also record reasons for rejecting any application for registration. Documents used for registration of vendors are to be properly maintained for future reference. Competent Authority for approval of registration is Head of the Division.

3.1.8 A vendor once registered by any Division of HAL for certain categories of work can be automatically registered by another Division for the same categories of work without approval by Head of the Division. However, inclusion of other categories of work will require consideration and recommendation of the Committee, using the relaxed procedure outlined in Para 3.1.3 supra. Such relaxed procedure can be adopted even in the case of vendors registered by other PSUs, DRDO, CSIR or other government entities for handling work same as or similar to the one HAL intends to outsource.

3.1.9 Ministry of Corporate Affairs (MCA) portal (https://www.mca.gov.in) facilitates to see the details of Company, like Corporate Identification Number (CIN), Registered address, Date of Incorporation, etc., and names of its present Directors. This verification can be done even without registration to the MCA portal. However, with registration, the portal enables the concerned to see the details of past and present directorship of any Directors with their Director Identification Number (DIN), without payment of any fee. Details obtained from the MCA portal need to be considered prior to registration. In case it is found that any of the Directors of the company being considered was also a Director in some other company which has been debarred/ removed from the approved vendors list either by HAL or by Ministry of Defence, extra caution should be exercised.

3.1.10 Verification of the antecedents of the Promoter/s of the company may also be taken up as far as possible. In case adverse information is available regarding one or more promoters, registration may be denied.

3.1.11 On a case-to-case basis, Tender Enquiries can be issued to non-registered vendors even in Limited Tenders or Single Tender/Nomination cases. However, the reasons for inclusion of such vendors should be brought out in the proposal.

3.1.12 Agents or intermediaries without possessing in-house capability and capacity for meaningful value addition in the outsourced work shall neither be registered nor shall any Tender Enquiry be issued to them.

3.1.13 The procedure of registration dealt with in this section will not apply in cases involving tendering on the GeM Portal. See a later section on GeM tendering for more specific guidance.

3.1.14 A duly incorporated consortium of vendors or Industrial Clusters are also eligible to be registered as per procedure outlined in this Manual.

3.1.15 The validity of registration shall be initially for a period of 5 years and thereafter the same is deemed as automatically renewed for further periods of one year each unless deregistration of the vendor is done or is being contemplated before such automatic renewal falls due.

3.1.16 **Updation/ change in vendor's name and address**

Head of Outsourcing is authorized to approve the updation of vendor's name and/ or address. For this purpose, vendor's request letter for the change in name/ address with supporting legal documents should be obtained. A copy of the approved note sheet shall be forwarded to Vendor Master Manager (VMM) by user department for updation of vendor's name/ address and original note sheet should be retained in the office of the Head of Outsourcing for record. Further, a confirmation message should be sent to the vendor for the change in name/address after incorporating in the ERP database.

3.1.17 **Creation/ change in vendor's Bank details**

During registration of a vendor, Bank details should be obtained from the vendor. After approval/ registration, Bank details need to be created in ERP database while generating vendor's database. Wherever Bank details are not available, the following method for creation/ updation of bank details of the vendor should be followed:

a) Outsourcing department should obtain the bank/ account details of the vendor in the vendor's letter head (i.e. Original ink signed hard copy or scanned copy of original ink signed letter). In case of Indian vendors, cancelled cheque or Bank Mandate should also be obtained. In case of foreign vendors, it is preferable (not mandatory) to have endorsement of the Bank, in the vendor's letter certifying the account details.

b) After obtaining the documents as mentioned above, approval from Head of Division should be obtained for creation of the Bank details and subsequently, approval of Head of Outsourcing should be obtained for any updation of bank details of the vendor. However, if the Bank details are required only for the purpose of EMD, these can be created with the approval of Head of Outsourcing.

c) Copy of approved note sheet should be forwarded to VMM for creation/ updation of bank details of the vendor and original note sheet should be filed in the office of the Head of Outsourcing for record.

d) Further, a vendor may have more than one Bank accounts. Hence, provision for multiple Bank accounts should be enabled in the ERP system.

e) Vendor shall be informed after updation.

Finance department should provide the confirmation to Outsourcing department on any SWIFT messages or online transfer of money received in HAL account after verifying with the concerned Bank.

3.1.18 **Additional scope for registration of foreign vendors**

In case of foreign vendors, the credentials are to be established through information obtained vide **Annexure-2** in addition to the regular registration form in **Annexure-1**. Based on the information received, the Committee should evaluate and register the vendor. The vendor's expertise, specialization and standing in the category of outsourcing are to be thoroughly ascertained through all possible means including Video

Conferencing before registration. In case the foreign vendor is reluctant to submit details to HAL or make an application for registration, the Committee can proceed with registration as per the relaxed procedure outlined in Para 3.1.3 supra, in case consideration of such foreign vendor is deemed essential.

3.2 Directory of vendors

3.2.1. Outsourcing Departments in the Divisions and R&D Centres shall maintain a directory of vendors registered by them. The directory shall be updated regularly with appropriate additions/ deletions/ modifications.

3.2.2. Details of the registered vendors, category-wise, shall be made available by each Division mandatorily on intranet/ its website so that same can be accessed for use by other Divisions also. Type of industry (Large/ Medium/ Small/ Micro) as well as TIER 1/2/3 may also be mentioned along with the category of the vendor. A central company-wide directory of vendors based on Divisional directories will be maintained at Corporate Office and will be made available on the intranet and updated periodically.

3.2.3. After approval by the Head of the Division, the vendor shall be allocated a registration number in the format as prescribed by the ERP system and advised the registration number allotted to them vide Vendor Registration Certificate. To avoid creation of duplicate Vendor ID in the ERP system, PAN/ GeM ID/ Udyam Number, etc. of Indian vendors and DUNS number of foreign vendors should be obtained. The vendors who are not yet on-boarded on Centralized Vendor Directory (CVD) need to be taken up by Division for inclusion in CVD.

3.2.4. Vendor Master Manager (VMM)

Division must identify Vendor Master Mangers (preferably Grade IV to VI from the Outsourcing department) as approved by the Divisional Head to undertake the creation of new vendors/ modification in the vendor details with two-layered controls in ERP. In smaller Divisions, where VMM cannot be managed by Outsourcing department due to manpower constraints, VMM can be handled by the IMM department with the approval of Divisional head. VMMs will not have any rights to conduct any direct activity in the payment process. Division can also define a fall back option in form of an alternate officer to conduct the activity while the primary VMM is on leave/TD. All changes made to vendor details especially with respect to Bank account details by the VMM must be intimated to all the internal stakeholders and the respective vendor through LAN/e-mail.

3.3 Performance Rating

3.3.1 Performance Rating should be done using the quantitative methodology specified in **Annexure-8**. This shall supersede all other guidelines issued on this matter.

3.3.2 The Rating shall be generated through IFS / ERP system subject to readiness and feasibility. Based on the overall performance rating, the vendors shall be classified as:

a) Class-‘A’: Performance Rating of $\geq 75\%$

b) Class-‘B’: Performance Rating $\geq 50\%$ & $< 75\%$

c) Class-‘C’: Performance Rating $< 50\%$

The Performance Rating and the trend over past periods should be communicated to the vendors as feedback and to give them an opportunity for improvement.

3.4 Removal of a firm from the list of approved vendors

3.4.1. Removal of a registered vendor (deregistration) shall be done only under exceptional circumstances and shall comply with the principles of natural justice.

3.4.2. A vendor may be deregistered on account of its poor performance or other deficiencies which render it no longer fit to remain as an approved vendor. Instructions/ Orders for deregistration shall not be communicated to anyone other than the vendor and concerned departments/ Divisions of HAL.

3.4.3. A vendor may be deregistered for one or more of the following reasons with the approval of Divisional Head:

a) Failing or neglecting to quote in response to invitation to tender for 10 successive Limited Tender enquiries addressed to it, for its range of products/ services.

b) Material breach of one or more clauses in any Order or Contract.

c) Making a false declaration to HAL with an intent to deceive.

d) If an approval from airworthiness authorities or an accreditation is essential for rendering of services to HAL and if that approval/accreditation has been suspended or cancelled by the concerned authority.

e) Quality Rating of less than 60 for 2 years or more and/or Delivery Rating of less than 60 for 2 years or more.

f) If the requisite managerial support or technical staff, specific skillset or essential equipment/facility is no longer available with the vendor. In such cases, deregistration for only the category (or categories) of work that is (are) affected due to the above deficiencies can be done instead of complete deregistration.

g) The vendor is declared bankrupt or insolvent or blacklisted by a Government procurement authority.

h) Recommendation by HAL Divisional/ Complex/ Corporate Vigilance Dept.

i) Refusal to accept the Order/Contract after being declared as L-1 (or H-1) or backing off after accepting the Order/Contract, more than twice in a span of 2 years, without sufficient justification.

j) The Proprietor(s)/ Partner(s)/ Director(s)/ Key Executive(s) of the vendor firm are convicted of any criminal offence in dealings with HAL.

k) If the vendor continues to employ, despite protest by HAL, an HAL employee who was dismissed/ removed on account of corruption.

l) Any other valid reason that is legally tenable.

3.4.4. In any case, a commercial dispute shall not be a basis for deregistration. For other reasons listed above, the Head of Outsourcing Dept. shall initiate actions for deregistration. At this stage, the status of outstanding orders on the vendor and the impact of the proposed deregistration on other Divisions of HAL shall also be reviewed for taking a judicious decision and to decide the timing of any action to be taken. Before any action is initiated against the vendor, a Notice vetted by the Legal Cell at the Division/ Complex/ CO level as applicable should be issued to the vendor for response within reasonable time.

In case the vendor fails to provide justifiable reason for continuation, the Outsourcing department should initiate the proposal for deregistration. The file should be routed through the User department, IMM and Finance. Opinion of the concerned Legal Cell should also be part of the proposal in case the vendor responded to the Notice citing

prima facie legally valid objections. In case the action by the Division has ramifications on other outstanding Orders placed by other Divisions of HAL on the same vendor, the views of such other Divisions should also be obtained on file.

Order of deregistration shall be communicated to the vendor without any delay. Information should also be given to the Vendor Master Manager/ IT for de-activating/ removal of the vendor in the ERP System. Such an order shall also be endorsed to other Divisions for their information and caution. Copy to be marked to the Vigilance department of the Division for information. In case the same Division has empaneled/ registered the vendor in the HAL e-portal, post deregistration, the Division should also take necessary action for de-empanelment of the vendor in the HAL e-portal, subject to limiting or forestalling ramifications on other Divisions as mentioned above.

The firm shall not be considered for fresh registration for a minimum period of one year or for such extended period(s) not exceeding three years, as may be considered appropriate by Competent Authority, based on recommendations of the Outsourcing Dept. During the period(s) for which deregistration is in effect, no RFP/ RFQ/ EOI or any commercial solicitation shall be issued to the deregistered vendor. Neither shall any offer received against any form of Tender from the deregistered vendor be accepted for further processing.

3.4.5. If at any stage it is revealed that the proprietor or any of the partners of the firm whose name has been deleted from the approved list is a partner in any other firm registered with HAL or has managed to get the deleted firm registered with a new name, the name(s) of such firm(s) shall be deregistered following the procedure outlined earlier in this section.

CHAPTER IV MATERIAL SUB-CONTRACTING REQUEST

4.1 Preparing Material Sub-contracting Request (MSR)

4.1.1. MSR is the document format through which Provisioning for outsourcing will be approved by the CFA as per the DoP. Provisioning for outsourcing is to be done considering the available stock, outstanding dues/supplies, past consumption pattern, etc. The requirements also need to be consolidated so as to get the most competitive prices. MSR to be raised, to the extent practicable, by grouping similar type of items or items involving similar set of machining or processing steps. Such grouped items will become Line items in the Order to be placed later. Grouping of patently dissimilar items (in terms of size, complexity, processing steps or material) shall not be done.

4.1.2. Recommended format of MSR is placed at **Annexure-9**. For TIER-3 proposals and TIER-2 proposals of MSR estimate less than Rupees one lakh, a subset of the format can be used. MSR will be initiated by;

a. Production Engineering Dept. for airworthy items including detail parts, components, looms, sub-assemblies and assemblies.

b. Tool Planning Dept. for Tools (Jigs, Fixtures, Contour Plates, etc.), GSE/GHE and other such non-airborne items.

c. Indenting department (User Dept.) for all other items/jobs/activities. The Indenter/User can be the Project Management group, in case of major Production/ MRO/ D&D projects or if it is a TIER-1 case.

NOTE: In the DoP, Tools and GSE/GHE are included under “Goods” category. Also, in the DoP, Tools and GSE/GHE are not specifically mentioned under “Subcontracting/Outsourcing”. However, in practice, fabrication of Tools and GSE/GHE is being handled by Outsourcing departments in the Divisions. In order to bring clarity, the following principles can be applied:

- If the Tool or GSE/GHE item is COTS or if it is entirely designed and fabricated (including materials) by the vendor as per HAL’s Specifications, it should be considered under “Goods”. IMM will handle the procurement in line with the Purchase Manual and the DoP.
- All other cases of Tools and GSE/GHE should be categorized and processed under “Subcontracting/Outsourcing” section of the DoP and handled by the Outsourcing department.

4.1.3. The MSR and/or the proposal containing the MSR put up for approval by the CFA should ideally contain the following (although exceptions can be made depending on the nature of job/item outsourced):

a. Complete technical specification/documentation defining item/ activity

b. Scope of Work

c. Quantity required as determined by applying guidelines in the DoP

d. Delivery schedule. If deliveries are spread over more than a year, year-wise planned deliveries are to be mentioned with clear demarcation between firm and anticipated quantities.

e. Cost of Material provided by HAL or to be procured by the vendor.

f. Reason for Outsourcing (with justification) like capacity constraint, non-availability of specific facilities, savings in cost, reduction in cycle time, machine break down, sudden customer demand, strategic reasons, etc.

g. Categorization as TIER-1, TIER-2, TIER-3 or Design Outsourcing.

h. Mode of Tendering (Single Bid, Two Bid or Two-Stage)

i. Type of Tendering (Single Tender/Nomination, Limited Tender, Open Tender (Domestic/Global), Small Order/Imprest, etc. and reasons thereof.

j. In case of Limited Tendering, list of vendors & justification/rationale for selection.

k. Tender Platform/ Mode (GeM, HAL e-Procurement, Manual, e-mail, etc.) and reasons thereof

l. Planned price evaluation methodology (Line-wise or as a package, NPV/PV based, etc.)

m. DCF methodology for L-1 determination in case of long term spread of deliveries. Also, how escalation, ERV, etc., will be handled, if applicable.

n. Draft RFP/RFQ in LTBAs and TIER-1 cases.

o. Pass/Fail criteria at Tender Opening stage (Absence of IP, non-receipt of EMD, etc.)

p. Pass/Fail criteria at TEC stage (Mandatory requirements not complied, etc.)

q. Quantity distribution and/or preference to MSEs, etc. as applicable

r. Methodology for determination of L-1 {or H-1 under a Quality and Cost Based Selection (QCBS) system} at the Commercial evaluation stage.

s. Methodology for levelling of quotes, if applicable.

t. EMD amount or justification for waiving it.

u. Total estimated value of the Tender for determination of CFA as per DoP.

v. Any other important information that should be known to the CFA.

NOTES:

1. The Labour hours and the corresponding Labour cost based on sub-contract MHRs should be separately estimated as follows:
    - By MSD if MSR is raised by Production Engineering Dept.
    - By Tool Planning Dept. if MSR is raised by it. To be vetted by MSD.
    - By Indenter/User group that raises the MSR.

    Notes:
    - For sub-contract MHRs to be used for various elements of work, the Outsourcing Dept. and MSD will render information and assistance to the Dept. /User raising the MSR.
    - Estimations should be completed before MSR is initiated in certain cases mentioned herein and before opening of Commercial Bid in other cases. Indenting dept. to coordinate this activity.
2. For any activity for which a compiled sub-contract MHR is not readily available, an independent estimate of MHR can be made (Engineering estimate, budgetary quote or any other practical method)

3. The estimate made by the agency as per Sl. No.1 above should be put in a sealed cover and routed to Finance for concurrence and then for approval of the Head of the Division. The estimate should be shared with the agency raising the MSR for consolidation in the MSR.

4. After approval, the estimate in sealed cover will be handed over to the Outsourcing department. This sealed estimate will be opened along with the Bids.

5. In GeM Tenders where masking of estimate is not feasible or in TIER-1 cases where the all-inclusive estimated value of Tender is to be known to the Outsourcing Dept. as the agency floating the Tender, the stipulation at Sl. Nos. 3 & 4 above of keeping the estimate unknown to the Outsourcing Dept. shall not apply.

4.2 Approval of MSR

4.2.1. MSR prepared by the Indenting department will be coordinated by concerned groups as per the MSR format at **Annexure-9** and approved by the CFA as per the provisions of DoP. All Single Tender/Nomination cases should be put up to MPC of the Division. Head of the Indenting department should be co-opted as Member Secretary in the MPC meeting whenever such MSRs are put up.

4.2.2. Approved MSR **after masking/ deleting cost details** will be sent to Outsourcing dept. (or IMM as applicable) for initiating tendering action. **Masking/deletion will not be required in cases as under Notes Sl. No. 5 above under Para 4.1 and for cases to be Tendered by IMM.**

4.2.3. In case it is found while making price comparison statement (or with reference to the L1 quote) that due to incorrect assumptions adopted earlier, omissions, etc., the HAL estimates are not realistic, the HAL estimate can be refined and used for the purpose of price negotiations, compilation of PNC report and purchase proposal. The logic and rationale for each revision to the original estimate along with quantified details should be included in the PNC report and the Proposal for award of Contract/ placement of Order for the consideration of the CFA. The original MSR estimate shall not be revised in the above process.

4.3 Estimation

The generic methodology will be as follows. This Manual also defines specific methodologies for certain cases which will override the generic methodology.

4.3.1 Labour Cost

Labour Cost will be the product of Standard Man-Hours and Man-Hour Rates.

4.3.1.1 Standard Man Hours (SMH)

MSD, Tool Planning or User Dept. /Project Management Group as applicable will arrive at the SMH content required for the work in co-ordination with Methods, Tool Planning, Manufacturing and other relevant departments for necessary inputs.

4.3.1.2 Man Hour Rate (MHR)

The methodology for estimating the MHRs for various categories of operations/ activities to be applied in general will be as per **Annexure- 4,** subject to the flexibility provided therein. MHRs will be finalized by a Divisional committee duly approved by the Head of the Division and comprising representatives of Finance, Methods, Tool

Planning, Manufacturing/Assembly Shop and MSD. The Committee will consider nature of work involved, current market rates & other relevant aspects and update the MHRs with a periodicity of once every 3 years.

The escalation rates to be applied to the Base Year MHR to arrive at the MHRs for the 2nd year and 3rd year will also be finalized by the committee based on the past experience and prevailing economic conditions. In case there is a delay in finalizing the MHRs after 3 years, the average escalation rate for the year-2 and year-3 can be used for further escalation to year-4, etc. till the new rates are finalized by the Committee.

The methodology at **Annexure-4** is for guidance only. The committee can consider any other relevant methodology or factors to arrive at the MHRs. It is also permissible (and even preferable) to derive the MHRs based on actual Orders placed during the previous 3 years. From such Orders, those with abnormally high/low MHRs (which are likely due to overcharging/penetrative pricing respectively) should be excluded before deriving the average rates. If sufficient data points are available, such abnormal MHRs can be statistically determined as those outside the $\pm 2\sigma$ limit.

If the activity outsourced is not amenable to be handled under the methodology at **Annexure-4**, (e.g., design-related activities, machines/processes not included in **Annexure-4**, proprietary machine/ special process on which HAL has no information, etc.), then the sub-contract MHR can be determined as a percentage of the corresponding HAL MHR. Such percentage in exceptional cases can be more than 100% in case highly advanced technology and/or machines/ processes are involved in the outsourced activity.

4.3.2. **Material Cost**

Cost of Material provided by HAL or to be procured by the vendor has to be estimated using the latest purchase price with escalation up to the time of raising the MSR if the material has been sourced earlier. For new materials, budgetary quotes should preferably be used. If this is not feasible, cost can be estimated on similarity basis by taking another material closely matching the new one. Otherwise, an engineering estimate can be made with reasonable assumptions. The agency raising the MSR is also responsible for estimating the Material cost. Other related departments including Finance and IMM should render assistance and provide information for this purpose.

4.3.3. **Other Costs**

The estimate shall also consider freight, transportation and any other cost elements as applicable. Estimate should also include all factors like rejections and warranty, which are likely to be considered by the vendor. Where cost of materials issued by HAL is high, the Insurance cost for materials should also be considered. The intent during estimation shall not be to arrive at the lowest possible estimate. Rather, it should be to arrive at an all-inclusive and realistic estimate. The effect of taxes should also be considered because incidence of taxes will vary depending on whether the intended transaction is intra-State, inter-State or international.

4.3.4. **General provision**: If the item has been successfully outsourced earlier, then instead of going through the above steps, the Last Purchase Price (LPP) can be taken as a reference for MSR estimate after escalating LPP to the present. The Labour cost can be escalated at the rate of increase of AICPI-IW and all other costs can be escalated at the rate of increase of WPI. If such Indices-based escalation is not feasible due to non-availability of cost breakup, then 5 to 7.5% p.a. escalation can be adopted for simplicity.

4.3.5. **Estimation for TIER-1 cases**

In case of TIER-1, the Division need not strictly follow the standard pricing/estimation procedure as described in this Manual but can use a judicious mix of valid estimation methodologies including ROM estimation, parametric estimation, escalation of past prices, engineering estimates, estimation based on best judgment, budgetary quotes, information available through RFI, etc. with appropriate factors for complexity, scale, material, etc. Presumably, TIER-1 will be used in the case of fuselage assembly, major sub-assembly, etc. and not for trivial items. From that perspective, the following should be considered while estimating the cost:

4.3.5.1 Bottom-Up method: If unit cost details are available or can be estimated with some precision, then unit Price can be assumed as Cost+10%.

4.3.5.2 Top-Down method: If the unit price is already projected to/agreed with the customer, then that should be taken as the basis. If that is not the case, the average selling price (or median price) of comparable contemporary platforms (aircraft/helicopter) can be taken as the basis. Then, the price of the major assembly or sub-assembly can be assumed as a percentage of the platform price. For example, if the price of a helicopter is estimated to be Rs. 300 Cr, and if the fuselage (including Cockpit, Cabin and Tail Boom) is assumed to constitute about 12.5% of the price, the unit price of the fuselage can be estimated as Rs. 37.5 Cr. In this case, the cost will be 37.5/1.1=34.09 Cr. This is the Recurring Cost (RC).

4.3.5.3 The RC can be further split into Labour and Material costs. For example, if the SMH estimate for the fuselage as above is say 1.25 lakh hours per unit and the sub-contract MHR is assumed as Rs. 1000, then the Labour cost per unit will be Rs. 12.5 Cr. Therefore, the unit Material cost will become RC of Rs.34.09 Cr less Labour of Rs. 12.5 Cr = Rs. 21.59 Cr.

4.3.5.4 As the NRC during Development stage is to be amortized over the Production run, amortization of NRC should be added to the Unit Selling Price estimated as above. Per unit amortization will be Total NRC divided by the Production Quantity.

4.3.5.5 NRC should be estimated based on the SOW during Development stage. In the above helicopter example, the following at a minimum will have to be included:

a) Cost of design and design analysis for detail parts, sub-assemblies & final assembly: If HAL SMH for this scope of work is available, the sub-contract MHR can be assumed as say, 50% of the HAL MHR for Design and then the cost can be determined. If the total Detail design man-hours for the helicopter as a whole is say 20 lakhs, the fuselage can be assumed to consume about 25% of this, i.e., 5 lakh man-hours. If Design MHR of the concerned R&D Centre is Rs. 3000, the total cost of fuselage design will become (5,00,000*3000/2) = Rs. 75 Cr.

b) Cost of Tool design: Similar approach as above can be adopted. If such information is not available, the ROM cost can be estimated as T*24*(50% of DMHR).

- Here, T is the number of Tool drawings involved. Usually this can be assumed as equal to 1.5 times the number of Detail parts involved. For Composite parts, this factor can be enhanced to 2. In the fuselage example above, there are likely to be about 5000 Detail parts with say 50% as Composite parts. Therefore, T=2500*1.5+2500*2=8750.
- 24 represents the average design man-hours to make one Tool drawing, do its analysis and to support during realization. This can be adjusted up or down by 50% depending on the complexity of the parts and assemblies.

- In the fuselage example, if the Design MHR is Rs. 3000, the total cost of Tool design will become (8750*24*3000/2)/10000000 = Rs. 31.5 Cr

c) Cost of Tool fabrication: As applying **Annexure-4** method will be too cumbersome for the possibly 100's or 1000's of Tools involved in TIER-1 cases; corresponding cost assumed for Tool fabrication in HAL's Project cost estimate can be taken as a basis and the cost related to fuselage can be estimated as a percentage. If the HAL estimate is using HAL MHR, then the sub-contract MHR can be assumed as say 50% of this and the basis cost can be modified accordingly. Cost of tooling materials are also to be included.

d) If First Article Inspection items, Ground Test items or items for flying prototypes during Development stage are deliverable to HAL and HAL will make payment, then the prices for these are not to be considered as NRC. Otherwise, if vendor absorbs these costs, the costs should be included in NRC.

e) Total NRC as estimated above should be further enhanced by a factor of up to 1.25 to cater to possible design revisions, iterations, etc.

4.3.5.6 Unit Prices can be assumed to be escalated by 4% p.a. to derive prices for Production years spread into the future.

4.3.5.7 No ERV should be considered during estimation, although FE content should be estimated for HAL to claim ERV from the customer. (In the final Contract, the ERV benefit available to HAL should be passed on to the TIER-1 vendor)

4.3.5.8 Escalation on material costs can be assumed to be 3% p.a.

4.3.5.9 MHR escalation should be assumed based on the average growth AICPI-IW over the past three years.

4.3.5.10 With the above details, the total cost of the TIER-1 proposal can be worked out in the form of a cash flow table.

4.3.5.11 Further, the economic viability of TIER-1 case should also be worked out using the above details and using standard DCF techniques. If calculating Weighted Average Cost of Capital is difficult, the discount rate (k) in the DCF model can be assumed as 12.5% to determine the NPV. If NPV divided by the PV of NRC is in the range of 0.2 to 0.3, the model can be assumed as prima facie viable. Otherwise, the assumptions have to be reviewed to see if any reasonable and logical modifications can make it viable. If there is no viability even with possible modifications, then the case should not be processed as a TIER-1 at all.

4.3.5.12 Learning Curve effects should ideally be captured by estimating the SMH for Qty. 1 to N during Series Production using the following formula and then consolidating for each batch as per delivery schedule:

$$SMH_N = SMH_1 \times L^{(LogN/Log2)}$$

Where SMH_1 is the unit SMH for the first production item, SMH_N is the unit SMH for the N^{th} Production item and L is the Learning Factor (e.g., 0.9 for learning efficiency of 90%).

As application of Learning Curve as above is cumbersome, a simplified procedure will be as follows. If SMH_1 is the SMH per unit for the first year of Series Production, then the unit SMH for the second year can be defined as $SMH_2=SMH_1\times0.98$. Similarly, for the third year, unit $SMH_3=SMH_2\times0.98$; and so on. In any case, the application of learning curve need not be considered beyond a quantity of 50 units, unless strong justification exists.

4.3.5.13 An example of estimation and economic model for a TIER-1 case based on the assumed numbers and methods outlined above is placed in the following Cash Flow Table. In this example, the MHR escalation rate is assumed as 7% p.a.

Sample Economic model for TIER-1 (Only for illustration)

All amounts other than MHR in Rs. Cr. Man-Hours are in Lakhs

Particulars		2023 Base Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Investment (NRC)																						
Design & Analysis	A	75.00																				
Tool Design	B	31.50																				
Tool Fabrication (assumed)	C	75.00																				
Sub-Total	D=A+B+C	181.50																				
After Factor of 1.25	E=D*1.25	226.88																				
Assumed spread of NRC	F		15%	20%	20%	10%	5%	5%	5%	5%	10%	5%										
Cash outflow for NRC	G=E*F		34.03	45.38	45.38	22.69	11.34	11.34	11.34	11.34	22.69	11.34										
Deliverables to HAL																						
Prototype Fuselages (5)	H					2	1	2														
Production Fuselages (350)	I										6	12	24	36	36	36	36	36	36	36	36	20
REVENUES																						
Unit Selling Price	J	37.50	39.00	40.56	42.18	43.87	45.62	47.45	49.35	51.32	53.37	55.51	57.73	60.04	62.44	64.94	67.54	70.24	73.05	75.97	79.01	82.17
Amortization of NRC/Unit	K=E/350										0.648	0.648	0.648	0.648	0.648	0.648	0.648	0.648	0.648	0.648	0.648	0.648
Qty Sold to HAL	L=H+I					2	1	2			6	12	24	36	36	36	36	36	36	36	36	20
Total Revenue	M=L(J+K)					89.0	46.3	96.2			324.1	673.9	1401.1	2184.7	2271.2	2361.1	2454.6	2551.9	2653.0	2758.2	2867.6	1656.3
RECURRING COSTS																						
Man-Hours (@1.25 lakh/unit)	N=1.25*L					2.50	1.25	2.50			7.50	15.00	30.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	25.00
Man-Hours with Cost efficiency	$P=N*0.98^n$											14.70	28.81	42.35	41.51	40.68	39.86	39.07	38.28	37.52	36.77	20.02
MHR (Rs)	Q	1000	1070	1145	1225	1311	1403	1501	1606	1718	1838	1967	2105	2252	2410	2579	2759	2952	3159	3380	3617	3870
Labour Cost	R=N*Q or P*Q					32.77	17.53	37.52			137.9	289.17	606.45	953.89	1000.2	1048.9	1099.8	1153.3	1209.3	1268.1	1329.7	774.64
Unit Material Cost	S	21.59	22.24	22.90	23.59	24.30	25.03	25.78	26.55	27.35	28.17	29.02	29.89	30.78	31.71	32.66	33.64	34.65	35.68	36.76	37.86	38.99
Total Material Cost	T=S*L					48.6	25.0	51.6			169.0	348.2	717.3	1108.2	1141.4	1175.6	1210.9	1247.2	1284.7	1323.2	1362.9	779.9
Total RC	U=R+T					81.4	42.6	89.1			306.9	637.4	1323.7	2062.0	2141.6	2224.5	2310.7	2400.5	2494.0	2591.3	2692.6	1554.5
Margin=REVENUES minus RC	V=M-U					7.67	3.71	7.12			17.23	36.54	77.36	122.69	129.54	136.60	143.86	151.34	159.01	166.88	174.95	101.78
Margin after Tax @ 25%	W=V*0.75					5.75	2.78	5.34			12.92	27.40	58.02	92.01	97.15	102.45	107.90	113.50	119.26	125.16	131.21	76.34
PVIF @ 12.5%	X		0.889	0.790	0.702	0.624	0.555	0.493	0.438	0.390	0.346	0.308	0.274	0.243	0.216	0.192	0.171	0.152	0.135	0.120	0.107	0.095
PV of NRC	Y=G*X	144.77	30.25	35.85	31.87	14.16	6.29	5.60	4.97	4.42	7.86	3.49										
PV of Margin after Tax	Z=W*X	187.70				3.59	1.54	2.63			4.48	8.44	15.88	22.39	21.01	19.70	18.44	17.24	16.10	15.02	14.00	7.24
NPV	д=Z-Y	42.93																				
NPV/PV of NRC	= д /Y	0.2965																				

CHAPTER V OUTSOURCING TENDER ENQUIRY

5.1 Tender Enquiry – Technical Requirements

5.1.1 The approved MSR is the basis for issuing the Tender Enquiry in the form of RFP/RFQ. Accordingly, the quantity, scope of work, evaluation criteria, requirement for EMD, IP, etc. should all be correctly reflected in the Tender Enquiry.

5.1.2 Drawings, Process Sheets, etc. as applicable, shall be included in the Tender Enquiry. In cases where highly confidential or classified documents have to be shared, Limited Tender considering only a few reputed vendors would be the preferred mode along with signed NDAs. Two-Stage tendering is also an option in such cases. In complex cases wherein the vendors need to be explained the details before they submit the Bids, pre-bid meeting should be organized.

5.2 Tender Enquiry – Scope of Work

5.2.1 The Scope of Work (SOW) should be defined precisely and comprehensively in the Enquiry. In TIER-1 cases involving collaborative working between the vendor and HAL, the SOW should also bring out the roles & responsibilities of HAL and the vendor clearly.

5.2.2 Rate Contracts can also be operated. Such Contracts based on MHRs for specified activities can be devised by Divisions suiting their requirements. The Tender Enquiry should specify the maximum number of vendors to be selected and that all of them shall supply at the L-1 rate.

5.2.3 Tender Enquiry shall clearly specify the mode of execution of the outsourced activities as under:

- At HAL's premises or vendor's premises or any other location.
- With use of HAL's material or vendor's material.
- If HAL supplies material, how transportation costs will be handled.
- How Heat treatment or processes to be done at HAL will be handled.
- With HAL provided design & process know-how or vendor's own design & technological know-how
- Activities outside India – Who will handle and pay for transportation of material at different stages, how export/import permits, taxes, etc. will be handled, etc.

5.2.4 Tender Enquiry should require the vendor to indicate HAL support required during execution of the order. If all the bidders will need such support from HAL, then the support has to be provided free of cost. If only some of the bidders need such support, the cost of such support is to be used for leveling of quotes. If SMH is the man-hours of HAL support and M is the Divisional MHR, [SMH × M] should be loaded for leveling in case of multi-vendor scenario.

5.2.5 Tender Enquiry shall clearly spell out the quality requirements, maximum permissible rejection and estimated cost of material/ tools etc., in case these are supplied by HAL.

5.2.6 Consolidation of quantities as per DoP should be followed for outsourcing during the Production and MRO stages. For outsourcing during the D&D stage, only the quantity applicable in that stage should be included. However, the likely quantity after the completion of the D&D stage can be mentioned for information only so that the vendors can price the supplies considering potential demand for the future. For TIER-1 cases

initiated by R&D Centres, the specific instructions given in this Manual including the need to include Production stage quantity should be followed.

5.3 Tender Enquiry – Delivery Requirements

5.3.1 The required schedule of deliveries should be clearly stated along with penalties for late delivery and/or non-delivery. No credit for early delivery should be offered unless such credit can be matched with any such credit HAL might get from its customers for early deliveries.

5.3.2 Staggered delivery should be considered only if (1) HAL's requirements are clearly defined for each period of delivery and (2) the vendor's ability to sustain for the long term is not in doubt. In case there is uncertainty on any of these, deliveries should be scheduled in one batch or scheduled to finish as early as possible. Issuance of material should also be staggered according to the planned delivery schedule in such a way as to minimize the value of HAL material lying with the vendor at any given point of time.

5.4 Tender Enquiry – Prices

5.4.1 Tender Enquiry shall indicate whether the quote being sought is to be a 'fixed and firm quote' or is subject to an escalation formula. It is also feasible to seek quotes on a firm basis but with different prices applicable for each year or batch of delivery. An illustrative Price Bid format is placed at **Annexure-12**.

5.4.2 Tender Enquiry shall stipulate that the vendor should quote net prices considering machining scrap, end-pieces, non-reusable mandrels, etc., to be their property. Any rejected part is to be returned to HAL at vendor's cost.

5.4.3 Tender Enquiry shall clearly state whether freight and other incidental costs shall be payable by vendor or by HAL. Applicable INCO Term can be cited.

5.4.4 Tender Enquiry shall specify that in case the material is to be procured by the vendor, the quantity and cost for the same should be indicated by the bidder separately in the Bid, so that HAL can assess the sufficiency and correctness of the materials chosen (Non-inclusion of sufficient material and its cost can be a reason for rejection of the Bid during TEC or PNC stage).

5.4.5 Tender Enquiry shall intimate the bidder to explicitly indicate the applicability of the taxes in its response in percentage and in absolute terms. Enquiry should also clarify that, 'in the absence of clarity on tax rates and tax amounts whether included or not, the offer would be considered as all-inclusive and that vendor will not be eligible to make any claims in this regard at a later stage'.

5.4.6 In case of outsourcing major development work, Tender Enquiry may seek breakup of tooling, development cost etc., separately as Non-Recurring Cost (NRC). If NRC is funded by HAL, the tooling, jigs, fixtures etc. and movable assets, if any, created using this funding should be returned to HAL.

5.4.7 Tender Enquiry may include a provision that in case of minor change in design/ technology after Ordering, there will be no change in prices. Major changes will involve renegotiation of the terms of the Order/Contract and amendment of the Order/Contract unless the vendor is ready to absorb the changes voluntarily. In order to avoid disputes regarding what is minor and what is not, the Tender Enquiries (especially those issued by R&D Centres) should contain illustrative listing of such minor changes that the vendor should absorb. These can include the following, inter alia.

- Changes in nomenclature including changes in Drawing Number, Part Number, details in the Title Block, etc. which do not affect the unit material, unit SMH or other costs.
- In case the vendor procures the material, any change in dimensions of the part which does not entail a change in the Raw Material stock size or the type (Billet, Bar, Extrusion, etc.) to be used AND which does not entail an increase in unit SMH by more than 5% for machining.
- In case HAL supplies the material, any change in dimensions of the part which does not entail an increase in unit SMH by more than 5%.
- In case the vendor procures the material, any change in material specifications which does not entail scrapping of the material the vendor has already procured (and the portion of the Order pipeline that cannot be cancelled) AND which does not entail an increase in unit SMH by more than 5% for machining.
- In case HAL supplies the material, any change in material specifications which does not entail an increase in unit SMH by more than 5% for machining, processing, HT, etc. put together.

NOTE: Even if minor changes as above might result in cost savings or other benefits to the vendor, these shall be ignored by HAL, provided such savings are ≤ 5% of the value of the Order.

5.4.8 The Tender Enquiry should clearly specify the manner in which preference to MSE vendors, SC/ST vendors and women entrepreneurs as per extant government policy will be applied to the Tender. In case the item is not divisible or if the quantities are insufficient to make division among multiple vendors economically viable, such preference policy will not be applicable in the Tender.

5.5 Tender Enquiry – IPR Protection

5.5.1 All the Tender Enquiries and subsequent Orders/ Contracts should incorporate the IPR clause given in the General Terms & Conditions section of this Manual. However, for low value/ low technology items or items like Standard Parts, the IPR clause shall be omitted.

5.5.2 In any case, business sensitive information, know-why design information as well as vital details that may allow reverse engineering or copying of the HAL design should not be included in the data package provided to the vendors unless an NDA has been signed and it is reasonably sure that the vendor is reputed enough not to intentionally violate the NDA terms and conditions.

5.5.3 Tender Enquiry shall stipulate that any product/ process developed by the vendor for HAL under the outsourcing Order shall be exclusively supplied/ used for HAL's benefit and shall under no circumstance be sold or marketed directly or indirectly to any other customer or third party without explicit authorization by HAL.

5.5.4 Tender Enquiry should seek return of HAL supplied data, information, drawings, process sheets, documents etc., (hard copies and soft copies in CD/DVD/etc.) from the unsuccessful bidders as well as bidders not quoting against HAL's requirement immediately on completion of the bidding process.

5.5.5 Instead of signing NDAs for each Order, Divisions can consider signing Omnibus NDAs with vendors which shall be valid for a predefined period (3-5 years) to cover multiple Orders to be placed on that vendor by the Division during that period. Just as in the case of Omnibus IP, Omnibus NDAs signed with any Division of HAL can be

accepted by any other Division. To facilitate this, in the Omnibus NDA, instead of the concerned Division being the Party, HAL can be made the Party.

5.6 Tender Enquiry – Standard Stipulations

The precise terms and conditions related to the Tender should be stated in the Tender Enquiry. The following are given only for summary information:

5.6.1 Tender Enquiry shall specify the last date for submission of Bids with the stipulation that 'Tenders received after due date and time shall not be opened and shall not be considered' (Not applicable to Single Tender/Nomination).

5.6.2 The date, time & place of pre-bid Meeting (if applicable) and opening of Bids shall be mentioned along with the provision for vendors to attend.

5.6.3 Tender Enquiry shall state that 'HAL will not be responsible for the loss or delay in receipt of tender documents/ tender in transit, inability of Bidder to upload the Bids in e-Procurement portal and that HAL reserves the right to reject late/ incomplete Bids'.

5.6.4 Tender Enquiry should indicate the mode (manual or electronic) by which bidders shall be required to submit Bids directly to HAL.

5.6.5 In manual tenders, it should be made clear that unsigned quotations shall not be considered whereas digitally signed documents or scanned copy of ink-signed Bids submitted through e-mail will be considered. However, this shall not apply to e-Tenders/ GeM Tenders.

5.6.6 General Terms & Conditions (T&C) as included in this Manual at **Annexure-5** are recommended to be included in all Tenders. If any part of these are not applicable, they can be omitted unless they are mandatory clauses. Similarly, if any part of the General T&C needs to be modified to suit the specificities of the Tender, such modifications can be made with reasons to be recorded. In addition to the General T&C, Special T&C specific to the Tender including Repeat Order clause, Option clause, Force Majeure, etc. can also be included in the Enquiry.

5.6.7 In case of e-Tendering, procedure stipulated in the Purchase Manual & related circulars issued from time-to-time shall be followed.

5.6.8 Out of all the clauses in the General T&C or the Special T&C, the Enquiry shall state clearly which of these are to be mandatorily complied, failing which the Bid is liable to be rejected during TEC stage. The Enquiry should also state that all other terms are negotiable and therefore noncompliance or partial compliance to these cannot be a ground for rejection unless the counteroffers made are absolutely unreasonable and are of a kind that cannot be resolved through negotiation. It should also be mentioned that counteroffers against commercial terms will entail loading as per HAL's procedures for levelling of quotes before L-1 (or H-1 if applicable) is determined. Loading methodology given at **Annexure-10** is to be included in the Enquiry if Loading is envisaged. (As on date of issue of this Manual, Loading is not feasible in GeM tenders)

5.6.9 If applicable, Tender Enquiry should specify the name of the Bank and branch with respect to adoption of exchange rate for commercial evaluation purpose.

5.6.10 Commercial evaluation criteria should be mentioned in the Enquiry.

5.6.11 In Single Tender/Nomination and Limited Tender Enquiries, it shall be stated that Bids received from any person/entity other than to whom the Tender is issued will not be accepted.

5.7 Tender Enquiry - Integrity Pact

5.7.1 For estimated value put to Tender of Rs.5 crores & above (or amount as applicable from time to time), the Enquiry shall state that an Integrity Pact as per HAL format is to be signed and included in the Bid documents. The maximum grace period for submission of IP shall be 15 days from the bid opening date. Such submission of IP shall be a precondition for the vendor to get the Order from HAL.

5.7.2 The Enquiry should state that if the vendor will subcontract any portion of the SOW to a third party and the value of such subcontracting will be Rs. 2 Crores or more, the vendor should be ready to sign a tripartite Integrity Pact (HAL, vendor and subcontractor) if demanded by HAL in a format to be specified by HAL.

5.8 Tender Enquiry – Short listing Right Sources

5.8.1 As outsourcing is primarily based on a list of vendors registered after assessment and a formal approval process, the preferred mode of tendering should be Limited Tender with Bids sought from a list of vendors extracted from the list of registered vendors based on the nature and scope of work. This preference is also important in cases where engaging vendors with uncertain credentials through an Open Tender (or GeM) process might jeopardize the success of HAL's outsourcing effort. Even in Limited Tenders, there is no bar in adding vendors not registered with HAL if the Outsourcing department has sufficient justification as to why such vendors should be included.

5.8.2 In case the number of suitable vendors available in the register is higher than the number down-selected for issuing Limited Tender, a system of selection by rotation can be formulated by the Outsourcing dept. such that reliance on only a limited subset of vendors does not happen and the left out vendors do not feel neglected on purpose. The sources selected shall be coordinated by Quality Assurance dept. to ensure that any vendor not meeting Quality requirements are not included. However, notwithstanding anything contained elsewhere, the QA dept. shall not have any veto power over the choices of the Outsourcing dept. unless there are very cogent reasons and concerns. In case of a difference of opinion in this regard, CFA will take a final call in modifying the list as needed to resolve the conflict.

5.8.3 Vendors selected/developed during the Development stage (however not seriously deficient in deliveries and not in major breach of contractual T&C) shall be considered as established sources and continued for Limited Series Production (LSP) and Series Production (SP) stages. Similarly, vendors selected/developed during LSP/SP/MRO stage will also be considered as established sources. Cases should be handled as per Annexure-III E 2(d) of the DoP 2018 if the source was initially selected through Open/Limited Tender. Otherwise, clause Annexure-III E 2(e) of the DoP 2018 should be used. Reference to DoP 2018 is as on date of release of this Manual.

5.8.4 If relying on a single source is considered to be too risky, or in case of exigencies where the established source will be unable to supply in time due to capacity constraints or otherwise, alternative vendors can be considered for development. However, as additional funding by HAL is usually involved in such cases, it has to be ensured that the project sanction has adequate funds allocated for engaging with multiple vendors. If funds are not sufficient, a separate sanction from the CFA should be obtained. Funding under the R&D Corpus will be appropriate if vendor development is undertaken by an R&D Centre directly or undertaken by a Production Division for meeting deliverables to an R&D Centre. Alternate vendor development by a Production/MRO Division on its own will be funded from project sanctions/orders by customers or specific sanctions by internal CFAs with funding drawn from HAL's internal Reserves.

5.9 Tender Enquiry - Mode of Dispatch

5.9.1 The proof of dispatch of Enquiries must be placed in outsourcing file. Depending upon the mode of dispatch of Enquiry, it could be a certificate of registration (dispatch by post), courier's receipt, fax transmission record, an acknowledgement receipt, e-mail confirmation or e-tender report or GeM Bid Report.

5.9.2 The central mail registry section of the division shall maintain separate folio for dispatch of each Tender Enquiry, paste the postal registration slips and forward to Outsourcing department for filing the record. This shall apply to normal mode of tender and not for e-tender & GeM tender.

5.9.3 In Enquiries by e-mail, evidence for having sent out the Enquiry and for the addressee having received it should be ensured by any practical means including a reply from the addressee, screenshots, etc.

5.10 Tender Enquiry – Quantity Distribution

5.10.1 If in the interest of securing continuity of supplies, preference to MSEs, etc. as per government policy and/or risk management, it is decided to distribute the orders on more than one vendor, a condition to this effect shall be stipulated in the Tender Enquiry, clearly specifying the basis of distribution of quantity subject to bidders other than L1 agreeing to accept order at L1 price.

5.10.2 An illustrative distribution among the Vendors is given below:

i) Among two vendors in the ratio of 60:40/ 70:30, etc.
ii) Among three vendors in the ratio of 40:30:30/ 50:30:20, etc.

5.10.3 The distribution as above shall not make the quantity allotted economically unviable for any of the vendors involved.

5.10.4 **Purchase Preference to MSEs**

5.10.4.1. As on date of issue of this Manual, the targeted procurement from MSEs is mandated at 25% on an annual basis. From this, 4% is earmarked for SC/ST entrepreneurs and 3% is earmarked for women entrepreneurs. Unutilized quota from the 4% and 3% shall be added to the general MSE category. Unutilized quota from the MSE category should be added to the general non-MSE category. Earmarking is feasible only if the item(s) tendered is (are) divisible and countable. While applying the above percentages, all fractional quantities should be rounded up or down to the nearest whole numbers. Changes to the figures of 25%, 4% or 3% due to such rounding should be ignored.

5.10.4.2. Earmarking as above will apply only if L1 vendor is not a MSE. Where earmarking is applicable, only those MSEs (L2, L3, etc. among MSEs) quoting within L1+15% band should be invited to meet L1 price. Up to 25% of the tendered quantity should be offered to the MSEs agreeing to supply at L1 rate. For this, first the L2 MSE within the price band is to be invited to meet the L1 price. If L2 does not agree to supply at L1 rate or does not agree to supply the full 25% quantity, then L3 MSE should be approached for the remaining quantity, and so on. If all the MSEs in the price band do not agree to supply at L1 rate, the full quantity should be ordered on the original L1 vendor.

5.10.4.3. Numerical Example of earmarking of quantities to MSEs:

Let the tendered quantity be 40. Then, the earmarking will be as follows.

- For MSEs with women entrepreneurs: 3% of 40 = 1.2 rounded off to 1
- For MSEs with SC/ST entrepreneurs: 4% of 40 = 1.6 rounded off to 2
- For other MSEs: 18% of 40 = 7.2 rounded off to 7

- Balance for non-MSEs: 40 minus (1+2+7) = 40-10 = 30

For the above purpose, MSE with SC/ST entrepreneurs is defined as a proprietary concern owned by a SC/ST proprietor or a Partnership or Private Limited company in which SC/ST Partner(s) or Promoter(s) own at least 51% of Shares. A woman SC/ST entrepreneur can be included in 4% or 3% judiciously in such a way as to maximize the reservation to MSEs as a whole. If there are multiple MSEs willing to supply at L1 price in any reserved category, the quota should be equally distributed subject to viability.

5.10.4.4. Purchase preference as above is recommended to be implemented in all Enquiries where the items tendered are divisible and countable.

CHAPTER VI MODES OF TENDERING FOR OUTSOURCING

6.1 Overview

Basic characteristics of the modes are described in the Purchase Manual. The following sections address the specificities related to Outsourcing.

6.1.1 Outsourcing dept. will be the tendering agency for all outsourcing requirements except those involving foreign vendors. In Divisions where the Outsourcing dept. is not staffed adequately, the Divisional Head should assign the primary responsibility to any other department, preferably IMM.

6.1.2 Tendering mode will be as per the approved MSR. If the MSR does not mention the mode, the Outsourcing dept. will decide the mode based on the guidelines provided in this Manual.

6.1.3 **Earnest Money Deposit (EMD)**

a) EMD shall be applicable only in case of Open tendering (including Open Tender in GeM) using Two-Bid system. Even in such cases, EMD shall not be sought from PSUs, other entities in the government sector, MSEs exempted by government policy and foreign vendors.

b) The EMD shall be a fixed amount, based on MSR estimated value as follows:

Estimated value	EMD value in INR
Less than Rs. 10 Lakhs	Nil
Rs. 10 Lakhs to Rs. 25 Lakhs	20000
Rs. 25 – 50 Lakhs	40000
Rs. 50 – 100 Lakhs	75000
Rs. 100 – 250 Lakhs	100000
Rs. 250 Lakhs and above	200000

c) Even in cases where EMD is applicable, EMD may be waived off with the approval of CFA as per DoP.

6.1.4 **Security Deposit:** Security Deposit is not applicable to Outsourcing proposals.

6.2 Single Bid or Two bid Tendering System

6.2.1 Single Bid/Two Bid tendering should be adopted only in TIER-2 or TIER-3 cases;

- Where the work requires specific skills, capability and facilities and it is important to select only those vendors who possess these, a Two-Bid system should be adopted whereby during the TEC stage, ineligible vendors can be filtered out.
- Where the above specific considerations are not applicable (e.g. simple jobs most vendors can execute) Single Bid system should be adopted.
- In Single Tender/Nomination cases, as the vendor is already identified, Single Bid system should be adopted as the default.

6.2.2 **Response Time**: In general, a period of 3 weeks is allowed for submission of bids. However, in exigencies and single tender/ nomination cases, for reasons to be recorded, the time for submission of bid(s) can be shortened with the approval of Head of Outsourcing.

6.3 Two-stage Tendering System

6.3.1 All TIER-1 outsourcing cases shall be processed under the Two-Stage system under Limited Tendering with a very judiciously selected list of prominent vendors. However, if Open Tendering is resorted to, for very cogent reasons, the same are to be recorded; the pre-qualification criteria should be stringently defined so as to avoid responses from vendors who are unlikely to fulfill requirements or to eliminate such vendors at the TEC stage.

6.3.2 A TIER-1 proposal should mandatorily involve financial and technological risk sharing of a significant order by the vendor. To make this idea clear, consider the following elements involved in realization of a major assembly of an aircraft or helicopter:

(a) Design (3-D Models and Drawings) of Detail Parts/ components, Sub-Assemblies and Final Assembly (in CAD/ PLM environment)

(b) Engineering Analysis (Stress/ Dynamic/ Fatigue/ Material) (in CAE/ PLM environment)

(c) Design and Analysis of Tooling (Tools, Jigs, Fixtures) (usually in CAD environment)

(d) Fabrication of Tooling (Tools, Jigs, Fixtures)

(e) Manufacture of Detail parts/components and sub-assemblies

(f) Final assembly and checkout

(g) Quality Assurance for all the above with minimal support from HAL

An outsourcing case can be categorized as TIER-1 only if the vendor is primarily responsible for execution of all the elements from (a) to (g) above, even though HAL may collaborate with the vendor, partly fund the NRC, selectively supervise/ check/ guide/ support/ supplement the outsourced work or exchange information with the vendor.

As a corollary to the above, if (a) & (b) above are not involved, but (c) is involved, then it will be a TIER-2 case. All others will be TIER-3 cases.

6.3.3 TIER-1 process is to be managed as follows:

6.3.3.1 At Stage-1 of the Two-Stage system, only Technical Bids are sought based on an RFP in which the Technical Specifications/SOW without confidential details, but containing sufficient details, will be included. The RFP should stipulate that Technical Bid will be accepted only from those vendors who attended the pre-bid meeting. The pre-bid meeting should be held on a date announced in the RFP where interested vendors will participate. In this meeting, HAL should explain in great detail the scope of outsourcing, risks, roles and responsibilities of HAL and the vendor, deliverables, schedules, quality standards, financial model, etc. After the pre-bid meeting, one month's time can be given to submit Technical Bids.

6.3.3.2 After the Bids are received, HAL will assess the capabilities, resources and capacities of the vendors for the nature of work involved and shortlist a maximum of 4 vendors. After signing NDA with the shortlisted vendors, the confidential details which were withheld during the RFP stage will also be shared with them so that they can prepare their Commercial Bids with complete information. The vendors will then be required to submit the Commercial Bids in the Stage-2 of the tender process. Considering the SOW, one to two months' time can be given to submit Commercial Bids.

6.3.3.3 The RFP and SOW should preferably be drafted by a Committee of relevant experts as approved by the Head of the Division.

6.3.3.4 For TIER-1 cases, the cost estimation methodology prescribed in this Manual at Para 4.3.5 should be followed. The economic model (Table under Para 4.3.5.13) will also enable estimation of the total value of the proposal for MSR purposes as the sum of the row titled "Total Revenue" because that figure represents what is receivable by the vendor for the whole period of business, which is also equivalent to the cash outflow from HAL. Depending on the GST incidence on HAL & the vendor and the Input Tax Credit available to both, the MSR estimate may have to be adjusted to factor the net GST impact. Any other incidence of taxes, on a net basis can also be accommodated by making small changes to the model.

6.4 Limited Tendering

6.4.1 In order to generate adequate competition, it is vital that sufficient number of sources is available. In Limited Tendering, Enquiry shall be sent to at least 5 vendors. In case this is not feasible, the Enquiry can be issued to less than 5 vendors with the approval of the Head of the Division based on reasons to be recorded.

6.4.2 Outsourcing department may shortlist the vendors among those available in the vendor register or otherwise based on past experience, workload, assessed spare capacity, quality, delivery, Vendor Rating, etc. with due recorded justification. The shortlisting shall be made by the Outsourcing department with the co-ordination of Quality Assurance dept. As shortlisting involves both quantitative and qualitative considerations and as it is context-specific, no specific methodology is being recommended in this Manual. However, it should be reasonably ensured that the chosen method does not end up favouring some vendors consistently.

6.5 Single Tender

All Single Tender Enquires should be issued based on adequate justification and with the approval of the competent authority as per provisions of DoP. Cases where an Order is proposed on an established source and that source was initially selected through a mode other than Open or Limited Tender should also be treated as a Single Tender/Nomination case under DoP Annexure-III E.2.e.

6.5.1 In addition to cases where single source is identified by the Outsourcing department or other Indenting department within the Division, Single Tender can be resorted to, on a Customer Nominated source, Licensor Nominated source or a source specified by the concerned R&D Centre, all of these external nominations backed by documented evidence. In case more than one source has been nominated by any of these agencies external to the Division, Limited Tender should be followed. In such cases, the cost estimation for MSR need not follow the methodology specified at **Annexure-4** or elsewhere in this Manual and instead use any valid methodology including budgetary offers/ RFI responses, price at which the nominating agency is procuring, etc.

6.5.2 Proposals for Single Tender or Nomination basis should be accompanied by Single Tender Certificate as at **Annexure-7**.

6.6 Spot Tendering

Spot Tendering can be resorted to, in case of exigencies. Spot Tendering procedure is described in Section 6.13 of the Purchase Manual Issue-04 and the same including the financial limit of Rs. 2 lakhs per occasion should be followed. The Spot Tendering

Committee for Outsourcing should include reps from Outsourcing, Indenter/User, Finance and QA. Spot Tendering will be treated as a Limited Tender with multiple responses for purposes of DoP.

6.7 Small Order Outsourcing (Petty jobs)

The procurement under Petty Purchase System is described in Section 7.8 of the Purchase Manual Issue-04 and the same should be followed for outsourcing requirements with a financial limit of Rs. 25,000 per occasion. Fund required for procurement can be taken out of the Recoupable Imprest allocated to the Head of the Department raising the MSR or from Non-recoupable Advance specifically sanctioned to such HOD.

6.8 Repeat Order

Repeat Order can be placed subject to the provisions of the DoP.

6.9 Long Term Business Agreement (LTBA)

6.9.1 All TIER-1 engagements should be dealt with as LTBAs at the first Tendering stage itself. The pricing aspects and economic model for such engagements have been covered in an earlier section. LTBAs can also be entered into after the Development stage once the vendor selected during the Development stage has completed a major portion of deliverables and has been decided to be continued for Limited Series Production /Series Production as well. LTBAs can be entered into for long term Production/MRO-related outsourcing also. For non-TIER-1 LTBAs, an RFP can be issued seeking techno-commercial inputs. Subsequently, TEC, PNC and placement of Order can happen as per standard procedure. The standard terms & conditions of LTBAs can be based on the standard T&C included in this Manual with modifications as justified considering long term considerations. Special T&C should be included, if needed, to cover specific aspects related to the specificities of the SOW of outsourcing.

6.9.2 The LTBA should have suitable Exit clause/Change clause to cover situations where the customer Orders on HAL which form the underlying basis of the LTBA are (i) cancelled, increased, reduced or rescheduled or (ii) similar changes happen to the anticipated quantities which were included in the scope of the LTBA. The following specifics are applicable:

a) When quantity is changed, the unamortized NRC (if any included in the price) should be adjusted upwards or downwards by redistributing it over the balance quantity yet to be delivered. Corresponding impact on financing cost should also be adjusted in the price, if the vendor seeks the same. If financing cost information is not available from the LTBA or the documents submitted by the vendor during the LTBA Tendering stage, a rate of 10% p.a. can be assumed.

b) If the LTBA is to be short-closed, the unamortized NRC, if any, should be refunded to the vendor with financing cost on similar lines as above.

c) In case the quantity is increased, the effects of escalation, learning curve, ERV, rescheduling of NRC amortization, etc. should all be factored in the prices for the balance quantity based on negotiations with the vendor.

d) If the deliveries are re-scheduled by HAL, price adjustments on similar lines as above and as applicable should be negotiated with the vendor unless the vendor agrees to absorb the price impact.

e) Prices can also be renegotiated in case any of the assumptions in the original economic model of the LTBA undergoes significant change and if the vendor seeks renegotiation on account of this. Such changes can include significant rise in cost of inputs including very high inflation which affects the escalation rate embedded in prices, rise in cost of financing, change of design (including change of materials, change of process, etc.), effect of changes in taxation, change in INCO terms, change in QA standard, etc.

f) In general, renegotiation should not be done if the need for renegotiation arises due to some fault or breach of Contract by the vendor. However, in exceptional cases, renegotiation can be done if the benefits of continuing with renegotiated terms despite the vendor's faults are far greater than the costs of discontinuity/disruption in HAL's commitments to its customers that would arise if the relationship under the LTBA breaks down.

g) The amendment in the value of the LTBA due to changes as above should be approved by the CFA determined as per the provisions of the DoP.

6.9.3 If the LTBA has a provision that HAL will place separate orders for each Year/Batch, such orders can be approved by the CFA as per the value of each such Order.

6.9.4 As TIER-1 cases and most LTBAs are based on large and economically viable quantities involving amortization of NRC, quantity distribution to multiple vendors including under preference to MSEs should not be considered. If the quantities are so large that the business is economically viable for each vendor involved even after distribution, and if the same can be proven by computations, quantity distribution can be considered.

6.10 Rate Contracts

6.10.1 Rate Contracts can be entered into for simple jobs/ activities of repetitive nature. Examples can include a certain machining operation, finishing, coating, marking/etching, painting, labelling, crimping, etc. Combination of such operations shall not usually be done through Rate Contracts. The rate per job/activity/occasion based on a stated volume of jobs/activities (usually Man-Hours or number of occasions) during the period covered by the contract will be the basic characteristic of a Rate Contract.

a) If the intent is to fix the MHR and to select one vendor, then normal tendering procedure will be used and L-1 will be selected.

b) If the intent is to fix the MHR and to select multiple vendors, then normal tendering procedure will be used but a number of vendors agreeing to supply at the L-1 rate will be shortlisted.

c) For meeting reservations to MSEs as per government policy, Rate Contracts with multiple vendors are the ideal route because of the ease with which the quantity can be distributed among vendors without affecting economic feasibility. In such cases, the proposed distribution among vendors should be stated in the Enquiry.

6.10.2 CFA for approval is determined taking into account likely transaction value during the Rate Contract period.

6.10.3 If multi-year contract is planned, the quote should be sought in the following pattern:

Years after placement of Order	Year-1	Year-2	Year-3
Likely Man-Hours/No. of Jobs during the year. (To be stated by HAL)	Q1	Q2	Q3
Rate (To be quoted by the vendor)	R1	R2	R3

In this case, L-1 will be determined based on total quote = Q1×R1+Q2×R2+Q3×R3. In case multiple vendors are planned to be engaged, R1, R2 and R3 quoted by the L-1 vendor will be the rates that the other vendors should agree even though their quoted rates for individual years might be lower or higher than any of these.

6.10.4 In multi-vendor cases, one Rate Contract (Order) each will be placed on each vendor. Each Order will have identical T&C, but will indicate the likely quantity for that vendor based on the distribution among vendors as determined by HAL. If a vendor is not ready to supply the quantity allocated to it, the balance quantity can be allocated to others on pro rata basis or allocated to any one vendor. Needless to say, the total quantity for all Orders put together shall not exceed Q1+Q2+Q3. The Order should state that the quantities stated in the Contract are not guaranteed.

6.10.5 For each loading of jobs, a simple Order referring to the Rate Contract can be placed by the Outsourcing dept. Such Orders will not need any approval from the CFA. If there are multiple vendors in the Rate Contract, a system of rotation should be followed so that each vendor gets an Order when its turn comes. Cumulative quantity ordered on each vendor should be within the sanctioned allocation.

CHAPTER VII OUTSOURCING TENDER OPENING

7.1 General

Provisions of the Purchase Manual may be followed for handling of Tender documents in situations not covered in this Manual.

7.1.1 A locked and sealed tender box shall be maintained at the Security gate along with other tender boxes for receiving the tenders related to Outsourcing.

7.1.2 Tenders received by post up to the prescribed closing date and time for the tender shall be dropped in the tender box. Individuals bringing tenders in person should also be directed to drop them in the tender box. The procedure however, is not applicable for the tenders issued through e-portal/ GeM/ e-mail/ Fax.

7.1.3 Offers received against Single Tender or Nomination may be opened before the due date at the discretion of the Head of Outsourcing department.

7.2 Receipt of Tender through Fax/ E-mail

7.2.1 The procedure for receiving the quotation through Fax/E-mail shall be followed as per Circular No. HAL/CD/616(F)/2008 dtd. 10.11.2008. However, for receiving/ accepting quotation through Fax/Email, approval of Head of the Division needs to be obtained.

7.2.2 Unsealed Bids or Bids received without any marking on them or through Fax/ E-mail which get opened like other incoming mail shall be sealed by the office of the Head of Outsourcing department and the same put in the tender box maintained for the purpose. An endorsement on the cover shall be made that tender was received without marking and got opened in the mail. The original cover of the tender is to be preserved as far as possible.

7.2.3 Receipt of quotations through e-mail should not be considered unless quotes have been invited through e-mail or is permissible as per the Tender Enquiry. Quotes without signature should be handled in line with Purchase procedures.

7.3 Opening of Tenders

7.3.1 All tenders must be opened by a Tender Opening Committee at the specified place on the date and time specified for their opening. The tender box shall be opened by the Tender Opening Committee. Only tenders due on that date shall be taken out and tender box shall be sealed thereafter.

7.3.2 The tender envelopes shall be initialed by the members and handed over to tender cell, which shall enter the same in a register maintained for the purpose. The committee will also open the corresponding cost/ man-hour estimate which is in sealed cover at the time of opening the price bid.

7.3.3 The Tender Opening Committee shall comprise of following and will be a common committee irrespective of value of the tender:

a) Representative of Outsourcing Dept.
b) Representative of Finance Dept.

The nomination can be made by the Dept. Head which can be changed periodically.

7.3.4 The Tender Opening Committee shall ensure the following:

a) In case of manual tender, each page of the offer is initialed, dated and numbered indicating the serial number of the tender vis-à-vis the total number of tenders.

b) Any alterations in rates, additions, deletions, cutting, and overwriting are encircled, initialed and recorded on first page in red ink along with any other observation/ deficiencies that were observed on opening the tender.

c) Glaring abnormalities such as striking similarities in text/ language format, contents etc., from different sources/ firms are also recorded. Their admissibility shall be decided with due diligence by the Outsourcing dept.

d) Blank paragraphs/page if any, is crossed out and initialed.

e) All envelopes are initialed and should carry same markings as on the tender papers.

f) Bidders or their representative having necessary authorization letter, who submit quotations are permitted to witness the tender opening. A record of the bidders including representatives present at the tender opening is maintained.

g) Officer opening the tender reads out the important particulars regarding quality, price, etc., and prepares an abstract of the tenders received.

h) Offers received should NOT be circulated amongst the bidders or their representatives present.

i) No explanation should be sought from representative of bidders during opening of tender.

j) Proper record of EMD, Integrity pact, etc. is to be made. An on-the-spot consolidated statement of tenders received & opened is to be prepared and signed by the tender opening committee.

k) In case of 'Two-Bid' system, the price bids, to be opened post technical evaluation of technical bids, should not be left as loose envelopes but the tender opening committee shall sign these envelopes, place them in a bigger envelope/ box, seal it and sign the covering sealed envelope/ box.

l) In case of 'Two-Bid' system, only the technical bid is opened in the first instance. Price bid of only technically accepted offers by TEC or User Dept. as applicable is to be opened. The price bids of technically rejected bidders shall be returned to them in as-is sealed condition.

m) In case of 'Two-Bid' system, if a bidder has submitted single offer containing prices/ rates as well as technical details within a single envelope, such offer is not to be considered. Similarly, if the pricing aspects have been included in the technical offer itself, such offers are not to be considered for evaluation. Such technical bids (along with the unopened price bids if any) are to be returned to the bidders as above.

n) HAL estimates will not be disclosed to Vendors by Tender Opening Committee during Tender opening.

7.3.5 Members of the Tender Opening Committee shall give an undertaking that none of them have any personal interests involved in the bidders participating in the tender process. Any member having interests in a firm represented by a bidder should declare & excuse himself/ herself from participating in the tender opening after arranging the presence of another authorized representative in the committee.

7.4 Tender Opening Register

A tender opening register shall be maintained in the tender cell. The tender Number, type of tender, name of tenderers whose tenders have been opened and signature of the tender opening authority shall be recorded in the register. Signature of bidders/ their authorized representative present at the time of tender opening shall also be obtained on the same page. Concerned dealing officer shall sign it on receiving the offers for further processing.

7.5 Late Tender

Tender received after the prescribed date and time shall be marked as late tender. Bid received after the due date and time specified in Tender Enquiry shall be kept intact and unopened in the concerned case file and not considered. Bids that are received late through fax shall also be handled in the same manner. Late Tenders can be accepted in Single Tender and Nomination cases.

7.6 Postponement of Due Date

Due date extensions and changes to Tender Enquiry after its issue should usually be discouraged. However, if justified, all changes/amendments in the Tender Enquiry including extension of due date should be approved by the Provisioning Authority and notified to all the potential Bidders using the same channel/medium through which the original Tender was published/sent. Sufficient time should be given for submitting Bids after the changes are notified. Due date extension should not be given merely to favour or accommodate a particular vendor. If a vendor has already submitted the Bid before the changes as above are notified, the vendor should be afforded a chance to resubmit the Bid. In this case, the Tender Opening Committee should accept only the latest Bid and return the earlier Bid in unopened condition to the vendor.

7.7 Opening of Price Bids – Special cases

In Two-Bid system of tendering, prior approval of the Head of the Division shall be taken before opening of Price bids only under the following circumstances:

a) Only one Bid has cleared the Technical Evaluation stage (Single acceptable Offer).

b) If there is disagreement between TEC members regarding rejection/ acceptance of one or more vendors.

CHAPTER VIII ACCEPTANCE OF OUTSOURCING TENDERS

8.1 Overview

In general, accepting and processing of Bids should be as per the Purchase Manual. However, specificities of Outsourcing cases are detailed below.

8.1.1 Under normal circumstances, the technically acceptable lowest priced offer (L1) should be accepted. Unless otherwise stipulated in the Tender Enquiry, all-inclusive cost to HAL should be the criteria for L-1 determination. This is especially important in cases involving inter-State transportation, inter-State implication on tax incidence, etc. In Open Tenders, Transportation costs should be sought as a separate cost item in the Price Bid format depending on the INCO term used. (e.g., in Ex-Works, HAL bears the transportation cost. So, the cost need not be quoted by the Bidder). If the Bidder is located far away from the HAL Division where the delivery is to be made, and if the INCO term implies significant transportation cost, non-inclusion or under-inclusion of transportation costs by the Bidder (especially when this can affect L-1 position) can be a basis for considering the Bid price as a low freak rate. Alternatively, HAL should level the quotes by adding appropriate costs for transportation (and Transit Insurance, etc. if applicable). In such cases, involving levelling, etc. which cannot be handled properly in the GeM portal methodology for L-1 declaration as on date, Tendering through GeM is to be discouraged.

8.2 Technical Evaluation Committee (TEC)

8.2.1. Technical Evaluation Committee shall be constituted as follows:

a) In case CFA for approval of the proposal is Board/ Procurement Committee/ CMD/ CEO/ Director, the Technical Evaluation Committee shall be headed by Head of Division with the following members:

- Head of Production Engineering/ Methods Department
- Head of Quality Department
- Head of User Department

b) In case of sanction by Procurement Committee & Board, Head of Corporate Planning or his/ her representative will be member of Technical Committee in addition to the above.

c) In case CFA for approval of the proposal is Head of the Division, the TEC shall be headed by the Senior-most Executive of the Division (AGM/DGM) in the Technical Discipline with following members:

- Representative of Production Engineering Department
- Representative of Quality Department
- Representative of User Department

All of the above to be nominated by the respective HODs.

d) In case of CFA being level II or level III (as defined in DoP), TEC is not mandatory. User dept. itself can do the technical evaluation. If Outsourcing dept. deems that TEC is necessary, TEC may be constituted as in c) above with the approval of Head of Division.

e) The Head of TEC may co-opt other members based on expertise required.

8.2.2. The following shall apply to all modes of tendering including tendering through GeM.

i. TEC is not required in Single Bid/Nomination cases, Spot Tendering and Petty Purchase.

ii. The value of the proposal as per the MSR should be used to determine CFA to constitute TEC. However, if the prices quoted are known before formation of TEC (e.g. Single Bid system), then the likely value of the proposal based on the known price should be used for determination of CFA and constitution of TEC.

iii. TEC should assess compliance as follows. (Compliance status to be stated as Complied/ Not Complied/ Partially Complied)

a. Compliance to Technical Specifications.

b. Compliance to Technical requirements other than Technical Specifications, but included in the Enquiry.

c. Compliance to Pre-qualification criteria stated in the Enquiry.

d. In the above three cases, if any mandatory requirement is not complied, TEC can recommend rejection of the Bid. For non-mandatory requirements, TEC can use its judgment whether non-compliance or partial compliance warrants rejection.

e. Compliance to commercial aspects: If mandatory clauses in the Enquiry (Integrity Pact, EMD, Indemnity Bond, etc. as applicable) are not complied, the TEC can recommend rejection of the Bid.

f. Commercial Terms & Conditions: TEC will only state whether the clauses are accepted as it is (Complied) or not accepted (Not Complied) or the vendor has proposed changes (Partially Complied). TEC need not make any comment on the proposed changes. However, if mandatory clauses are not complied, the TEC can recommend rejection of the Bid.

All aspects other than the above will be handled by the Tendering Department or the PNC as applicable.

8.3 Validity Extension

All efforts should be made to finalize and place the Order within the validity period of the Bid/Quote. In case a validity extension is necessary, the same should be sought from the bidder sufficiently in advance before expiry of its Bid/Quote. In case of the Two-Bid system, the Commercial/Price Bids of technically accepted offers should be opened only after ensuring that due validity of the offers is available. If a Commercial Bid is not yet opened, its validity expires and the vendor refuses to extend the validity, the Bid should be returned to the vendor in unopened condition.

8.4 Negotiations

8.4.1. In line with CVC Guidelines, price negotiation is not to be held if multiple vendors qualified after TEC and the selection is based on L-1. Negotiations, if justified, shall be held with L1 Bidder only. Counter-offers tantamount to negotiations and should be treated at par with negotiations. Price Negotiation Committee (PNC) shall be set up only under circumstances and for purposes as below:

a. All-inclusive L-1 price is higher than the all-inclusive MSR estimate. If the MSR estimate turns out to be lower than L-1 only because of non-inclusion or under-inclusion of certain scope of work and associated costs/prices by HAL, which the vendor has considered and quoted for, then only those costs/prices shall be negotiated.

b. Although L-1 is lower than MSR estimate, there is suspicion that the quote may be a low freak quote and it needs to be ensured that the vendor has understood the scope clearly and has included all relevant costs at or near market rates. For this purpose, first the Comparative Statement of Tenders should be prepared. Then, any quote which is lower than MSR estimate by 50% or more should be considered as a potential low freak quote. In case the PNC after detailed discussions with the vendor comes to the conclusion that the L-1 quote is really a low freak one (unworkable or unbelievably low), then if the vendor withdraws its offer by committing in writing that it will not be able to supply at the quoted rate, the L-1 Bid should be disqualified and the L-2 should be considered as the L-1 for further processing. However, if the vendor refuses to give the above undertaking and confirms that he will be able to supply at the quoted rate, the commercial bid of the L-1 vendor should be considered as valid for further processing.

c. Some of the Terms & Conditions of the Tender other than prices need to be negotiated with the L-1 vendor. In case a mutually acceptable negotiated agreement cannot be reached in a reasonable period of time, the case should be retendered.

8.4.2. Constitution of the PNC should be as per the DoP. Recommendations of the PNC should be coordinated by its members and approved by its Chairman. If a member does not concur with the final decision of the PNC, he/she need not sign the PNC Report, but shall sign and submit a Dissent Note citing specific objections. The Dissent Note should be annexed to the PNC Report at all times. (Similar procedure will apply to the TEC Report also in case of disagreement between TEC members).

8.4.3. PNC (and TEC) can be formed as standing committees with a proviso that the Chairman can co-opt additional members depending on the specifics of the subject matter.

8.4.4. Negotiation by the PNC shall always be done formally through in-person meetings, Teleconference/ Video Conference or by any combination of these. No informal negotiation, including through correspondence, phone calls, etc. shall be done other than as provided in Para 8.4.5 below.

8.4.5. In case of small value Orders (where CFA is Level-III) or where the anticipated reduction in price does not justify the expenses to be incurred in negotiations including cost of travel, etc., a best and final offer can be sought from the vendor through a letter or e-mail and the matter closed accordingly.

8.5 Re-Tendering

8.5.1. Re-tendering is to be done only in the following compelling circumstances:

a) When no valid Bids are received against the Enquiry or when no technically acceptable Bids remain after Technical Evaluation stage.

b) If the technical requirements, SOW and/or the commercial terms of the Tender Enquiry have to be revised substantially to address the issues noticed during Technical Evaluation or PNC stage or due to errors attributable to HAL.

c) In case a mutually acceptable negotiated agreement with the L-1 vendor cannot be reached at the PNC stage for whatever reason.

d) If L1 bidder withdraws its offer (other than as per Para 8.4.1.b above) or does not agree to execute the order in line with the Tender Enquiry or in line with a deviation from it as acceptable to HAL.

NOTE: In d) above, the Tender Enquiry for retendering shall not be issued to the L1 bidder.

8.5.2. Re-tendering shall be resorted to after due approval of the Provisioning Authority as per the DoP.

8.6 Time frame for processing

The following timeframes for placement of Order/ signing of Contract for TIER-2 & TIER-3 cases and Design outsourcing, counting from the date on which the MSR is approved, should be considered as a Key Result Area for Outsourcing:

a. Exigencies: Within a period that does not make the exigency itself appear questionable.
b. Where CFA is not higher than the Head of the Division: 45 calendar days.
c. Where CFA is DIR/ CEO: 60 calendar days.
d. Where CFA is CMD/ PC/ Board: 90 calendar days.

For TIER-1 cases, 120 calendar days can be taken as the target.

The timeframe specified in the above cases excludes the time for which the Tender is open (usually 3 weeks).

8.7 Risk Purchase

8.7.1. Risk purchase may be resorted to if the L-1 Vendor fails to execute the Order as per agreed Terms despite regular follow-up. The following aspects are to be taken care of:

a. As per the Risk Purchase clause, the vendor is required to compensate HAL for the additional costs incurred by HAL in tying up for the supplies which are not fulfilled by the vendor. Before going ahead with alternate arrangements, a legally valid Notice should be issued to the vendor listing the following:
   i) Its obligations under the LD clause in absolute amount (with computation) and how HAL proposes to levy it (deduct from payments under the present Order/Other Order(s) of the Division itself, deduct from payables of other Divisions of HAL, or as a claim to be settled by the vendor, or by any other means).
   ii) Its obligations to return HAL-supplied Materials, Tools, Documents, etc.
   iii) A statement that in case a resolution to the issue is not proposed by the vendor within 15 days, HAL will go ahead with making alternative arrangements and the vendor shall be responsible to pay HAL the difference between the prices at which such alternate arrangement will be made and the prices as per the existing Order/Contract with the vendor.
b. Although valid in theory, it should be understood that recovery under a Risk Purchase clause is extremely difficult. Firstly, most vendors have such poor financial footing that they simply can't afford to pay. Secondly, enforcing this provision will involve substantial legal costs and a very long wait if the vendor disputes it. If the cost of the alternative arrangement is substantially higher, or if the terms are more favourable to the new vendor, the existing vendor can claim that if that higher rate and/or better terms were offered, it could have continued supplying to HAL.

CHAPTER IX OUTSOURCING ORDER PLACEMENT

9.1 Outsourcing Proposal

9.1.1 The Outsourcing Proposal being put up for approval shall be comprehensive and self-contained. The dealing officer shall ensure that all relevant points are duly addressed without any ambiguity. Any deviation shall be clearly highlighted in the Proposal. Proposal Format and checklist as per the Purchase Manual can be used in Outsourcing also with changes as needed to cover specific aspects of outsourcing. While the Outsourcing Department, Finance and the CFA are mandatory signatories to the Proposal, other signatories can be included if their comments are necessary.

9.1.2 The Comparative Statement of Tenders and draft Order/ Contract shall be coordinated by the Finance department. Proposals may also need to be pre-audited by the Systems Audit dept. as per the DoP.

9.1.3 In case of Proposals requiring approval of Audit Committee/PC/Board, brief summary along with the Audit Committee/PC/Board note shall be put up for processing at Complex & Corporate level, before inclusion for consideration of the Audit Committee/PC/ Board. On approval, a copy of the approved Proposal with necessary sanction would be returned to the concerned Division/ Complex for further action.

9.1.4 Proposal format as per Purchase Manual Issue-04 can be used with changes as required for dealing with outsourcing cases. Draft PO to be put up along with outsourcing proposals.

9.2 Order Preparation & Approval

9.2.1. On approval of the Proposal, the Outsourcing department shall release Outsourcing Order. Following care shall be taken in preparation of the Outsourcing Order.

a) Order shall be typed and not handwritten and should be issued through IFS. If due to exigency, an Order is directly issued, it can be regularized through IFS subsequently.

b) Order shall clearly indicate the Part number, description & specification, Drawing number & issue, Quantity, Price, material cost, Delivery Schedule, Scope of Work and mode of execution and all other details of the outsourcing activities.

c) Order will also indicate the details of tools, gauges, Parts/ Samples to be supplied by HAL on returnable basis.

d) The total number of items must be mentioned in words to obviate any unauthorized alterations.

e) Outsourcing Orders shall be signed for release by the Head of Outsourcing department in case CFA is the Director, CMD, PC or Board and in other cases by an officer not below the level of Manager.

9.2.2. For placement of Order, the total all-inclusive value of the Order including Optional elements/deliverables should be the basis to determine the CFA as per DoP.

9.3 Terms and Conditions to be included in the Order

9.3.1. The terms & conditions of an Outsourcing Order, including payment terms, Liquidated Damages (LD) for delayed supplies and bearing the cost of bank charges etc., should be clearly specified to avoid any ambiguity/ misinterpretation. No condition that has not

been agreed upon and finalized with the vendor should be incorporated unilaterally. General Terms & Conditions suggested for inclusion in Outsourcing Orders are given at **Annexure-5.** These Terms & Conditions are indicative and the Divisions may add/ delete/ modify based on their requirements and scope, however without altering or diluting their substantial intent especially in a manner adversely impacting HAL. In case of doubt, Head of Outsourcing at Corporate Office should be consulted for clarifications/ directives. In any case, the following clauses will be mandatory and shall be stated so in the Enquiry with a stipulation that non-compliance will lead to rejection of the Bid:

- Agents/Agency Commission
- Immunity to the Government of India
- Integrity Pact wherever applicable
- EMD wherever applicable
- Indemnity Bond wherever applicable

Further, the following clauses should not ordinarily be negotiable unless strong justification exists:

- Arbitration
- Jurisdiction
- Confidentiality
- Acknowledgement
- Any other where the context demands

9.4 Order Acknowledgement

Acknowledgment of Vendor's acceptance for every Order placed, should be ensured. While releasing the Order, a suitable mention must be made of the period within which the vendor should acknowledge acceptance of Order failing which it shall be deemed that the Order is accepted. Despite this stipulation, it shall be incumbent upon the dealing officer in Outsourcing dept. to liaise with the vendor and obtain a written acknowledgment of the Order.

9.5 Order Amendment

Amendment to Outsourcing Order/ Contract shall be approved by the CFA in accordance with the DoP.

9.6 Supply of Material as Free Issue

9.6.1. In case material is being supplied by HAL as free issue, the same would be as per HAL's estimate in terms of size, material condition, machining allowance, etc. However, if the L-1 vendor disputes HAL estimate, both parties should discuss and resolve the issue in good faith before the material is issued to the vendor. If such resolution warrants a change in value of material indicated in the MSR and/or a change in the Indemnity Bond requirement, the changes should be made in the Order before putting up for approval of the CFA. Dispute in this regard raised after placement of Order should be handled through amendment if needed.

9.6.2. For assembly jobs, if feasible, material shall be issued as kit of parts.

9.7 Indemnity Bond for Free Issue Material

9.7.1. Material shall be supplied against furnishing of an Indemnity Bond by the Vendor in favor of HAL, covering the cost of material which should be valid till completion of supplies plus 60 days. Indemnity Bond format is enclosed at **Annexure-6**. The same shall be executed on non-judicial stamp paper (Rs. 200) and notarized.

9.7.2. For estimating the value to be indicated on the Indemnity Bond, the landed cost of material, cumulative value addition on it by HAL or other vendors up to the time of delivery of material to the vendor (subject to Para 9.7.3 below), cost of tools, etc. (HAL supplied or fabricated by the vendor at HAL cost) and cost of prototype/ samples/other items of value supplied by HAL on returnable basis and the cost of any other such asset issued free of cost to the vendor shall be consolidated. Any claim on the vendor against the Bond should be limited to the actual loss or damage suffered by HAL.

9.7.3. If a semi-finished item has to come to HAL for any intermediate operation, when the item is sent back to the vendor, its value should ideally include the Value Added (VA) by the vendor as well as by HAL up to that stage. However, for the Indemnity Bond, such VA after placement of Order should be ignored. In other words, such VA should be included in the value for Bond purpose only if the VA occurs prior to placement of Order.

9.7.4. Optionally, Divisions can cover the risk to HAL materials and assets by a combination of Indemnity Bond and Bank Guarantee (BG) or only a BG as deemed fit. For materials, the BG value should be the Rejection Allowance (in Rupees) as per the Order rounded off to the nearest thousand Rupees. For assets, the BG should be for the full value. Wherever BG is used as above, the value for the purpose of the Indemnity Bond should be reduced by the value of the BG.

9.8 Insourcing - Execution of Work packages inside HAL Premises

9.8.1. Insourcing for the purposes of this Manual is defined as any activity (or a set of activities) that meets the definition of "Sub-Contracting/Outsourcing" as per the extant DoP and which is undertaken within HAL premises by vendor's personnel. In this Manual, wherever Outsourcing is mentioned, the provisions will be applicable to In-Sourcing also, with changes as applicable. If the item/activity involves some stages done at HAL (Heat Treatment, etc.) such stages will not fall under In-sourcing unless the same is done by vendor's personnel.

9.8.2. The following specific aspects are relevant to Insourcing and shall be part of the Order/Contract:

a) The vendor shall be permitted to utilize HAL premises, buildings, equipment and other facilities and utilities as necessary to meet the SOW. No charges shall be applied on the vendor for such utilization of HAL property/assets.

b) Portable tools/cutters/equipment, consumables, etc. should usually be arranged by the vendor. These shall be labelled for proper identification and be subject to Security checks and procedures. Insourcing RFQ should clearly mention the facilities at HAL that will be provided for the vendor's usage, on free of cost basis, required for execution as per the scope of work. This will ensure that the bidders would not factor the cost elements pertaining to these facilities in their quotes/ responses to the RFQ. This also ensures that all the bidders would be evaluated on the same platform in a transparent manner. However, provisions for recovering costs of damage (if any) attributable to the vendor, during usage by the vendor,

may be included in the RFQ/ PO proposal. If the tool, cutters, etc. are damaged or lost by the vendor, the same should be replaced with new ones by the vendor at its own cost. These aspects should be stated in the Tender Enquiry.

c) In the normal course, to avoid practical issues, In-Sourcing shall not be based on basic material to be supplied by the vendor. Material issue and handling should be done by the concerned User department in HAL.

d) After issue of Tender Enquiry and before due date for submission of bids, the vendors should be invited to visit HAL premises where work is to be performed and assess the facilities available.

e) The vendor should indemnify/compensate HAL for any damage caused by vendor's personnel to HAL property and/or assets and be held accountable to ensure disciplined behavior of its personnel within HAL premises.

f) Vendor personnel's entry into HAL premises shall be subject to Security and verification procedures as applicable from time-to-time.

g) Legal obligations on HAL related to safety of vendor's workmen, occupational hazards, mandatory amenities to be provided, etc. under various statutes, etc. should be explicitly addressed by HAL without imposing any financial obligations on the vendor. The vendor can be asked to indemnify HAL for any violations of any Law/Statute which are solely due to lapses on the part of the vendor or its personnel. In case of any clarifications in this regard, the HR and/or Legal departments should be consulted.

h) Vendor can be asked to take out Insurance Policy on its personnel to cover risks of injury/death in connection with their engagement inside HAL premises.

i) The concerned HAL Division should facilitate the vendor for smooth execution of the In-Sourcing SOW by providing access and support as required.

j) As far as feasible, HAL personnel and vendor personnel should not work in the same Hangar/ Shop/ Office unless the work spaces are clearly segregated/ demarcated/ fenced off.

k) No portion of the in-sourced scope of work shall be undertaken by HAL Workmen/ Officers nor shall any payment be made to the vendor for such work if done in violation of this condition. Workmen/ Officers found violating this condition shall be liable for disciplinary action.

9.8.3. For direct activities, after award of the Order/Contract by the Outsourcing Department, the monitoring of the execution of the Order/Contract along with ensuring the required certification and other technical & statutory compliance shall be the responsibility of the Indenter/ User dept. This shall involve loading of work, arranging required inputs from HAL as mentioned in the Enquiry (tools, spares, technology, drawings, dispositions etc.), ensuring that the manpower made available by the vendor possess skills and qualification as per the Enquiry, arranging required logistics and ensuring that the vendor's team takes appropriate precautions for safety.

9.8.4. On completion of the assigned work by the vendor (or when an installment as per Para 9.8.5 below falls due), a Work Done Report along with Job loading date and completion dates (with last Technical input if any) jointly signed by the Indenter/User department, HAL QA representative and the vendor's representative should be prepared. Based on the Work Done Report, the User/ Indenter shall prepare a Receiving Report. This Receiving Report along with the Work Done Report shall be forwarded to Outsourcing department for processing the payment and to make IFS data entry, etc.

9.8.5. Payment for In-sourcing can be made in suitable installments such as monthly, quarterly, etc. (or as per milestones) in accordance with the nature of work and measurability of output. In order to avoid ambiguity, payment should preferably be based on measurable output in terms of Man-Hours, Number of Parts/Jobs/Activities, etc. Subjective measures such as percentage work completion, etc. should not be adopted unless other quantified measures are absolutely impracticable.

CHAPTER X ACCEPTANCE OF WORK & PAYMENT

10.1 Progress Monitoring

10.1.1 Although Ordering may be done based on vendor's confirmation of requisite capacity to complete the work within the stipulated time, Divisions shall independently monitor the progress of work at vendor's Works and deployment/ diversion of resources by it to Orders from other customers which may delay HAL's jobs/activities.

10.1.2 Performance of the vendors shall be regularly monitored against Quality & Delivery and necessary corrective action shall be taken.

10.1.3 Outsourcing department shall prepare MIS Reports as per the prescribed formats/frequency and send to CO-Outsourcing dept. in a time-bound manner.

10.1.4 Outsourcing activities will be reviewed periodically by Divisional Heads.

10.2 Quality Assurance and Performance Monitoring

10.2.1. Necessary guidance and assistance shall be provided to the vendors to maintain requisite quality in handling of material and their production system, considering them as extended work-centres of HAL. This may include regular interaction and periodic visits to vendor's Works.

10.2.2. Vendor shall be instructed to ensure that HAL-supplied materials are tagged as Bonded Materials and are stored separately at its premises to prevent any mix-up with commercial/ other materials. The tools, gauges, etc., used by the vendors shall be properly maintained & calibrated in accordance with quality standards. HAL-supplied materials shall be accompanied with airworthiness conformance documents. Periodic audit of the quality & quantity of material stored at vendor's premises shall be carried out by HAL.

10.2.3. Quality Audit of vendors shall be done periodically by or under the aegis of the QA dept.

10.2.4. A Quality Plan shall be prepared in case of high value/volume orders. Such Plan will detail the level of self-certification delegated to the vendor.

10.2.5. Based on the category and nature of outsourcing, Divisions can consider CMM report as an alternate to PDI to avoid delays in deputing HAL representatives to the vendor's site. Witnessing of quality checks, qualification tests, etc., through Video Conferencing mode is also an option.

10.2.6. Vendors with approved quality system shall be encouraged to procure materials directly from HAL-approved sources and maintain proper documentation such as Certificate of Conformance, Release Notes, Test Certificates etc., for traceability.

10.3 Inspection & Acceptance of Work

10.3.1. Pre-Dispatch Inspection (PDI), if needed, may be carried out at vendor's works, although final inspection & acceptance of items will be on receipt at HAL premises.

10.3.2. Over a period of time, the inspection & co-ordination activities at vendor's works also could be outsourced to reputed and approved inspection agencies.

10.3.3. HAL's outsourced work progress & inspection centers could be established at important hubs like Bangalore, Hyderabad, Delhi, Mumbai, Pune, etc., for undertaking inspection

at vendors' premises on behalf of all HAL Divisions, expediting progress of items outsourced, assessing loading at vendor's Works, forecasting date of completion of work, providing feedback and coordinating with concerned Divisions.

10.4 THIRD PARTY INSPECTION (TPI)

10.4.1. The following documents should be the basis for identification of suitable agencies for rendering TPI services to HAL and managing the QA aspects:

- CQAG 9006 : POLICY DOCUMENT ON UTILISATION OF THIRD PARTY INSPECTION SERVICES
- CQAG 9007 : EVALUATION & SELECTION OF INSPECTION BODIES

10.4.2. Currently, TPI is an alternative to HAL QA conducting PDI at outsourcing vendor sites. In line with this, ideally, each TPI Service Provider (SP) should provide inspection coverage for an industrial cluster where HAL's outsourcing vendors are concentrated. In addition to such cluster-based arrangements, TPI can be undertaken in the form of In-sourcing with approval of DGAQA. Vendor registration will have to be done as per this Manual, but with a relaxed procedure because the scope of verification is limited to only capability and capacity for TPI. As the number of accredited SPs is likely to be low at present, Limited Tender should be the preferred mode of Tendering. In case a SP located close to a certain cluster is to be preferred for logistical reasons, selection can be through Single Tender or Nomination.

10.4.3. The availability of inspection facilities/equipment required for TPI should be verified by HAL. If needed, these can be provided free of cost to the SP by HAL. However, the SP should be held liable for compensating HAL for damage or loss to the HAL assets due to causes attributable to the SP. The values of these assets to be issued should be stated in the RFQ and the Order/Contract so as to avoid disputes in the future.

10.4.4. The MSRs will be raised by QA Dept. MSRs and Orders for TPI should preferably be based on yearly likely quantities.

a) The quantity can be mentioned as number of dimensions to be checked. For estimation purpose, if no better estimate is available, one man-minute per dimension can be taken as the basis.
b) In other cases where the dimensions cannot be counted, the quantity should be in terms of man-hours. The man-hours required for TPI should be estimated by the QA department and vetted by MSD.

10.4.5. As MHR estimation for TPI is not covered in **Annexure-4**, and as TPI is a new concept, initially, the MHR can be estimated as follows.

a) The salary/wage portion can be estimated as Rs. 200 per hour based on an average monthly CTC of Rs. 30,000 and average monthly booked hours of 150 per Inspector.
b) The General Overheads at 100% of the above will be Rs. 200 per hour
c) Basic MHR will therefore be Rs. 400 per hour.
d) In case high value Inspection facilities/equipment (CMM, Laser Scanner, etc.) are owned and used by the vendor, approximately Rs. 11 per Lakh of investment in such Inspection equipment/facility can be added. (This covers Depreciation and Financing cost at 10% p.a. each and assumes 1800 hours of utilization p.a.). E.g., if Rs. 10 lakh worth of investment is involved, Rs. 110 should be added to the Basic MHR. Thus, the total MHR will become

Rs. 510 per hour. (Investment can be estimated based on a list of the equipment used by HAL for in-house inspection and their current prices).

10.4.6. As more and more TPI jobs are outsourced across HAL Divisions, the details of Orders placed including MHR quoted by different SPs for different tasks can be shared between Divisions to build up a common database. If the observed market rates for MHR are significantly different from the one arrived at using the above rough method, the observed rates can be adopted for estimation purposes in the future.

10.4.7. As man-hour estimation as well as MHR estimation methodology for MSR purposes are both approximate at this early stage of TPI outsourcing, it is quite possible that the prices quoted by Bidders are widely different from the HAL estimates. During approval of Proposals, there should be a tolerance for such inaccuracies till the system stabilizes.

10.4.8. Once Order is placed with the yearly Man-Hours estimated by HAL and MHR quoted by the vendor, on each Inspection Requirement document that lists the scope of inspection for any PDI, QA should endorse the number of dimensions or man-hours as applicable in line with the estimates made earlier. To facilitate this process, the Tender should seek and the Order should contain at least three MHRs, one for per-dimension type, one where simple Inspection equipment is involved and one where high value Inspection equipment is involved. Depending on the dimensions and man-hours assessed by QA, the appropriate MHR can be applied to determine the amount payable to the SP. In case the SP disputes this figure with cogent reasoning, QA can revise the SMH estimate if justified and record the reasons. For each SP in a Division, QA should maintain a Register where the tasks assigned and the estimate of payables are recorded along with cumulative dimensions/man-hours loaded and the MHRs applied in each case. If the SP had quoted a composite MHR irrespective of the cost of Inspection equipment used, then such composite MHR can be used instead of differential rates.

10.4.9. In case TPI is taken up as In-sourcing, then the stipulations related to In-sourcing should also be followed.

10.5 Stop Orders, Short Closure/Termination

10.5.1 After placement of Order, in the event of drawing change, process change, material change etc., entailing a change in scope of work and associated change in price beyond what was defined as minor change (Ref Para 5.4.7), the Outsourcing department shall immediately release “Stop Order” on the vendor. If the vendor agrees to continue work based on the changed scope and revised price as agreed with HAL, the Stop Order should be withdrawn after the Order/Contract has been amended accordingly. If no negotiated settlement is reached, the Order/Contract should be terminated/short-closed and the requirement with changed scope tendered afresh.

10.5.2 In case of short closure/termination, the compensation payable to the vendor should be determined based on the principle of equitable price adjustment. In simple cases, the Outsourcing dept. can handle the assessment and recommend payment. In complicated cases, a multi-disciplinary committee including a representative from Finance can be set up with the approval of the Divisional Head to make the assessment and to negotiate with the vendor. In practice, the following should be payable to the vendor. Methodology is also specified below.

a) **Payment for the fully finished, accepted/acceptable line items**: These should be paid for, based on the prices in the Order/Contract.

b) **Payment for the partly finished line items**: Based on inspection of the semi-finished items, the percentage completion of each item should be estimated by HAL, mutually

agreed with the vendor and documented. Payment should be based on the prices in the Order/Contract for each item multiplied by the percentage completion for each item.

c) **Payment for Assembly, etc.**: If the deliverable line item is a combination or assembly of multiple other parts/sub-assemblies, the method at b) above may not be directly feasible because the price in the Order/Contract may be for the assembly as a whole and not for its constituent parts. In this case, the following method should be adopted:

   i. Labour cost and Material cost (if bourne by the vendor) for each constituent part should be estimated by HAL (based on MSR estimate if details available therein, otherwise, estimate to be made afresh for each part that goes into the deliverable line item).

   ii. For simplicity, it may be assumed that the Material cost assumed by the vendor for each part is equal to the HAL estimate for the same as the former may not be available to HAL.

   iii. In this case, PO price of the assembly less the summation of HAL estimate for Materials for all the parts put together will give the total Labour cost embedded in the Order price for the assembly. (Labour cost in this context can be interpreted to include other costs like Freight, Insurance, consumables, fasteners, etc.).

   iv. Compare the total Labour cost derived as above (A) with the HAL estimate for total Labour cost (B) and work out the Adjustment factor as A/B.

   v. The Labour costs estimated by HAL for each part should be multiplied by the Adjustment factor.

   vi. For each part, estimate the completion percentage for Labour and Materials separately. This will involve a detailed study of the status of machining/ fabrication of each part and the condition of materials.

   vii. The Labour (after adjustment) and Material costs should then be multiplied by their respective completion percentages to arrive at the value of WIP for each part.

   viii. Summation of the WIPs of all the parts will be the WIP for the assembly as a whole. This is the price payable to the vendor for the WIP.

10.5.3 The total proposed gross settlement under short-closure will be the sum of amounts arrived at under (a) above and the one arrived at based on (b) or (c) above as applicable. From this amount, applicable LD, claims related to Risk Purchase, Advance payments related to the undelivered portion of the Order/Contract, etc. should be deducted to arrive at the Net settlement. This settlement proposal should be negotiated with the vendor for arriving at a mutually agreeable settlement.

In case the vendor furnishes a proposal for settlement including its own computation details, the same can form the basis for analysis, negotiation and final agreement.

NOTES:

a) Similar computation method can be adopted even in case a portion of work is taken over by HAL or similar situations where partial payment is involved.

b) In case unit prices include amortization of NRC, then under-recovery of NRC due to reduction of quantity, short-closure, etc., should be handled as specified elsewhere in this Manual.

c) NRC (that is not amortized over production quantity) usually payable by HAL in the initial stages of the Order as per milestones for Tool Design, etc., would in most cases have been fully expended by the vendor and paid by HAL before regular deliveries commenced. Hence, treatment of such NRC is not covered in the above

methodology. However, if there are reasons for pro-rata reduction/increase in NRC payable due to the Short closure/Termination, it shall be estimated and settled through negotiations.

10.5.4 A sample computation for the methodology is given below for better understanding.

Basic details

Unit PO price for each completed assembly	8,00,000
Quantity on Order	10
Order Value =800000*10=	80,00,000
Assemblies completed and accepted/acceptable	5
Assembly in progress	1
Assemblies Short-closed	4

Valuation of WIP

	HAL estimate				Adj. Factor (#)	Adjusted Labour cost	Estimated % completion		Price Payable
	SMH	MHR	Labour Cost	Material cost			Labour	Material	
	A	B	C=A*B	D	E	F=C*E	G	H	I=D*H+F*G
Part-1	25	800	20,000	25,000	2.841727	56,835	90%	100%	76,151
Part-2	65	600	39,000	1,00,000	2.841727	1,10,827	50%	80%	1,35,414
Part-3	25	500	12,500	50,000	2.841727	35,522	80%	100%	78,417
Part-4	5	1500	7,500	30,000	2.841727	21,313	10%	20%	8,131
Part-5	50	1200	60,000	2,00,000	2.841727	1,70,504	75%	90%	3,07,878
Assembly			1,39,000	4,05,000		3,95,000			6,05,991

(#) Computation of Adjustment Factor

Derived PO price for Labour	=800000-405000=	395000
HAL Estimated Labour	From above Table	139000
Adjustment Factor	=395000/139000=	2.841727

NOTE: The adjustment factor can also be less than one (1). Reasons can include HAL estimate being on the higher side, discounted quote by vendor, higher efficiency at the vendor end, etc.

Payable to the vendor (Gross settlement)

	Quantity	Payable per unit	Total Amount
Assemblies completed and accepted	5	800000	40,00,000
Assembly in progress	1	605991	6,05,991
Total			46,05,991

Subject to deductions of LD, etc. as mentioned earlier.

10.6 Assistance to vendors as extended work centres

10.6.1 In view of the high quality and accuracies required for airborne components / items, Divisions need to continuously interact with the vendors for any assistance required including Technical expertise, software required with respect to technologies as well as Special Tools, Gauges etc. for manufacturing the components. A proper record of the Tools, Gauges etc., supplied to the Vendors is to be kept and the items are to be collected

back once the job is completed. HAL test facilities can be made available free of cost or on payment basis as decided by the Head of the Division.

10.6.2 Assistance/ guidance may be provided to Vendors for improving the quality, manufacturing system, upgrading of manufacturing & test facilities, plant layout, maintaining skilled man-power, training, obtaining approval from Govt. agencies like RCMA, DGAQA and DGCA etc.

10.7 Deviations / Rejections and the process of acceptance

10.7.1 Deviation in the outsourced work received at HAL shall be considered for disposal by the QA Dept. For complicated cases and high value cases (CFA is Level-II or above), a committee headed by an Officer at AGM / DGM level and having representatives from QA, MSD, Methods, Finance, and Outsourcing dept. can be approved by the Divisional Head for disposal of the deviation including financial settlement if applicable.

a) HAL's QA Inspector shall prepare a report indicating the deviation observed and the QA/ Committee shall recommend necessary disposal through rework & salvaging.

b) Minor deviation warranting no rework or involving only minor reworks like deburring, bench work, rust cleaning, marking of part number, etc. can be accepted without any cost penalty to vendor.

c) In case of other deviations, items shall be accepted at cost penalty to the vendor for the rework to be done by HAL. Alternatively, rework can be carried out by vendor at his cost. In such cases, all incidental direct expenses involved in the rework including transportation will be borne by the vendor.

d) In case HAL takes up the rework under c) above, the rework cost penalty shall be worked out by the QA in co-ordination with other concerned departments or the Committee as applicable keeping in view the total quantum of work involved, the Order value and HAL estimated value as per MSR. For estimating Labour cost, the rework SMH should be multiplied by the MHR as per the Order or as can be derived from the Order. If this is not feasible, then the applicable MHR used in the MSR estimate should be used. For non-Labour costs, actuals incurred by HAL should be used.

e) If the rework is necessitated due to some defect in the material supplied by HAL, then the estimated rework cost should be negotiated and agreed with the vendor. This amount will be payable to the vendor in addition to what is payable under the Order.

f) The cost payable to vendor as per situation e) above is an addition to the Order value. Therefore, prior to incurring this expenditure, approval of the CFA should be obtained by treating it as a case of amendment to the Order.

g) If a part gets rejected during an intermediate operation or final stage/assembly at HAL, the vendor shall be paid fully for the extent of work completed in line with the Order value unless it is established that the rejection has occurred due to defective/poor workmanship of the vendor.

h) If HAL does the rework fully or partially (and the corresponding cost is not charged to the vendor), no estimation of cost for such rework or amendment to the Order shall be required.

i) If the Committee concludes based on evidence that the rework was caused due to gross negligence of the vendor, then no payment for the item needs to be made even for the completed operations.

j) In other cases, what amount is payable to the vendor for the item on which rework has arisen should be evaluated using the basic principles outlined in the method of valuation for the Short Closure/Termination example given earlier (Ref Para 10.5). As each case would be unique, no specific formula or methodology other than the broad principles is proposed in this Manual. To reiterate, the broad principle is that for the completed operations, equitable payment is to be made to the vendor, however subject to deductions as below:

   Deductions from what is payable to the vendor (even if it is NIL in the case of gross negligence as above) are

   (i) LD due to the delay if any caused due to the rework, and

   (ii) Rework cost to be incurred by HAL (valued at Outsourcing MHR) which should be covered under the Risk Purchase clause.

k) If vendor agrees to rework at its own cost, then payments under the Order for that item should be made as if there was no rework at all.

l) If mutually agreed, the rework cost can be split between HAL and the vendor in any ratio and handled along the above lines.

m) In case rework by the vendor requires additional materials to be issued by HAL, the same is permissible subject to the condition that the value of such material shall be accounted against the Rejection Allowance.

n) If rework is not feasible technically, then the affected item should be treated as rejected and handled accordingly.

10.7.2 In case of outsourcing with supply of material by HAL, rejection and recovery of material cost shall be handled as under:

a) Rejection allowance shall be worked out taking into account in-house norms, complexity of the parts, nature of materials, etc., and specified in MSR, Tender Enquiry & Order. Higher allowance shall be permitted for pilot and early batches.

b) In Tender Enquiries, as a generic case the Rejection allowance can be specified as 5% of the quantity unless statistical data is available to justify a different rate in specific cases. As stated above, for pilot and initial batches, higher rates can be specified. If Rejection allowance (= Quantity on Order x Rejection allowance as a percentage) works out to less than 1, it shall be rounded off to 1 (one). In other cases, fractions should not be rounded off because the value underlying the allowance is to be used for financial settlements in case of excess rejections and not the rounded off quantity. Items with different Rejection Allowances shall not be clubbed in the same MSR/ Order.

c) In case the rejection exceeds the specified limit, the cost of materials rejected beyond the specified limit shall be recovered from the vendor based on cost indicated in the MSR and Enquiry which shall also be indicated in the Order for necessary provisioning of Indemnity Bond by the vendor. The rejected material will be returned back to HAL by the vendor at its own expense.

d) Cost of material rejected beyond the rejection allowance should be deducted from the amount payable to the vendor under the PO. If the PO Value cannot cover such deduction fully, the recovery of the balance amount will be effected by the Division (i) from the vendor's other pending bills or (ii) recovery from bills payable by other Divisions of HAL (if agreed by the Head of that Division) or (iii) claimed from the vendor as a lump sum payment by raising an invoice or (iv) through invoking Indemnity Bond furnished by the Vendor. The above

options will be exercised in the sequence as above till the recoverable amount is fully accounted for. If the Division makes an assessment that the vendor's poor financial standing makes it impossible to recover the dues fully and/or if the legal costs of effecting recovery will exceed the amount recoverable, the unrecoverable portion should be written off as per the DoP.

e) The Rejection allowance for the above purpose should be considered for the PO as a whole including all line items. For example, if 40 parts are ordered (sum of quantities for all line items) and rejection allowance is 5%, then material cost for 2 parts is covered by the allowance. If 4 parts are rejected, then recovery of material cost as above should only apply to the 2 parts that are outside the allowance. In any case, material remaining with the vendor after completion of the outsourced work (other than scrap or other unusable pieces) should always be returned to HAL irrespective of whether it is in the condition as issued or in semi-finished form or rejected during PDI after all operations are completed. To minimize risk, it is advisable to collect such material as early as possible before the potential deductions from the PO become known to the vendor or any dispute arises.

f) In case the risk of rejections are assessed to be high due to complexity of the part or lack of experience of the vendor, then the payment terms in the Order should be set such that payments are made only commensurate with progress of work.

g) **Annexure-11** gives examples as to how computations related to rejections are to be handled.

NOTE: In (d) above, although deduction from other Orders on the vendor is mentioned as an option, in the case of MSMEs, this is usually not feasible because as per the MSME Development Act 2006, the payment under an Order/Contract is to be released on acceptance of items. If payment is not made within 45 days, penal interest at 3 times the Bank Rate of RBI compounded monthly will have to be paid. Therefore, deduction under the concerned Order/Contract, cash settlement or Indemnity Bond or BG may be the only options for recovery from MSMEs.

10.8 Payments

10.8.1 All payments for Outsourcing Orders shall, to the maximum extent possible, be done in line with the CPPC Manual/guidelines as applicable from time-to-time. Outsourcing departments shall facilitate arranging timely payments by coordinating with Inspection/ Stores and CPPC, for movement of the necessary documents for timely release of the payments. In addition to payment-related stipulations laid down elsewhere in this Manual, the following should also be ensured:

a) Although 100% payment after receipt and acceptance should be the preferred payment terms for outsourcing, considering that many of the Orders are placed on MSEs with limited financial standing, Advance Payment against Bank Guarantee along with milestone-based intermediate payment stages can be agreed to depending on what payment terms are proposed by the L-1 Bidder and as negotiated.

b) Payments to MSMEs within the timeframe notified by the government from time-to-time should be made without exceptions and the same should be one of the Key Result Areas for Outsourcing.

c) Where the process includes in-house operations like crack detection (CD), heat treatment, finishing operation, etc., payment for the stages completed by the

vendor before the part comes back to HAL for such operations should be made based on a milestone, subject to satisfactory Inspection report.

d) Details of payment made, such as Invoice number-wise payment details along with the reasons for deductions, if any, may be made available to Vendor through SRM subject to technical feasibility and IFS readiness.

e) Payment should preferably be processed with computer-generated, digitally signed invoice raised by the vendor although other valid types of Invoices can also be accepted for processing of payments.

f) In order to control the GIT outstanding, RR should be generated only after ensuring that the payment cycle including Inspection can be completed within a reasonable time after it is raised (not exceeding 30-45 calendar days). If any situation arises during the processing of the RR such that some action from the vendor is called for which precludes the possibility of the RR being completed in time, the RR can be cancelled/rejected and the invoice returned to the vendor. Fresh RR against new invoice can be initiated after all issues are sorted out.

g) If the part needs to come to HAL and then go back to the vendor for any process, the transit can be handled through Delivery Challans (DC). Similarly, if the final Inspection can be declared as satisfactory only after the vendor supplies/returns documentation, tools, etc. as per the PO, the delivery should be initially handled through DC. If the vendor raises Invoice before such prerequisites are met, the same should be rejected by stating the reasons clearly. The RR should be raised only after ensuring that such specific prerequisites, if any, are met. In other normal cases, RR should be raised as soon as the item is delivered to HAL.

CHAPTER XI GOVERNMENT e-MARKET PLACE (GeM)

11.1 Introduction to GeM portal

Government e-Market (GeM) is a National Public Procurement Portal launched to facilitate end-to-end online procurement of common use Goods & Services required by Government Departments/ Organizations/ PSUs in a transparent & efficient manner.

The purchases through GeM by Government users have been authorized and made mandatory by Ministry of Finance by adding a new Rule No. 149 in the General Financial Rules (GFR), 2017. GeM facilitates seamless process flow and standardized specifications with complete audit trail.

11.2 Approach to GeM

11.2.1 Registration with GeM

Divisions should register in GeM portal as primary/ secondary users, buyer, consignee or PAO (Payment Authorizing Officer) and generate login IDs. These users shall be responsible for their roles/ responsibilities as stipulated in the GeM portal.

11.2.2 Onboarding Vendors

Participation in bidding process requires sellers to be registered on GeM as well. Towards this, already registered vendors shall be actively pursued time and again to come onboard the platform to register themselves and participate in the bidding process.

11.2.3 Registration/ Approval of new Vendors

Unlike HAL mode of limited/single tendering which is being followed for outsourcing, GeM follows a system similar to open tendering wherein even unregistered/ non-approved vendors of HAL can quote against HAL's requirements. However, Divisions can cover in Additional Terms & Conditions (ATC) that for participating in the bidding process/ submitting bids against HAL's RFQ, the Vendors should be registered with HAL for the relevant scope of work. Vendors on-boarded in GeM can be encouraged to register with HAL.

11.2.4 Maintaining directory of Vendors

In addition to the existing modality of Vendor directory being maintained, Divisions shall also maintain data pertaining to new vendors who have successfully obtained Orders with HAL through GeM. Divisions shall also update the GeM seller IDs of the current vendors once they onboard GeM.

11.2.5 Data Management

Divisions shall take utmost responsibility to maintain all relevant data on procurements/ outsourcing through GeM, generate reports through IFS/ERP and shall furnish the same as and when requested by Corporate Office departments. The officers concerned shall co-ordinate with their Divisional IT team towards this purpose.

11.2.6 Familiarization

Divisions shall ensure that their Nodal officers / Officers concerned are familiar with the functionalities & features available in GeM portal. Nodal officers/ Officers concerned shall also periodically check the GeM portal for new features introduced, latest developments and enhance their usage of the portal to fully appreciate its features

and tapping its full potential towards identification of new products, enhancing procurements through GeM, sourcing at competitive prices. Training modules aided by extensive resources are available in the GeM portal. Divisions are advised to make use of the same.

11.3 GeM-Features

GeM portal is a dynamic system which has extensive features with varying functionalities. However, only a few features which are relevant to Outsourcing are being indicated below:

11.3.1 Custom Bid module

This functionality has been introduced for buyers for creating custom catalog based bid for items not available on GeM. Buyers can define Custom Catalogue based Bid based on their needs even when product and service category does not exist on GeM. The sellers would participate in the Bid based on the requirements defined by the Buyer.

11.3.2 Request Management System (RMS)

RMS facilitates buyers to raise new requests such as inclusion of new categories (products/ services), consider requests for category up-gradation and requests for bid corrigendum. Divisions shall diligently pursue and explore this module's features to increase the reach and scope of this portal in meeting the company's outsourcing needs.

11.3.3 Incident Management system

Incident management provides a framework for identification and handling of deviations (both pre/ post order placement) on GeM Portal. This system enables the buyer to notify any default or lapse in respect of the sellers/ Vendors, based on which the GeM authorities shall prohibit/ debar the Vendors from participating in the bidding process for a stipulated time, similar to removal/ blacklisting/ banning procedure being followed currently at HAL.

11.3.4 Negotiation module

GeM department on a case-to-case basis may decide to grant approval for negotiation with L1 bidder, based on buyer's request. The L1 bidder has a window to update/ retain the original price post negotiation. That price constitutes the final offer price towards acceptance/ rejection of the tender.

11.3.5 Terms & Conditions

a) General Terms & Conditions (GTC): GTC are pre-fixed by GEM and are updated regularly; these are automatically attached as part of tender automatically and on bidding, the seller/ bidder complies with the entire GTC. Buyer shall go through all the GTC and cover other aspects as deemed fit in the ATC.

b) Special Terms & Conditions (STC): STC are product specific and shall get automatically attached to a bid when tendered out. Buyer shall go through all the STC and cover other aspects as deemed fit in the ATC.

c) Additional Terms & Conditions (ATC) Library: GeM department has created an ATC library which includes T&Cs requested exclusively by users for inclusion; these are verified and authenticated prior to inclusion and get attached to the bid as and when selected for inclusion in the bid and require no approval from GeM for the same.

d) Tender Specific ATC: Over and beyond the GTC and ATC library, buyer has the liberty to propose additional terms & conditions for inclusion as part of bid, as applicable and permitted by GFR rules. GeM has to provide approval for the same be included as part of ATC library for future use.

Divisions shall use tender specific ATC to cover the requirements unique to HAL's outsourcing process. This can include requirement that the vendor should be registered with HAL, availability of approval/accreditation for undertaking a particular category of work, pre-requisites needed to be fulfilled by the Vendors, submission of Indemnity bond against material issue, signing Non-Disclosure Agreement, Integrity Pact, etc.

11.3.6 **Miscellaneous features**

- Provision for Third Party Inspection
- Provision for adding/ modifying specifications of existing products (within a limit)
- Provision to seek clarification from Vendor against their quotation
- Provision for Vendor to contest technical rejection of bid
- Provision to reserve procurement from MSEs
- Provision for purchase preference
- Provision for staggered delivery
- Provision for order splitting/ distribution

11.4 Procedure to take up Outsourcing through GeM

11.4.1 GeM allows direct purchase for items valuing less than ₹ 25000 besides e-bidding, reverse auction, Proprietary Article Certificate (PAC) buying, besides L1 bidding (similar to HAL open tendering). However, it is pertinent to note that it is mandatory to indicate the estimate value for procurement/ outsourcing as reference price in the tender.

11.4.2 As HAL outsourcing requirements are highly custom made, it is suggested that Divisions explore custom bid module under services category, for meeting such requirements. If the product is already available in GeM, Division can go through the normal module/ product category of GeM procurement.

11.4.3 Material Outsourcing Request (MSR), in addition to the parameters outlined in Para 4.1, shall also include other technical data including drawings, tooling details, material cost, technical compliance sheet to ease the process of comprehensive GeM bid creation under custom bid module. HAL estimate shall accompany the MSR.

{Note: In GeM Tenders where the Value of Tender has to be indicated, the usual procedure of keeping the cost estimate in sealed cover and not accessible to the Outsourcing dept. should not be followed. As the Tender will be floated by the Outsourcing dept., the estimate should be accessible to it.}

11.4.4 GeM stipulates the time frame for various activities in respect of tendering including that for tender submission/bid opening, order placing, receipt & acceptance, payment. Buyer should be well aware of the same. Placement of order has to happen within the Bid validity as permitted by GeM.

11.4.5 Technical acceptance in the GeM portal shall be done by the buyer concerned, by downloading the relevant documents and forwarding the same to TEC for acceptance/ rejection; clarifications may also be sought from bidders through GEM. Offer acceptance/ rejection shall be at the discretion of TEC. Vendor can contest a rejection

by TEC within a stipulated time frame and the same is to be resolved before taking up of commercial bid opening. Provision to compare the technical specifications of all participants in a single view with a download option for an easier evaluation is made available in GeM.

11.4.6 Comparative statement/ indication of L1 bidder is taken care by GeM. L1 and L2 details are displayed without names. Divisions shall ensure the reasonableness of the price against HAL estimate and shall satisfy themselves prior to placing an order. On indicating for further processing of such offered Prices, the Portal would disclose the details of L1, L2, L3 etc., along with associated names. Negotiation (if required) is being allowed with the L1 bidder

11.4.7 Acceptance of received goods shall be done within the stipulated time, failing which the system assumes that the goods are deemed acceptable. If the Division had opted for TPI provision, the same shall be through accredited sources as per HAL Quality Policy. PAO (Payment Authorizing Officer) shall ensure timely payment on receipt & acceptance of goods and shall submit bills & update accordingly in GeM. Delayed payments will attract chargeable interest.

11.4.8 Staggered delivery option is made available for 180 days, with provision for stretching up to one year, can be included at bid creation stage itself with approval from the competent authority; for service contracts, much longer duration is available.

11.4.9 Divisions may explore the possibility of buying from established sources through PAC route in GeM if the same is feasible.

11.5 Clarifications/ Grievances

GeM portal is constantly evolving, undergoing continuous changes to its software based on feedback from buyers/ sellers. In this regard, Divisions are to refer extensively to the training resources and documentation available in the portal. A support helpdesk is available for GeM and the contact details, including those of zone wise business facilitators are available in the GeM portal. For any clarifications and issues, the escalation matrix shall be as below:

- GeM helpdesk : Raising a ticket against the issue
- Escalation desk/ Business facilitator: Flagging the issue with the escalation desk, if the issue is not resolved within 48 hours of raising the ticket; Customer Relations Management (CRM) number shall be quoted for the purpose. The issue may also be taken up with the zonal business facilitator.

GeM HQ shall be approached if and only if the issue has not been resolved even after following the above process.

11.6 Additional guidelines

11.6.1 GeM portal is progressing through a lots of changes with significant changes to boost buyer/ seller participation, better price discovery etc. However, such changes are in line with existing GFR/ DoE guidelines. The features/ guidelines covered in this chapter are not exhaustive and the Divisions are thereby advised to keep track of changes taking place in GeM by keeping themselves abreast with the documentation, instructions and resources available on the portal.

11.6.2 Nonetheless, on receipt of new information on new features, other relevant information from Ministry/ GeM authorities shall be circulated to the Divisions for effective utilization and compliance.

11.6.3 GeM evaluates buyers' performance on a continuous basis based on parameters like time bound bid closure, order placement, acceptance and payments, based on which the buyers are flagged on a color coded scale. Completing these activities within a stipulated time frame is of utmost importance to maintain a credible buyer rating in GeM. The nodal officers and the officers concerned shall ensure strict adherence to the time norms as specified in the GeM portal.

11.6.4 In order to avoid potential complexities (in Tendering process, selection of vendor, managing payments, handling long duration of engagement, etc.) that may arise due to incompatibilities between what is feasible in GeM and what is required by HAL, Tendering through GeM Portal shall not be done under the following circumstances:

a) TIER-1 cases
b) Two-Stage Tendering cases
c) Cases where (i) Ordering, (ii) handling of deliveries, (iii) loading of quotes for variation in commercial terms and (iv) payment terms cannot be handled strictly as per GeM procedures due to their unique nature.
d) Cases where the period of engagement/deliveries exceeds the longest period permissible under GeM.
e) Order to be placed on established sources and where Proprietary Article Certificate (PAC) is not available.
f) Any other case mentioned elsewhere in this Manual whereby GeM route is discouraged.

ANNEXURE-1 APPLICATION FOR REGISTRATION AS VENDOR

HINDUSTAN AERONAUTICS LIMITED

…….Division

Application for Registration as Vendor

Ref:

(Office Use Only)

Complete all sections of the form; sign the declaration and send the completed form and attachments in an envelope marked 'Application for Registration as Vendor' to:

The Executive Director/ General Manager
Hindustan Aeronautics Limited,
…… Division,
……,
……

Section-1: Applicant Particulars

Name of Individual/ Firm/ Company					
Constitution or Legal status					
Registration Number		Registering Authority		Date of Registration	
Registered Office:					
Address of Factory					
Contact Person Name and Designation					
Address for Correspondence					
Tel. No.		Fax No.			
Mobile No		Email Address:			

Note: Wherever documents are sought, hard copies or soft copies are acceptable unless specified. In case of bulky documents, a web link where it is available will suffice.

Section-2: Applicant Profile

2.1 Type of Ownership:

☐ Individual	☐ Partnership	☐ Ltd. Company (Pvt/ Public)
☐ PSU/ Govt. Undertaking	☐ Research Institute	☐ Trust

☐ Joint Venture or other arrangement

Please specify (…...)

☐ Others, Please specify ……

Please enclose copies of Income Tax Return for last 3 years (in case of individual)/ Partnership Deed/ Articles & Memorandum of Association/ JV Agreement/ Certificate of incorporation/ Certificate of Registration, etc. as applicable, duly certified by Chartered Accountant.

2.2 (a) Are you a small scale Industry registered with the NSI? Yes / No
If yes, please enclose copy of NSIC Competency/ Capacity certificate.
(b) Do you have ISO 9000/9001C/9002/AS9100C certification? Yes/ No
If yes, please specify & indicate validity:
(c) In case of certification by other accredited institutions, please give details:

Institution	Type of Certification	Valid up to (date)

(d) Give details of registration, if any, with:

Company	Registration Number	Dated	Validity	Class/ Type of Registration
HAL or its Divisions (Specify)				
DGS & D				
PSUs				
Central/ State Govt.				
Major Private Institutions				
Others (Specify)				

Attach necessary certificates from the registering authorities.

2.3 Have you undertaken any work on outsourcing from HAL, or any of its Divisions, in the past 3 years or presently? Yes/ No

If so, please give details, starting with most recent orders:

Division of HAL	Order number & Date	Items/ Brief description of Work	Date of completion of Order

2.4 Have you undertaken any work for customers other than HAL in the past 3 years? Yes/ No

If so, please give details, starting with most recent orders:

Name of the Customer	Items/ Brief description of Work	Value in Rs.	Date of completion of Order

Please attach certificate of completion/ Proof

2.5 List the names of Owners/ Partners/Promoters and Directors/ Company Secretary/ Holder of Power of Attorney, as applicable, in the format detailed below:

Name of the Owners/ Partners/ Promoter & Directors/ Company Secretary / Holder of Power of Attorney	Address	Whether Owner/ Partner/ Promoter/ Director/ Company Secretary/ Holder of Power of Attorney	Extent of share holding in the Firm/ Company as the case may be

2.6 List the names & addresses of all associated companies & Trusts.

Company Name	Address	Nature of Business	Relationship with Applicant

2.7 Qualifications and experience of key Technical personnel. Attach biographical data.

Position	Name	Qualifications	Assignment/ Duties	Years of experience in the assignment

2.8 Company's Total Technical Personnel by Discipline:

Trade/ Discipline	Number of Personnel	Trade/ Discipline	Number of Personnel
Turners		Quality/ Inspectors	
Millers		Shop Engineers/ Methods	
Fitters		Draughtsman	
Welders		Total	
Others (Please Specify)		Total Personnel	

2.9 Give details of major equipment of Plant & Machinery and Inspection Equipment available, as per format detailed below:

Item of Equipment/ Machine	Model/ Make	Capacity	Nos	Accuracy achievable	Year of Purchase
1	2	3	4	5	6

Details Attached? Yes/ No

2.10 Give a short write-up on Project Planning and Quality Control Procedures in practice in your organization or proposed to be adopted.

2.11 Please indicate availability of Inspection Facilities including availability of equipment such as Profile Projector and multi-axes Co-ordinate Measuring Machine, etc. in the format given at para 2.9. Please indicate procedure existing for calibration of Instruments and periodicity.

Section-3: Financial details

3.1 Annual Turnover in the past 3 years:

Year			
Annual Turn-over (Rs. Lakh)			
Profit/Loss Rs Lakhs)			

Attach the following audited financial statements, as applicable, for the past three financial years and place a tick mark in the appropriate column as confirmation of having enclosed the appropriate documents with the application.

Year			
Balance sheet			
Profit/Loss Statement			

3.2 Bank(s) details:

Will you authorize your Bank/s to supply HAL with a reference as to your financial position, if required? Yes/ No	
Name of Bank & Branch	
Name &Designation of Contact Person:	
Address	
Tel No	

3.3 If operating an overdraft, please state, Bank-wise details:

Name of the Bank & Address	The limit of your overdraft (Rs)

3.4 Details of Income Tax assessed, as per clearance Certificate, in the last 3 years:

Year			
Amount Assessed (Rs in Lakhs)			
Amount paid/ payable (Rs in Lakhs)			

Attach copies of Income Tax Clearance Certificates for the past 3 years.

3.5 GST Details:

- GST Registration No …….
- Details of GST assessed, as per clearance Certificate, in the last 3 years:

Year			
Amount Assessed (Rs in Lakhs)			
Amount paid/ payable (Rs in Lakhs)			

Attach copies of GST Clearance Certificates for the past 3 years.

3.6 Have you ever been, whether in the capacity of sole trader, partner, company director, manager or company secretary, either:

i) Declared bankrupt or compounded with or made an assignment for the benefit of creditors? Yes/ No

ii) Engaged in the management of any company which has taken or had instituted against it any action resulting in the winding up of the company, being placed under official management or had a receiver and manager appointed? Yes/ No

Note: If you have answered 'yes' to either (i) or (ii) above, please attach all relevant details..

Section 4 – Registration category/ Facilities/ Capabilities

4.1 Give the floor area of your factory and Offices. If you own more than one factory, please give separate details for each unit:

Factory or Office	Location	Area in Square Meters

4.2 Mark in the boxes below to specify the type of operations/ manufacturing processes for which you seek registration and Capacity available for outsourcing. To be considered for registration for any type, the applicant must clearly demonstrate that all marked facilities are available. For any process not mentioned below, additional rows can be added.

Operational facility	Spare hours p.a.	Operational facility	Spare hours p.a.	Operational facility	Spare hours p.a.
Metal Removing Processes		**Deformation Processes**		**Plastics & Composites**	
Turning		Punching		Fibre-glass Moulding	
Thread Cutting		Hydraulic Press		Composites	
Milling		Fly-Press		Thermoforming	
Copy Milling		Stretch Forming		**Welding facilities**	
Gear Machining		Brake Press		Gas Welding	
CNC machining		Stamping		Electric Arc	
Drilling		Spring Making		Argon Arc	
Gun Drilling		Wire Forming		EBW	
Jig Boring		Spinning		TiG welding	
Shapers		Label making		MiG Welding	
Broaching		Formed Tubing		Spot Welding	
Fluting		Cold-Heading		**Heat Treatment/Process**	
Grinding		**Casting & forgings**		Kilns, Ovens, etc.	
Die Sinking		Casting- Ferrous		Process Baths	
Cutting		Casting- non Ferrous		**Plating & Painting**	
Cutting-conventional		Die casting		Nickel Plating	
Cutting- laser		Investment casting		Cadmium Plating	
Cutting- Plasma		Forging		Anodizing	
EDM wire Cutting		**Moulding**		Painting	
ECM		Injection Moulding		Coating	
Water Jet Cutting		Plastic Injection		**Electronic Assembly**	
Shearing		Moulding		Soldering Station	
Assembly/ joining		Powder Metallurgy		Electronic Test Eqpt	
Riveting		Sintered Products		ATE for PCBs	
Joining /Assembly		3-D Printing		Clean Rooms	
Rubber Moulding		**Wood Working**		Profile Projector	
Gaskets and seals				CMM	

4.3 Mark in the boxes below to specify the category/ type of ground handling equipment and tools for which you have capability and are willing to take up on outsourcing. For any item not mentioned below, additional rows can be added:

Category/Type of Tool	Tick mark if yes	Category/Type of Tool	Tick mark if yes	Category/Type of Tool	Tick mark if yes
Ground Handling Equipment		**Measuring Tools & Instruments**		**Steel Forming Mandrels**	
Trolleys		Plug Gauges,		Single plane template application	
Off Jig Stands Working Stands Ladders		Ring Gauges,		Double plane template application	
Hydraulic Jacks		Snap Gauges,		Three plane template application	
Upto 8 Ton		Taper gauges,		**Wooden Form Blocks**	
Upto 10 Ton		Thread Gauges,		Size upto 500 mm &	
Upto 20 Ton		Co-axiability Gauges		Size above 500mm	
Assembly Tools and fixtures		**Cutting Tools (HSS/ Carbide Tip)**		**Moulds**	
Size upto 700x700 mm		Single Point Tools,		'O' Ring Mould 45°	
& above 700x700 mm		Drills,		'O' Ring Mould other than 45°	
Jigs & Fixtures		Counter bores, Countersinks,		Multi-cavity 'O' Ring 45° Moulds,	
with base plate size up to 400 x 400 mm		Reamers		Gasket Moulds, Tubular Moulds, Injection Moulds,	

Category/Type of Tool	Tick mark if yes	Category/Type of Tool	Tick mark if yes	Category/Type of Tool	Tick mark if yes
With base plate size above 400 x400 mm		Milling Cutters,		Ejector Type plastic Moulds	
Heat treatment/ Plating Fixtures		Taps, Threading Round Dies,		**Slings, Wire Rope**	
Expanding Mandrels		Broaches,		4 to 16 mm dia	
Hand tools		Lapping Tools		**Inspection Lofts**	
Rivet Snaps		**Press Tools**			
Rivet Squeezers		Blanking/Piercing Dies,			
Pliers		Progressive Dies, Compound Dies,/ Combination Dies,			
Scissors		Bending Dies,			
Pneumatic Guns		Deep Drawing Dies			
Torque Wrenches		Steel forming Dies –			
Markers		above 500 x 500 mm			
Extractors		Steel forming Dies -above 1000 x 1000 mm			

Note: The above categories & sizes are indicative. Divisions may modify to suit their specific requirements

4.4 Mark in the boxes below to specify the category/ type of precision aeronautical components for which you have capability and are willing to take up on outsource:

Category/	Tick mark if yes	Category/	Tick mark if yes	Category/	Tick mark if yes
Sheet Metal Components		**Specific Components** Fasteners,		**Non- Metallic Components**	
Press Components		AGS/ AGL Spares		Rubber Injection Moulding, Rubber Components, Fibre Glass Components,	
Extruded / Drawn Components		Engine Discs, Shafts		Components of Composite Materials	
Standard Sections		Gears- Bevel, Spur, Splines Shafts		**Non Metallic Components**	
Assemblies & Sub-assemblies		Small Components such as brackets, Covers, adapters, Sleeves, axles, levers etc.		Hot Forming- Acrylic/ Perspex/ Macrolon etc.	
Aircraft Structural assemblies- Riveted		Engine Discs, Shafts		Blow Moulding	
Aircraft Structural Assemblies- Welded		Machined Casings rings springs		**Wooden Components**	
Mechanical Assemblies		Metallic tanks , Valves, atomizers, Nozzles etc.		**Castings & Forgings**	
Pneumatic, Hydraulic, Fuel Actuating Cylinders		**Work packages**		**Machined Components**	
Looms/ Electric Cables		Painting, De-painting, disassembly, embodiment of MOD, cutting raw material/ foams, ROH of electrical & electronic aggregates/ mechanical		Turned Components, Conventional Milling Components, Components with extensive NC turning & associated Operations,	

Category/	Tick mark if yes	Category/	Tick mark if yes	Category/	Tick mark if yes
		rotables/ composite parts/ structural parts			
PCB Assemblies		Pipe Lines		Components with extensive NC milling & associated Operations	

Note: The above categories & sizes are indicative. Divisions may modify to suit their specific requirements

4.5 Indicate whether separate storage facilities are / can be made available for storage of aircraft materials to avoid any mix up with commercial materials.

4.6 List total value of Outsourcing work performed in the last three years

Year			
Value of outsourcing work performed (Rs in Lakhs)			

4.7 In the last 3 years, has your firm, or any firm with which any of your company's owners, officers or partners were associated, been debarred, disqualified, removed, blacklisted or otherwise prevented from bidding or taking up any outsourcing? Yes/ No

If yes, State the outsourcing order and the basis for the action.

5. Please provide any additional information, which will help you secure registration with HAL

6. **DECLARATION:**

(This declaration should be completed by a proprietor, partner, director or other senior manager who has the authority to do so.)

I/ We declare and confirm that –

a) The HAL Conditions of Registration are acceptable
b) All information and attachments submitted in this application are true and correct
c) I/ We are aware that any false information provided herein will result in the rejection of my application and cancellation of any registrations granted
d) I/ We shall be bound by the acts of duly constituted attorney who has signed this application and of any other person who in future shall be appointed by us in his place to carry on business of the concern whether or not an intimation of such changes is given to HAL
e) I/ We have read and understood HAL's General Conditions of Contract and agree to abide by the same in all respects
f) I/ We undertake to communicate promptly to HAL any changes in condition or working of the firm
g) I/ We confirm that we have our own manufacturing facilities

Signed: ……..

Name: ……..

Position: ……..……

Date: ……..……

Details of person holding the power of Attorney (If different from above)

(Attach attested copy)

Name ……..…….

Position ……..

Tel No. (…) ……...

Mobile No. ..……

Fax No. (…) ……..……...

Official Seal

ANNEXURE-2 APPLICATION FOR REGISTRATION AS VENDOR (FOREIGN VENDOR)

Ref: …….

(Office Use Only)

1	Name of the Firm	
2	Parent Company	
3	Address	
	City	
	State & Zip Code	
	Country	
4	Contact Name	
5	Phone	
6	Fax	
7	E-mail	
8	Web site	
9	Category	❑ Original Equipment Manufacturer (OEM) ❑ Consortiums/ State/ Govt. Agencies ❑ Others
10	Company Type	❑ Limited Company ❑ Partnership ❑ Individual ❑ Educational or Research Institute ❑ Trust ❑ Others
11	Capital Employed	
12	Annual Sales	
13	Quality Certifications/ Accreditation	
14	Employees (Total)	
15	Products / Services	
16	Major Customers	
17	Address of Liaison office /Branch office/subsidiary in India if any with details of necessary clearance from Reserve Bank of India	
18	Details of authorized Stockist / Distributor/ Service Centres if any to manage HAL supplies	
19	Company's Catalogue/ Brochure enclosed.	Yes/ No

Date……Name……

Position ……..……

ANNEXURE-3(A): RECOMMENDATIONS OF THE COMMITTEE FOR REGISTRATION

Ref: ……..

Name of the Individual/ Firm/ Company and Address:	

1. Documents listed at Annexure 3(c) have been verified and studied and the committee's observations are as follows –

2. The committee has verified details given by the applicant in its application, visited the applicant/ Vendor's works on date(s)……. and have following comments/ observations:

   a) The applicant/ Vendor has its own manufacturing/ service facilities, located at ……. (Place).

   b) The applicant/ Vendor have manufacturing and inspection facilities as certified at Annexure 3(c).

   c) Financial soundness of the Applicant

   d) Applicant's willingness to take up the outsourcing.

   e) Availability of spare capacity (Quantify in terms of man-hours).

   f) Method of Material cost assessment acceptable to the applicant (if applicant intends to quote in terms of man-hour rate only)

ANNEXURE-3(B): RECOMMENDATIONS OF THE COMMITTEE FOR REGISTRATION

Ref: ……..

3. Recommendations of the committee:

   The applicant is recommended for outsourcing the following categories of tools/ components.

Category/ Type of Tool / Component	Category/ Type of Tool / Component	Category/ Type of Tool / Component

Outsourcing to the applicant is not recommended in view of the constraints listed below:

……
……

……
……

……
……

Signed (Members of the Committee)			
Approved			

ANNEXURE-3(C): RECOMMENDATIONS OF THE COMMITTEE FOR REGISTRATION

Ref: ……..

Following documents have been verified and assessed:

Document	Document enclosed	Checked & Verified the enclosed documents
Certificate of Registration	Yes/No	Names, Designations and signature of Committee Members
Attested copies of IT Return/ Partnership Deed/Articles & Memorandum of Association/ JV Agreement/ Certificate of incorporation/ Certificate of Registration etc., as applicable	Yes/No	
NSIC Competency/ Capacity Certificate, if registered with NSIC	Yes/No	
ISO 9000/ 9001/ 9002/ AS9100C or certification by other accredited institutions	Yes/No	
Registration with PSUs & Other Companies	Yes/No	
Certificate of work undertaken for customers other than (the Company)	Yes/No	
Biographical data on qualification & experience of Key management & Technical Personnel	Yes/No	
Details of major equipment of Plant & machinery and Inspection Equipment	Yes/No	
Project Planning & Quality control Procedures	Yes/No	
Details duly filled in by each Vendor separately as per Annexure-1	Yes/No	
Audited financial statements for the 3 years	Yes/No	
Income-tax clearance certificate for 3 years	Yes/No	
GST clearance certificate for 3 years	Yes/No	
Details of Bankruptcy etc., in the past	Yes/No	
Availability of separate storage space in case of Bonded Materials.	Yes/No	
Details of Major construction equipment and spare capacity, available with the applicant	Yes/No	
Additional Information/ Documents collected by the team:	Yes/No	

ANNEXURE-4 METHODOLOGY FOR ESTIMATION

Ann-4. 1. The methodology defines the method of calculating various costs that contribute to the cost of outsourcing. For types of machines, processes or nature of work not directly comparable to the ones covered herein, suitable modifications should be made or any other suitable methodology can be adopted.

Ann-4. 2. The estimated cost of outsourcing will consider the following:

1. Hours per unit required to Manufacture/Fabricate the item/component/assembly/etc. or to execute unit task (with breakup of individual operations)
2. Machine Hour Rate which reflects the operating & maintenance costs related to machine utilization/operation.
3. Wage Rate.
4. Other costs incurred by Vendor such as Overheads, Packing& forwarding, etc. and profit
5. Non Recurring Costs, such as Tooling Cost, Programming cost, Development cost, Testing Costs, etc.
6. Cost of Special Processes like Heat treatment, Welding, and Surface treatments.
7. Material cost if HAL does not supply material as free issue.

Ann-4. 3. **Man-Hours required per unit {A}**

The man-hours required will be estimated by the Divisional MSD/Tool Planning/Indenter as applicable. The estimate will indicate breakup of operations and corresponding time required. The in-house man-hours (SMH/PCT/DCT) allocated for these operations should be considered if readily available. In any case, man-hours shall be estimated assuming that the job is done by HAL.

Ann-4. 4. **Machine Hour Rate {B}**

Machine hour rate depends on type of machine, Bed size, precision level, accuracy achievable, etc. To arrive at this, the following assumptions are made.

a. Categorization into Conventional, CNC and Special Purpose Machines.
b. Further Categorization into the three categories of small, medium and large. Basis of categorizing machines is indicated below.
c. Identification of machines based on operations like Turning , Milling, Grinding etc.,
d. Electrical power requirement based on size of the machine.
e. Maintenance cost based on conventional/CNC. Cost assumed to include cost of consumables like coolant, oil, grease, etc.,
f. Machine Down time assumed as 7% of available hours for conventional and 15% of available hours for CNC machines.
g. Machines are assumed to be available as follows.
    - 300 hours a month for Conventional machines
    - 375 hours a month for CNC machines

Ann-4. 5. To rationalize the selection of machine to be considered for cost estimation, components have been categorized based on dimension and material. Accordingly

components of particular size and material will be estimated against the category they fall within.

Example: (Turning)

a. Round component 50 mm Dia x 310 mm Length, Matl.: Aluminum
To be estimated as machined on Light duty Lathe.

b. Round component 50 mm Dia x 310 mm Length, Matl.: Titanium
To be estimated as machined on Heavy duty Lathe.

		LIGHT DUTY			MEDIUM DUTY			HEAVY DUTY		
		Al.	Steel	Ti.	Al.	Steel	Ti.	Al.	Steel	Ti.
Machines										
Conv. Lathe	Dia	<80	<50	<30	80-150	50-100	30-60	150-300	100-150	60-100
	Length	<500	<200	<150	500- 1000	200 - 500	150-300	1000-2000	500-1500	300-750
CNC Lathe	Dia	<80	<50	<30	80 -150	50 -100	30-60	150 -300	100-150	60-100
	Length	<500	<200	<150	500- 1000	200 - 500	150-300	1000 -2000	500-1500	300-750
Conv. Milling	Length	<1000	<750	<500	1000 - 2000	750 - 1500	500-1000	2000 -3000	1500-2000	1000-1500
CNC MILL	Length	<1000	<750	<500	1000 - 2000	750 - 1500	500-1000	2000 -3000	1500-2000	1000-1500

All units are in mm

Example: (Milling)

c. Milling component of 0.75 m x 0.75 m, Matl.: Steel
To be estimated as machined on Medium duty Milling machine.

d. Milling component of 0.75 m x 0.75 m, Matl.: Aluminum
To be estimated as machined on Light duty Milling machine.

OPERATION/ CATEGORY		MACHINE	Investment cost (Rs) [I]	Elect. Power Rating (KW)	Elect. Power Charges* [P]	Available Hours per annum [H]	Utilization Hrs/ Year [U]	Machine Hour Rate [M]
TURNING	LIGHT DUTY	CONVENTIONAL	2000000	5	25	3600	3348	85
		CNC	5000000	12	60	4500	3825	191
	MEDIUM DUTY	CONVENTIONAL	3000000	8	40	3600	3348	130
		CNC	6000000	15	75	4500	3825	232
	HEAVY DUTY	CONVENTIONAL	5000000	12	60	3600	3348	209
		CNC	10000000	20	100	4500	3825	361
	Special Purpose Machine (SPM)		Same as above					
MILLING	LIGHT DUTY	CONVENTIONAL	3000000	8	40	3600	3348	130
		3 AXIS CNC	6000000	15	75	4500	3825	232
	MEDIUM DUTY	CONVENTIONAL	5000000	10	50	3600	3348	199
		3 AXIS CNC	7000000	20	100	4500	3825	283
	HEAVY DUTY	CONVENTIONAL	6000000	15	75	3600	3348	254
		3 AXIS CNC	12000000	30	150	4500	3825	464
	5 AXIS CNC		40000000	40	200	4500	3825	1246
	Special Purpose Machine(SPM)		Same as above					
DRILLING			500000	5	25	4500	3825	38
GRINDING	SURFACE		10000000	8	40	4500	4185	279
	CENTERLESS		12000000	15	75	4500	4185	362
	CYLINDRICAL		15000000	20	100	4500	4185	458
	Special Purpose Machine(SPM)		30000000	35	175	4500	4185	892
JIG BORING	CONVENTIONAL		50000000	45	225	4500	4185	1420
	CNC		200000000	70	350	4500	3825	5579
RUBBER PRESS	SMALL (Less than 650MMX 650 MM)		8000000	80	400	4500	3825	609
	Medium (More than 650MMX 650 MM)		20000000	140	700	4500	3825	1223

*Power Consumption is assumed at the rate of Rs. 5 per Unit. It may be calculated as per rates prevailing in the respective States.

NOTE: Investment cost (I) to be considered as per latest information available. Replacement cost or the cost of new machine should be the reference.

Electrical power charges, P = kW Rating x Rate per kWH

Utilization Hrs/ Year, U = Available hours per Year minus Down Time

Machine Utilization Cost, M (Rs/hr) = (I *10% / U) + P

Total Machine Hour Rate, B (Rs/hr) = M x 1.05 (assuming 5 % as maintenance cost)

Ann-4. 6. **WAGE RATE {C}**

- Wages taken as reference shall not be lower than the minimum wages for the trade/skill as notified by the applicable government.
- To be updated based on the rise in CPI-IW All India index during periods when the above reference is not updated by the government.
- At 2023 level, the following can be taken as the reference. If market rates are known and are higher than these, market rates can be taken as the reference.

  Convention Machine operators : Rs 15,000 per month

  CNC/ Precision Machine operators : Rs 20,000 per month

  The above wages are to be converted to Hourly wages assuming 200 Hrs per month.

  Wage Rate, C = Monthly wages/ 200 (Rs/Hour)

Ann-4. 7. **BASIC COST {D}**

The unit basic cost of outsourcing will involve machine operating cost and wage rate multiplied with unit man-hours required.

D = A x (B + C) in Rupees per unit.

Ann-4. 8. **OTHER COSTS {E}**

(a) Overhead cost (OH) = 100% of C

(b) Profit = 10% of [Basic Cost + OH]

(c) Packing & forwarding Cost = 2% of [Basic Cost] + additions as per Note below

Total of other costs {E} = (a) + (b) + (c)

UNIT COST OF OUTSOURCING (Rs) = {D} + {E}

Ann-4. 9. Note: For large items and long distances, the parcel rates charged by cargo/transport agencies (available on the Net) can be used for estimation of forwarding/transportation. Such rates are usually based on weight and volume. If the parcel/consignment is to be insured, then the rates should be specifically estimated and added. If N parts can be sent in one parcel/pallet, unit rates should be found by dividing parcel rates by N.

- If Material is to be procured by the vendor, estimated cost for the same per unit should also be added to the above.
- If Material and other items are supplied by HAL, the cost of these should be estimated for Indemnity Bond purpose.
- From the above variables, the Outsourcing MHR can be derived as follows.
  MHR =B+C+OH = B+2C Rupees per Man-Hour.

Ann-4. 10. Further to the unit cost of outsourcing calculated above, the following nonrecurring costs (NRC) are to be considered separately, wherever applicable.

I. Tooling cost
II. Development cost
III. CNC programming cost
IV. Cost of Heat treat ,Surface treatments, Welding etc.,
V. Other costs

Ann-4. 11. The NRC may be amortized over the total ordered quantity or treated separately as per the RFP/RFQ. Any valid estimation methodology can be adopted for NRC estimation.

Notes:

a) In the above methodology, the Divisional Committee for finalization of MHRs will make recommendations on the following:

- Machine-Hour Rates {B} for all the types of machines and processes involved in the scope/range of outsourcing activities of the Division.
- Wage Rates {C} for different categories and skill levels of machine operators and process technicians involved in the scope/range of outsourcing activities of the Division. Instead of making numerous estimates covering combinations of each type of machining operation, each machine and each skill level, the Wage Rates can be estimated for convenient groups or categories. For example, a CNC Turn/Mill operator, a precision lathe operator and an Aircraft Welder, all requiring high skills, can have the same Wage Rate although they may be working on different machines or using different tools and/or skills. In most Divisions, 10-15 such categories will be sufficient for MSR estimation purposes.

b) The remaining estimates, viz., {A}, {D}, and {E} will be made by the agencies responsible for estimation as per this Manual.

c) For a given part/component, the total man-hours {A} may comprise man-hours for several operations on several machines with different Wage Rate categories. So, {A} will be a summation of A_1, A_2, etc. Similarly, machine-hour rates {B} will depend on which machines are used for different operations (B_1, B_2, etc.). Wage Rates {C} will depend on the Wage categories (C_1, C_2, etc.). In such a situation, the Basic Cost {D} for that part/component will be,

$$D = \sum (A_1 \times B_1 + A_2 \times B_2 + \ldots + A_n \times B_n) + \sum (A_1 \times C_1 + A_2 \times C_2 + \ldots + A_n \times C_n)$$

ANNEXURE-5 GENERAL TERMS & CONDITIONS

1. **PRICE:** The bidder is required to indicate prices in Indian Rupees against individual items. Price quoted should be on F.O.R. Destination basis, for delivery at Stores at _____ Division of HAL (PIN Code:_____) inclusive of all charges including transit insurance as applicable. {Instruction to Outsourcing Depts.: Based on Divisional needs, any other INCO Term and/or Destination can be suitably specified}.

2. **FIRM PRICES:** Unless the RFP/RFQ states otherwise, prices quoted will be deemed as firm and fixed during the validity of Order/Contract. Accordingly, subsequent claims for price increases or alteration of any of the terms of the Order/Contract shall not be raised unless HAL agrees to consider on merit.

3. **GST & Other taxes:** GST and/or other taxes as applicable should be distinctly shown along with the prices quoted also indicating HSN/SAC codes as applicable. Where this is not done, no claim for taxes will be admitted at a later stage on any ground whatsoever unless such claim arises due to a change in GST/Tax Law/Rules subsequent to submission of Bid. {Instruction to Outsourcing Depts.: Depending on the scope of work, the applicable HSN/SAC Codes and the prevailing tax rates on deliverables should be mentioned in this Clause for clarity and for avoiding disputes. Also refer to HAL/CO/FIN/GST/2020-3 dated 16/03/2021 and other instructions issued from time to time}.

4. **VALIDITY OF THE QUOTATION:** Unless otherwise stated in the RFP/RFQ, Price quoted should remain valid for a minimum of 120 days from the closing date of Tender enquiry to account for processing of Bids and internal approval by HAL.

5. **TENDER DUE DATE:** The due date for submission of quote is …….. (Date/ time) at ……. (Postal address & place to be informed). Submission of tender can also be done through e-mail Id …… (to be specified) and Fax No. …… (to be specified as applicable, whether e-Tender, GeM, etc.).

6. **SUBMISSION OF BIDS**

   a) The bidder is required to submit bids directly to HAL through the Mode of submission indicated in the RFP/RFQ with markings and enclosures stated therein. Bids which do not meet requirements stated in the RFP/RFQ are liable to be rejected at the absolute discretion of HAL.

   b) Submission of Bid in two bid system:

      In two bid system, the bidders are required to submit Technical Bid and Commercial Bid separately. Each bid will be put in separate sealed covers marked with tender No., and due date and indicated as Technical Bid or Commercial Bid as the case may be. Both sealed covers should be put in another cover, which will again be sealed and super scribed with tender no. and due date.

      i. The Technical Bid should also include proof of payment of EMD (or a confirmation of the same with an undertaking that the proof will be submitted not later than 7 days) wherever applicable, and Integrity Pact (if applicable) (or an undertaking that the IP will be submitted before placement of Order within a timeframe notified by HAL). Technical Bid without these are liable to be rejected at HAL's discretion

      ii. Bids received with Technical Bid and/or Commercial Bid in open condition inside the outer envelope or with the outer envelope in unsealed condition

are liable to be rejected at HAL's discretion.

iii. If the Technical Bid contains Price quote/ cost details which should only be part of the Commercial Bid, the Bid is liable to be rejected at HAL's discretion.

7. **LATE TENDER**

Bids received after the due date and time specified in the tender shall be rejected in competitive Tenders. This applies even if there might be genuine reasons for such non-submission/non-receipt of Bids within the date/time as per the RFP/RFQ.

8. **OPENING OF TENDER**

a) Tender will be opened on …… (Date/ time) at …… (Postal address & place to be indicated). Bidders or their authorized reps who are desirous to attend the tender opening may forward written notice of their participation to HAL (including their names and designations) at least 3 working days prior to tender opening.

b) During tender opening for the Commercial Bid, only the important particulars like price, payment and delivery terms will be read out. No bidders shall construe based on such details read out anything related to their competitive position as the same can only be arrived at after HAL completes the commercial evaluation as per its procedure, essential features of which are mentioned in the RFP/RFQ.

9. **TENDER EVALUATION:** (One or more of these conditions to be included as applicable)

a) The tender will be evaluated on …… (Package-wise or line item basis or on PV/NPV basis, Quality cum Cost Based Selection to be indicated by HAL).

OR

b) Bid with lowest price conforming to the specification will be considered for placement of order.

OR

c) Quality cum Cost Based Selection will be done on the basis of criteria and weightages specified in Enclosure No: ___.

d) If two or more bidders are determined as L1 in a purely price based selection, HAL reserves the right to seek revised offers from the same bidders or resolve the tie through a real-time reverse auction process.

e) If the lowest bidder has not offered full quantity, for the balance quantity, HAL reserves the right to source from other bidders.

f) To have parallel sources, the Order may be spilt to 2 or 3 sources subject to other bidders agreeing for L-1 price. The distribution of quantity among the bidders will be as per the proportion given below:

Qty. distribution among L-1: L-2 in proportion, x%: y%

Or

Qty. distribution among L-1 : L-2 : L-3 in proportion, x% : y% : z%

g) Conditional discounts will not be considered in evaluation of tender.

h) Applicability of the relevant Taxes should be explicitly indicated by the bidder in his response in percentage and in absolute terms. In the absence of this input, the offer would be considered as all-inclusive and no further claims related to such taxes will be admissible.

i) In respect of two bid system, Technical Bid will be opened on the tender opening date. After technical evaluation, the Commercial Bids of those bidders who are technically acceptable will be opened. Commercial Bids of vendors not passing the technical gate will be returned in unopened condition.

10. **INSPECTION:** Items shall be inspected by HAL …… Division's Inspector (or by a Third Party Inspection agency chosen by HAL or by a Committee formed by HAL) at Vendor's works or at HAL as decided by HAL. The outcome of the inspection (Accept/Reject/Rework) will be final and binding on the Vendor. The Vendor shall facilitate and support inspection if it is conducted at its premises based on advance intimation by HAL. Even though PDI or other stage inspections might be involved, the final inspection and acceptance will be at HAL …….. Division.

11. **ACKNOWLEDGEMENT:** Once the Order is placed by HAL, within 7 calendar days, an acknowledgement of the same shall be sent to HAL to confirm Acceptance of the Order including Specification, Quantity, Price, Payment Terms, delivery schedule, etc. as indicated in the Order. If Acceptance as above is not given within 7 calendar days, it will be deemed to have been accepted. In order to avoid future disputes, vendors are encouraged to go through the Order and its Terms & Conditions carefully and intimate HAL if any of the contents are not in line with what was quoted and/or in line with what was negotiated and agreed with HAL.

12. **DAMAGE/LOSS TO MATERIAL/ASSETS:** In the spirit of a Bailor-Bailee relationship, in case material, tools, etc. are supplied by HAL, the Vendor shall take due care of these assets to prevent loss, damage, theft, pilferage, etc. due to man-made or natural causes. However, normal wear and tear of these assets while in usage will not be considered as damage for the above purpose. Vendor is strongly urged to procure Insurance Policy to cover the risk of loss/damage to materials and assets issued by HAL.

13. **INDEMNITY BOND:** In case materials and/or assets (as listed in the Order) are supplied by HAL, the vendor shall furnish Indemnity Bond as per format attached to the Order prior to collection of material and assets from HAL. The value covered by the Indemnity Bond shall be Rs. ___ Lakhs. In case any loss or damage occurs, the vendor shall make good the loss on its own accord and continue the work or seek fresh material from HAL after compensating HAL for the value of loss/damage as assessed by HAL. In case the vendor fails to do so, HAL reserves the right to seek legal remedy for enforcing its claim. {Instruction to Outsourcing Depts.: If BG is opted as per Para 9.7.4 of the Manual, this Clause should be modified accordingly}

14. **REJECTION ALLOWANCE & RECOVERY:** In case materials are supplied by HAL, the rejection allowance and recovery, etc. shall be as under:

    i) The maximum permissible rejection allowance will be 5% of the quantity on Order (or the final quantity deliverable as per any subsequent amendment, Short-Closure or Termination) or One (1), whichever is higher. This quantity will be converted into an equivalent allowable value. If the cumulative rejection in value terms is within the allowable value, HAL will supply additional material free of cost to the extent to cover the rejection. {Instruction to Outsourcing Depts: Although 5% is mentioned here as a generic case, the Rejection Allowance determined as per Para 10.7.2 of the Manual should be mentioned here.}

ii) In case the rejection exceeds the allowance value, HAL at its discretion may issue further material to complete the Order, but the value of materials rejected beyond the allowance value shall be paid by the vendor to HAL.

iii) In the above case, the labour and other costs incurred by the vendor on the rejected item(s) up to the stage of rejection will not be paid by HAL.

iv) Wherever defects are noticed by the Vendor in HAL supplied materials during machining/processing, the Vendor shall forthwith stop the operation and inform the Outsourcing Dept. of the concerned HAL Division. HAL after inspection of the material/part and verification of the claim will issue additional material if called for. HAL will also work out a mutually acceptable, fair and equitable compensation to the vendor for the work already done before the defect became apparent.

v) In any case, the rejected material will be returned to HAL by the vendor at his own expense unless HAL agrees otherwise.

15. **QUALITY AND WORKMANSHIP:** The Vendor shall ensure that the items/tools/components supplied by them shall be of the highest quality and workmanship and as per the drawings & specification provided by HAL. Wherever orders are placed in accordance with particular specification/drawing requirement, it will be deemed to be an undertaking by the Vendor that they have fully acquainted themselves with various drawings/ specifications/standards thereof.

16. **WARRANTY:** The Items supplied shall be free from any defects/poor workmanship and shall be guaranteed for Quality/satisfactory performance for a period of 12 months from date of final acceptance by HAL. Any defect or deviations or shortfall against the Technical Specifications of the item Warranty period shall be rectified by the Vendor at its own cost. HAL at its option may insist on the vendor furnishing a Performance Bank Guarantee (PBG) for 10% of the value of the Order to cover HAL's risks during the Warranty period. Such PBG in HAL's format should be valid till 60 days after the last item is delivered. Post the Warranty period or post the expiry of the PBG as applicable, any rework or rectification to address defects noticed should be undertaken by the vendor on mutually agreed terms.

17. **DELIVERY SCHEDULE:** The time/date of delivery of the store mentioned in the Order shall be deemed to be the essence of the contract and delivery must be completed not later than the dates specified therein. Should the Vendor fail to deliver the stores within the prescribed period as per the Order or as mutually agreed later in writing with HAL, HAL shall be entitled at its option to seek compensation and redressal through any or some or all of the following as deemed appropriate:-

    a) To recover Liquidated Damages (LD) at the rate of 0.5% of the value of the item(s) delivered late for each week of delay subject to a maximum of 5 % of the value of the item(s) delayed. LD = V×[D/7]×0.5% or 5% of V, whichever is less, where V is the value of item(s) delayed and D is the number of days of delay.

    b) Claim reimbursement under the Risk Purchase clause

    c) To Short-Close/Terminate the Order

18. **EXTENSION OF TIME:** If an extension of delivery schedule is desired, the vendor shall apply in writing to HAL citing valid reasons for extension, preferably at least 15 days prior to the scheduled date of delivery of the next item/batch as applicable. If HAL at its sole discretion agrees to the request, a mutually agreed revised schedule will be made and documented. If no request for extension of schedule is made as above, no later request for waiver of LD, etc. will be entertained by HAL.

19. **ISSUE OF MATERIALS:** Materials are to be collected by the Vendor from HAL _____Division Stores and finished or semi-finished items delivered to HAL _____Division Stores or to any other destination as stated in the Order. {Instruction to Outsourcing Depts.: Depending on Divisional needs, place for collection of materials and destination for delivery of finished/ semi-finished goods can be specified here instead of the above}.No delivery charges will be paid by HAL unless it is provided for under any clause of the Order. The materials/other items received from HAL shall be properly identified with the order no, specification and quantity. These shall be protected from misuse, loss, damages and deterioration, properly stored at suitably identified and marked place under environmental conditions specified by HAL. Special Tools & Gauges, if any required, will be supplied on returnable basis subject to availability. All such Tools/ Gauges supplied by HAL and all other items fabricated by the Vendor using funding by HAL shall be returned to HAL immediately after completion of the task. Failure to do so will entail payment of financial compensation to HAL for the replacement cost of the items not returned or replacement with equivalent items in the same condition they were supplied/made.

20. **PAYMENT TERMS:** The standard Payment Terms are 100% payment after receipt and acceptance of finished items at HAL _____ Division Stores. Payment to be effected through banking channels into the Bank account of the Vendor. Payment terms as negotiated and agreed will be stated in the Order. It shall be the vendor's absolute responsibility to furnish to HAL the correct Bank Account details and to keep them up to date.

21. **APPROPRIATION:** Whenever under this Order/contract any sum of money is recoverable from the Vendor, HAL shall be entitled to recover such sum by the following means sequentially until the entire claim is covered.

    a) Deduction from payables under the present Order

    b) Deduction from payables under any other Order placed by the HAL Division that placed the present Order

    c) Deduction from payable under any Order placed by any other Division of HAL

    If the entire claim cannot be covered by the above, the vendor shall make a direct payment to HAL through Bank transfer for the balance amount. If this not done, then HAL will invoke the Indemnity Bond for recovery through legal process. Notwithstanding the remedies available as above, HAL reserves the right to come to a negotiated settlement with the vendor in case the circumstances so warrant.

22. **RISK PURCHASE:** In case the vendor fails to deliver items as per the specifications, scope, quality or schedules as per the Order, the vendor shall compensate HAL for the additional costs incurred by HAL in arranging for the supplies which are in default. Prior to invoking this clause, HAL will issue a Notice stating its intention to go ahead with alternative arrangements and the obligations of the vendor. In case a resolution to the issue is not proposed by the vendor within 15 days or if that proposal is unacceptable, HAL will initiate action to Short-Close or Terminate the Order and go ahead with making alternative arrangements including prospecting other vendors. In this case, the vendor shall be liable to pay HAL the difference between the price at which such alternate arrangement will be made and the price as per the Order/Contract with the vendor for the items undelivered or delivered with non-compliances. This is in addition to other claims and remedies available to HAL including the imposition of Liquidated Damages.

23. **SUB-CONTRACTING:** The Vendor shall not sub-contract the scope of work under the Order in whole (or to an extent large enough) to any other party in such a manner as to make itself equivalent to an agency or intermediary. In case more than 25% of the scope of work (SOW) in terms of value is proposed to be sub-contracted to a single third party, prior

written consent of HAL shall be taken. If the vendor will subcontract any portion of the SOW to a third party and the value of such subcontracting will be Rs. 2 (Two) crores or more, the vendor should be ready to sign a tripartite Integrity Pact (HAL, vendor and the subcontractor) if so demanded by HAL and in a format specified by HAL.

24. **MATERIAL CHANGE IN INFORMATION:** Vendor shall always inform any material changes in the information already declared/furnished by them at the time of registration or afterwards, within 30 days of such material change in information. Non-compliance in this regard may result in de-registration of the Vendor. In the case of serious breaches, the Order is liable to be terminated at HAL's discretion.

25. **CONFIDENTIALITY:** Vendor is given the drawings/ process sheets and other documentation for manufacture of the components required by HAL ……. Division. The documents issued to Vendor are strictly confidential. Vendor should keep them in safe custody. The information contained in the documents should not be divulged to any other person(s) or entities. Vendor is solely responsible to prevent any loss of these documents. No extra copies of the documents should be made other than for essential and legitimate purposes, in any case ensuring confidentiality. Any violation by Vendor of these instructions will make Vendor liable for penal action under section 3 and 5 of the Official Secrets Act, 1923. HAL may insist on signing of a Non-Disclosure Agreement in this regard.

    The drawings shall be the property of HAL and shall not be used for any purpose other than the purpose intended under the Order/Contract. Where technical inputs/assistance is provided to the Vendors by HAL to facilitate work, such inputs shall also be treated as confidential information and safeguarded accordingly. Vendor shall not directly deal with HAL's customers for the items deliverable to HAL under this Order unless expressly instructed to do so by HAL.

26. **PARALLEL ORDER/CONTRACT:** Nothing in this Order/ contract precludes HAL from entering now or hereinafter into any Order/contract with others for manufacturing and supply of same or similar goods.

27. **TERMINATION OF CONTRACT:** In the event of HAL ----- Division not being satisfied with the performance of the Vendor for any reason including breach of contract, or for HAL's own convenience, HAL------ Division shall be entitled to terminate the Order/contract, after giving 30 days' notice in writing to the Vendor by registered post. In case of a termination for convenience of HAL, the compensation payable to the vendor shall be worked out on a fair and equitable basis and then agreed mutually through negotiation. In case the termination is warranted for reasons entirely attributable to the vendor, no compensation shall be payable, but HAL shall be entitled to claim remedies as available under the present Order. Further, upon termination, the Vendor shall ensure the following at its own expense and within 30 days after the termination is formally completed.

    a) All the materials supplied by HAL, except what is allocable on a pro rata basis to the deliveries completed before the date of receipt of the Notice of Termination, to be returned to HAL. This shall include unused raw materials, semi-finished items and finished items ready to be delivered.

    b) All the other assets (Tools, Jigs, Fixtures, Inspection equipment, etc.) supplied by HAL or fabricated by the vendor using HAL funds to be returned to HAL

    c) All the documents (in soft and hard copies) supplied by HAL to be returned to HAL

d) All spare copies of documents, soft copies in vendor IT system to be permanently erased/destroyed.

e) For enabling HAL to make alternative arrangements for supply of the items, the vendor shall transfer drawings, documents, process sheets, methodology, etc. to HAL including IP rights (if involved) for use by HAL. In case the termination is for HAL's convenience, the parties will negotiate the terms of such transfer.

f) In case the vendor has sub-contracted a portion of its scope of work, all of the above stipulations to be understood to include the materials, documents, etc. issued to/available with the sub-contractors of the vendor also.

28. **ARBITRATION** All disputes related to this Order shall at first instance be resolved through friendly negotiations. If the dispute cannot be resolved thus, the matter shall be referred to Arbitration as follows.

(a) For Vendors other than Government entities and MSMEs*:*

All disputes or differences whatsoever arising between the parties out of or relating to the construction, meaning and operation or effect of this Contract or the breach thereof shall be settled by Arbitration in accordance with the Rules of Arbitration of the Indian Council of Arbitration (ICA) and the award made in pursuance thereof shall be binding between the parties.

(b) For a Vendor who is a government entity:

In the event of any dispute or difference relating to the interpretation and application of the provisions of commercial contract(s) between Central Public Sector Enterprises (CPSEs)/ Port Trusts inter se and also between CPSEs and Government Departments/Organizations (excluding disputes concerning Railways, Income Tax, Customs & Excise Departments), such dispute or difference shall be taken up by either party for its resolution through AMRCD (Administrative Mechanism for Resolution of CPSE's Disputes) as mentioned in DPE OM No.05/0003/2019-FTS-10937 dated 14/12/2022 as amended and the decision of AMRCD on the said dispute will be binding on both the parties.

(c) Applicable only for MSME Vendor:

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 provides parties to a dispute (where one of the parties is a Micro or Small Enterprise) to be referred to Micro and Small Enterprises Facilitation Council if the dispute is regarding any amount due under Section 17 of the MSMED Act, 2006. If a Micro or Small Enterprise, being a party to dispute, refers to the provisions in MSMED Act 2006, these provisions shall prevail over the Indian Arbitration and Conciliation Act, 1996 which is in force from time to time.

29. **WORK AND PAYMENT DURING ARBITRATION:** Work under the contract and related activities including payments can, if reasonably possible, continue by mutual agreement during the arbitration proceedings.

30. **JURISDICTION:** The Court at …… only shall have jurisdiction to deal with and to decide any legal matter whatsoever arising out of this contract. This contract shall be governed by and subject to and interpreted and construed in accordance with the Laws of Republic of India, which are in force from time to time. Nothing in this contract shall entitle the Parties to this contract to exercise the rights, privilege and powers conferred under this contract in any manner which will contravene the Laws of India.

31. **FALL CLAUSE:** During the validity of the present Order, the vendor shall not sell or offer

to sell the items deliverable under this Order to any other buyer at prices lower than those agreed in this Order. In case it comes to the notice of HAL that this condition is breached, HAL, if it so chooses, will notify the vendor accordingly and seek the benefit of such lower prices which shall be passed on to HAL without demur. Such benefit will arise from the date on which sales at the lower prices is made/ offered by the vendor to any other buyer.

32. **EXPORT LICENSE:** Foreign Vendors making proposals should ensure availability of export license as per their Govt. regulations for export to India. Vendor shall be required to obtain and maintain all Export/Import licenses and permits etc., as the case may be, required for performing supplies/ services against this tender. Obtaining export license shall be entire responsibility of the Vendor. The Vendor shall ensure that HAL has unrestricted rights to export its products incorporating the item supplied by the vendor to any county.

33. **AGENTS/AGENCY COMMISSION:** The vendor confirms and declares that the vendor has not engaged any individual or firm, whether Indian or Foreign whatsoever, to intercede, facilitate or in any way to recommend to HAL or any of its functionaries, whether officially or unofficially, to the award of the contract/ order to the vendor; 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 Vendor agrees that if it is established at any time to the satisfaction of HAL that the present declaration is in any way incorrect or if at a later stage it is discovered by HAL that the vendor has engaged any such individual/firm, 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 the contract/ purchase order, the vendor will be liable to refund that amount to HAL. The vendor will also be debarred from participating in any RFQ/Tender for new projects/program with HAL for a minimum period of five years. HAL will also have a right to consider cancellation of the contract/ order either wholly or in part, without any entitlement or compensation to the vendor who shall in such event be liable to refund to HAL, all payments made by HAL in terms of contract/ order along with interest at the rate of 2% per annum above SOFR (Secured Overnight Financing Rate) (for foreign vendors) and MCLR of State Bank of India plus 2% (for Indian vendors) as on the date of payment. HAL will also have the right to recover any such amount from any contracts/ order concluded earlier with HAL.

34. **IMMUNITY TO THE GOVERNMENT OF INDIA:** It is expressly understood and agreed by and between Vendor & HAL that HAL is entering into this contact solely on its own behalf and not on behalf any other person or entity. In particular, it is expressly understood and agreed that Government of India is not a party to this contract and has no liabilities, obligations or right hereunder. It is expressly understood and agreed that HAL is an independent legal entity with power and authority to enter into contracts solely on its own behalf under the applicable laws of India and general principles contract law. Vendor expressly agrees, acknowledges and understands that HAL is not an agent, representative or delegate to the Government of India. It is further agreed and understood that Government of India is not and shall not be liable for any acts, omissions, commissions, breaches or other wrongs arising out of the contract. Accordingly, Vendor hereby expressly waives, releases and foregoes any and all actions, including counterclaims, impleader claims or counter claims against the Government of India arising out of this contract and covenants as to any manner, claim cause or action whatsoever arising out of or under this contract.

35. **INTELLECTUAL PROPERTY (IP) RIGHTS, ETC.**

    a) Vendor agrees that HAL shall be the sole owner of all Intellectual Property (IP) generated in the performance of this Contract by or on behalf of the Vendor with the aid of either funding and/or technical inputs from HAL (hereinafter referred to as

'Foreground IP'). To the extent that Vendor's sub-contractors perform any part of the Contract, the Vendor shall ensure that any Foreground IP arising from such work shall be assigned to HAL. Vendor shall share with HAL all documentation necessary for HAL to exercise its rights to Foreground IP. If required by HAL, Vendor shall assist HAL in registering the Foreground IP in favour of HAL.

b) Vendor grants to HAL an irrevocable, non-exclusive, world-wide, royalty-free license to sell, offer for sale, use, and distribute HAL Products incorporating the item(s) supplied by the vendor under this Order which item(s) may contain Background IP of the vendor. Background IP shall mean and include all pre-existing inventions and IP necessary for HAL to exercise its rights to Foreground IP.

c) Vendor shall indemnify and protect, at its own cost, HAL in respect of cost/claims/ liabilities (including attorney's fees and associated costs of legal proceedings) arising from any violation of Intellectual Property Rights of any third party with respect to Supplies/Services provided by the vendor. If HAL or HAL's customer/s are unable to put to use the Supplies/Services or a portion thereof as a result of violation of the Intellectual Property of any third party, the vendor shall within reasonable time at vendor's own cost either,

    (i) Procure for HAL and HAL's Customer/s the right to continue using the Supply/Service or,

    (ii) Replace or modify the Supplies/Services so that it becomes non-infringing or,

    (iii) Compensate HAL for the damages suffered by HAL arising due to inability to put to use the supplies/services or a portion thereof.

d) In case the supplier receives a requirement/ request for supply or repair of deliverables of this contract directly from any third party including HAL's customers, such request shall be forwarded to HAL.

Intellectual Property for the purpose of this clause includes inventions, discoveries and improvements; know-how, works of authorship, technical data, drawings, specifications, process information, reports and documented information; and computer software (including without limitation, source code, object code, source code listings and object code listings that would enable the software to be reproduced or recreated), topology of integrated circuits, databases or any other such results of intellectual activity.

ANNEXURE-6 FORMAT OF INDEMNITY BOND

ON NON JUDICIAL STAMP PAPER

INDEMNITY BOND

1. This Indemnity Bond is executed on the ---------- day of---------- , 20xx by ----------Vendor's company name---------- having its registered office at ------address----------which expression shall mean and include its successors, administrators and permitted assigns (hereinafter called the "VENDOR"), in favour of M/s Hindustan Aeronautics Limited having its Corporate Office at 15/1, Cubbon Road, Bangalore-560001, through its --------division, having office at ---------- which expression shall include and mean its successors, administrators and assigns (hereinafter called HAL")

2. WHEREAS HAL wants to get the scope of work titled -------- (specify the title of the work as per the Order) ---------executed. And

   WHEREAS the VENDOR agreed to execute the aforesaid work and

   WHEREAS HAL awarded the said work to the VENDOR on the terms and conditions stipulated in the Order/Contract bearing reference No._____dated dd/mm/yyyy (hereinafter called the ORDER) which is duly accepted by the VENDOR and

   WHEREAS the above work involves HAL supplying materials to the VENDOR and the VENDOR carrying out necessary operations on these materials, and

   WHEREAS materials as mentioned above includes any other HAL assets of value issued to the VENDOR, and

   WHEREAS HAL desires to protect the value of such materials supplied free of cost to the VENDOR and to give effect to this, the VENDOR has agreed to furnish this present Indemnity Bond for an amount of Rs.XXXX (----in words----) which is the indemnifiable value of the materials supplied by HAL to the VENDOR.

3. In consideration of the above, the VENDOR hereby agrees and undertakes as follows:

(i) that it shall keep the materials supplied by HAL in proper and safe custody, distinctly identify and segregate the materials to avoid mixing up with other materials, store/handle the materials in environmental conditions and manner as prescribed by HAL, render proper accounting and to return to HAL the unused material in any form other than scrap, remaining after completion of the work under the ORDER;

(ii) that the material will not be used for any purpose other than what is stipulated in the ORDER;

(iii) to compensate HAL for the value of the material on a pro rata basis corresponding to quantity rejected beyond permissible rejection as per the ORDER, such compensation being payable within a reasonable period and in any case not exceeding 30 days from the date of rejection by HAL as notified to the VENDOR;

(iv) to compensate HAL for the value of the material lost or damaged while in the custody of the VENDOR due to any reason including pilferage, theft, fire, etc., such compensation being payable within a reasonable period and in any case not exceeding 30 days of the loss or damage noticed by the VENDOR or by HAL;

(v) to compensate HAL for losses or damages suffered by HAL due to non–compliance of any of the conditions mentioned above and/or any breach by the VENDOR of any of the terms and conditions of the ORDER.

(vi) The indemnity under the Bond shall be binding on the VENDOR's successors, administrators and permitted assigns.

4. This Indemnity Bond is valid till 60 days after (i) the VENDOR completes all supplies and other contractual obligations to HAL under the ORDER to the satisfaction of HAL and (ii) HAL confirms so in writing. Within this period of 60 days, if all obligations are assessed by HAL as completed, HAL will confirm to the VENDOR in writing that the VENDOR is discharged from all liabilities under this Indemnity Bond. If any obligations remain unfulfilled, HAL will notify the VENDOR accordingly for fulfilment/rectification and this Indemnity Bond shall remain in force till the fulfilment/rectification is completed to the satisfaction of HAL.

5. As to any matter or situation not covered explicitly in this Indemnity Bond, the provisions in the ORDER shall apply.

6. IN WITNESS WHEREOF, I -----Name and designation of the VENDOR---, the duly authorized to execute this Bond as the Indemnifier, in the presence of the following witnesses, have set my signature and official seal on the day, month and year above mentioned.

SIGNATURE OF THE VENDOR

(With office seal)

WITNESSES

1. ----------
   (Signature)
   Name: ----------
   Address: ----------

2. ----------
   (Signature)
   Name: ----------
   Address: ----------

(Not to be typed in the Indemnity Bond)

The indemnity bond should be executed on non-judicial stamp paper worth Rs 200/- or as per the rate applicable in the respective state, whichever is higher, with a certification of the authorities under the Indian Stamp Act to show that it is duly stamped.

ANNEXURE-7 FORMAT OF SINGLE TENDER CERTIFICATE

SINGLE TENDER CERTIFICATE			
Division:		**Dept.:**	**Project:**
Ref. No.:			**Date:**
Part A (To be filled while processing the MSR/ Tender Note sheet for approval)			
1	Item Description		
2	Part No./Model No.		
3	To be outsourced from (Name of the Vendor & place)		
4	Previous ordering information, if available (PO No. date, price)		
5	Nature of item		
6 (i)	Justification for Single Tender or Nomination enclose the copy of letter received from the agency nominating if applicable)		
6(ii)	Whether alternative sources are available or not. If yes, why these are not considered		
7	Budget Reference & Performance	Planning / Outsourcing Budget 20xx-yy	
8	DoP Reference	DoP 2018 : Annexure III E1	
(User Department)		**(Divisional Head)**	
Name:			
Signature & Date:			
Designation:			

Part B- (to be filled while processing of proposals for placement of order)			
PRICE REASONABILITY			
Proposed Price (in INR)			
Increase w.r.t. Previous Price/Estimate			
Price Justification			
	(Outsourcing Department)	(Finance Department)	(Divisional Head)
Name:			
Signature & Date:			
Designation:			

ANNEXURE-8 PERFORMANCE RATING SYSTEM

Ann-8. 1. The performance of sub-contractors for outsourced items shall be assessed and monitored by the Outsourcing Department with data inputs from QA and in line with the procedure described herein. Performance Rating shall be computed on yearly basis. However, if the rating process is delayed beyond one year (preferably financial year), the period lapsed after the last rating should be considered as the Rating period for computations as per the subsequent paragraphs.

Ann-8. 2. The Performance Rating will be a weighted average of Quality Rating, QR (60%) and Delivery Rating, DR (40%). If the Performance Rating is going to be used for any adverse action against the vendor, then such Performance Rating should be based on sufficient data points, in any case not less than 2 completed Orders in the Rating period and 5 completed Orders overall.

Performance Rating = $0.6 \times QR + 0.4 \times DR$

Ann-8. 3. **Quality Rating (QR):**

QR shall be calculated by the QA Department (unless automated through ERP) from Part Quality Rating (Q_P) and Quality Audit Rating (Q_A).

QR = 0.8 Mean Q_P + 0.2 Q_A, where;

Ann-8.3. 1. Part Quality Rating, $Q_P = \{(N_A / N_S\} \times C \times 100$, where;

N_A = Number of Parts conforming to specification and accepted by HAL or accepted despite minor non-conformances or after rework/repair.
N_S = Number of Parts supplied
C = Complexity factor (select from the table below)

Complexity Factor (C)	Type of Parts Manufactured
1.00	Critical Components/Class I Parts
0.95	Non-critical Components/ Class II parts
0.90	Standard Parts/ Class III parts

Notes:

a) Ideally, Q_P is to be computed for each line item in the Order.
b) However, if this is not feasible, then the computation should be for the Order as a whole with all line items added up for determining N_A and N_S. In this case, the most complex of the parts among the line items shall be considered for assigning the Complexity factor for the Order.
c) At the end of the Rating period, the Mean of all the Q_P for all the line items in Orders (or Orders themselves) against which supplies have been completed during the period shall be the Q_P used for QR. In other words, ratings should be done only for completed Orders.

Ann-8.3. 2. Quality Audit Rating, $Q_A = [\{(3-M) \times (5-m)\}/ 15] \times 100$, where;

- M = Number of Major Non-Conformances during the most recent audit by HAL or other accredited Auditing agency acceptable to HAL.

- m = Number of Minor Non-Conformances during the most recent audit by HAL or other accredited Auditing agency acceptable to HAL. (Opportunities for Improvements suggested by the Audit should be ignored).
- If M or m is greater than 3 or 5 respectively, they shall be assumed as 3 and 5 respectively.
- If the vendor is yet to be audited, QA should be assumed as 100.
- If there was no audit during the year, the data available for the previous audit should be used.

Ann-8. 4. **Delivery Rating (DR)**:

The Delivery Rating shall be calculated using the On-time Delivery Rating (D_T) and the Delay Quantum Rating (D_Q).

DR = [Mean D_T + Mean D_Q]/2 where;

Ann-8.4. 1. On-Time Delivery Rating, D_T = {N_T / N_D} x 100 where,

N_T - Quantity of parts delivered by the vendor within agreed schedule
N_D - Quantity of parts delivered whether within or beyond agreed schedule

Ann-8.4. 2. Delay Quantum Rating (D_Q): Steps in the computation are as follows.

a) Average delay for the Order, $A_D = [\Sigma(n \times d)] / \Sigma n$ where 'n' is the line item quantity and 'd' is the delay in weeks for that line item.
b) Average schedule for the Order, $A_S = [\Sigma(n \times s)] / \Sigma n$ where 'n' is the line item quantity and 's' is the agreed delivery lead time in weeks for that line item.
c) $D_Q = 100 - [A_D/A_S] \times 100$, subject to a minimum of 50.

Ann-8.4. 3. **Notes**:

a) "Agreed schedule" in the above cases mean either the original schedule as per the Order or a revised schedule as per an amendment to the Order.
b) At the end of the Rating period, the Mean of all the D_T and Mean of all the D_Q for all the Orders against which supplies have been completed during the period shall be used for computing DR.

Ann-8. 5. **Rating for long term contracts including LTBAs**

In cases where delivery is spread over several years, the Quality and Delivery Ratings as per this Annexure should be done for the supplies made against line items in the Order during each period of review instead of waiting for completion of the Order/Contract as a whole.

ANNEXURE-9 MSR FORMAT

<table>
<tr><td colspan="2">Hindustan Aeronautics Limited</td><td>Division:</td></tr>
<tr><td colspan="3">Material Sub-contracting Request</td></tr>
<tr><td colspan="2">MSR Ref. No.:</td><td>Date:</td></tr>
<tr><td colspan="2">Chargeability: Project / Overheads
Can be for multiple projects also</td><td>Project Name: ERP Name & Code if available</td></tr>
<tr><td colspan="3">Budget Reference: If more than 1 project, % share of each project to be shown</td></tr>
<tr><td>Prepared By:</td><td colspan="2">Production Engg/ Tool Planning/Other (specify)</td></tr>
<tr><td>Title of task outsourced
Title should give a broad but sufficient idea of the job outsourced</td><td colspan="2">Machining of components for ------
Sub-Assembly/ Assembly of -----
GSE nomenclature
Etc.</td></tr>
<tr><td>Classification</td><td colspan="2">TIER-1 / TIER-2 / TIER-3 / Design Outsourcing
For TIER-1 and major TIER-2 cases, draft RFP to be enclosed</td></tr>
<tr><td>Form of final Order</td><td colspan="2">Normal PO/ Rate Contract/ LTBA</td></tr>
<tr><td>Mode of solicitation</td><td colspan="2">Open Tender/ Limited Tender/ Single Tender/ Nomination/ Repeat Order</td></tr>
<tr><td>Type of Tendering</td><td colspan="2">Single Bid/ Two-Bid/ Two-Stage/ Spot/ Petty</td></tr>
<tr><td>Mode of Issue of Tender</td><td colspan="2">Manual/HAL e-Proc/e-mail/Fax/GeM/Bazaar</td></tr>
<tr><td>Waiver of e-Tender involved?</td><td colspan="2">Yes: Give reasons
No:</td></tr>
<tr><td>Validity of Bids</td><td colspan="2">---- weeks after Bid due date</td></tr>
<tr><td>Response time</td><td colspan="2">---- weeks (If shorter than recommended, whether approval sought/obtained)</td></tr>
<tr><td>Pre-Bid meeting</td><td colspan="2">Planned: -- weeks before Bid due date OR Not planned</td></tr>
<tr><td>Location of work</td><td colspan="2">Within HAL premises/ At vendor premises/ Combination of both
If In-sourced, give details of location, arrangements, supervision, etc.</td></tr>
<tr><td>Support from HAL</td><td colspan="2">What services are provided by HAL (Heat Treatment, Process, etc. as applicable)</td></tr>
<tr><td>Customs clearance and/or Foreign currency payments involved?</td><td colspan="2">• Yes (Tendering and further processes will be handled by IMM)
• No</td></tr>
<tr><td>List of Vendors
• One name for Single Tender/ Nomination/ Repeat Order
• List of names for Limited Tender</td><td colspan="2">1. …..
2. …..
3. …..
4. …..
…..
OR mention Open Tender</td></tr>
<tr><td>Unregistered vendors out of the above, if any, and reason for inclusion</td><td colspan="2">1. …..
2. …..
Only for Limited/Single Tender and Nomination. Else, N/A</td></tr>
<tr><td>Technical Specification</td><td colspan="2">Insert brief description here OR refer to Enclosure</td></tr>
<tr><td>Scope of Work</td><td colspan="2">Insert brief description here OR refer to Enclosure</td></tr>
<tr><td>Reasons for outsourcing</td><td colspan="2">1. …..
2. …..
3. …..</td></tr>
<tr><td>Quantity under Order</td><td colspan="2">Firm: F Anticipated: A Total: F+A</td></tr>
<tr><td>Delivery Schedule
{T_0 = Date of Order}</td><td colspan="2"><table><tr><th>Schedule</th><th>Firm</th><th>Anticipated</th><th>Total</th></tr><tr><td>T_0 + p weeks</td><td>N1</td><td>-</td><td>N1</td></tr><tr><td>T_0 + q weeks</td><td>N2</td><td>-</td><td>N2</td></tr><tr><td>T_0 + r weeks</td><td>N3</td><td>N4</td><td>N3+N4</td></tr><tr><td>T_0 + s weeks</td><td>-</td><td>N5</td><td>N5</td></tr><tr><td>……</td><td>…..</td><td>….</td><td>…..</td></tr><tr><td>Totals</td><td>F</td><td>A</td><td>F+A</td></tr></table></td></tr>
<tr><td>Material</td><td colspan="2">Free Issue by HAL/ Procured by Vendor</td></tr>
<tr><td>Assets other than Materials proposed to be supplied by HAL.</td><td colspan="2">Tools, QA equipment, etc.
Refer to Enclosure with list of assets, values, and details on whether supplied on payment basis or free of cost</td></tr>
<tr><td>Non-Disclosure Agreement</td><td colspan="2">• Applicable. NDA signed/will be signed
• Not applicable</td></tr>
<tr><td>Cost of Material per unit (M)</td><td colspan="2">Rs. ---------- Refer to Enclosure for list of materials, quantities and rates.
Should include other assets like Tools supplied</td></tr>
<tr><td>Labour Cost per unit (L)</td><td colspan="2">Rs. ----------. Refer to Enclosure for man-hours, MHR, etc.</td></tr>
<tr><td>Non-Recurring Cost (NRC)</td><td colspan="2">Rs. ---------- Refer to enclosure for computations if applicable</td></tr>
</table>

Hindustan Aeronautics Limited		**Division:**
Material Sub-contracting Request		
MSR Ref. No.:		**Date:**
Total cost of Proposal	i. NRC ii. Labour Cost = (F+A) L iii. Material Cost = (F+A) M (if Material is procured by vendor, else zero) iv. Other costs (Freight, Insurance, Packing, etc.) v. Taxes vi. Total	
Integrity Pact	Required? Yes/No	
DoP Reference:	Annexure ---, Clause ---	
CFA as per DoP		
EMD	• Not applicable as per Outsourcing Manual • Applicable, but waiver sought: Reasons. If CFA for waiver is different from CFA for MSR, whether approval of CFA has been obtained and file reference. • EMD Applicable: Rs. ----------	
Indemnity Bond	Will be sought for a value of Rs. -------	
Commercial Evaluation	1. Line Item-wise L-1 OR 2. L-1 on Package basis OR 3. Multifactor Evaluation (H-1). Refer Enclosure for H-1 evaluation methodology 4. In any of the above, for long term deliveries, selection would be based on PV/NPV. Confirm	
Preference to MSEs, etc. as per Govt. Policy	1. Will be implemented. 2. Will not be implemented. Cite reasons	
Quantity Distribution	Number of vendors to supply at L-1 rate and terms: 1. 2 in the ratio, A:B 2. 3 in the ratio A:B:C	
For TIER-1 Proposals	Financial model and economic feasibility analysis as per the Outsourcing Manual enclosed	
Any other relevant information which the CFA should be aware	• Minor deviations from the Outsourcing Manual. • Uniqueness of proposal if any that warrants special treatment. • Etc.	

Indenting Department	Signature Name Designation	Date
MSD	Signature Name Designation	Date
Quality assurance (QA can comment on source selection in Limited Tenders)	Signature Name Designation	Date
Outsourcing (Only in TIER-1 or GeM cases where secrecy of estimate is not applicable)	Signature Name Designation	Date
IMM (in case of foreign vendors)	Signature Name Designation	Date
PMG (if applicable for allocating budget)	Signature Name Designation	Date
Finance (in TIER-1 cases, LTBAs and where material is procured by the vendor)	Signature Name Designation	Date
CFA	Signature Name Designation	Date

NOTE: Depending on Divisional needs and nature of job to be outsourced, suitable changes can be made to the format while maintaining its essential structure. Text in blue font for instructional purpose only.

ANNEXURE-10 LOADING OF QUOTES - GUIDELINES

When certain vendors do not agree to the commercial terms proposed by HAL in the RFQ and make counter proposals, their quotes should be levelled before L-1 (or H-1) determination is done. Although such deviations can be of many types, loading is proposed only for the following deviations or counter proposals.

1. Liquidated Damages

Standard stipulation is 0.5% of the value of item delayed per week of delay subject to a maximum of 5% of the value of the item. Maximum of 5% will be hit when there is a 10 week delay. For standardizing the loading, a Mean expected delay of 5 weeks can be assumed. This will be equivalent to 2.5% of the value of the item. Deviations can be handled as follows.

a) Let the quoted price be Q. Value on which LD will apply will be V=Q-NRC.

b) In case the vendor does not agree to LD clause at all, the quote with loading will be $Q+0.025\times V$.

c) In case the vendor agrees to a maximum of m% (instead of 5%), the quote with loading will be $Q+0.025\times V\times[5-m]/5$.

d) In case the vendor agrees to w% per week (instead of 0.5%), the quote with loading will be $Q+0.025\times V\times[5-10w]/5$.

e) In case c) and d) above apply, the quote with loading will be $Q+0.025\times V\times[5-m]/5+0.025\times V\times[5-10w]/5$ subject to a max of $Q+0.025\times V$.

2. Warranty

For loading, using notations from the above section, the cost of Warranty embedded in the quote can be assumed as 5% of V per year of Warranty. If Warranty called in the RFP is W months and the vendor proposes M months, the quote with loading will be $Q+[0.05\times M/W]\times V$.

3. Payment Terms

For Orders where the delivery period is less than or equal to 12 months, loading is not mandatory, however is advised as a prudent practice. Loading should be done assuming time value of money as 10% p.a. Steps involved are as follows.

- Present Value (PV) factor for "T" months from now will be $PV_T = 1/(1.1)^{(T/12)}$.
- PV of a cash flow of CF_T happening at time "T" will be $PVCF = CF_T \times PV_T$
- Find Present Value (PV) of cash flows as per HAL payment terms. Let this be H.
- Find Present Value (PV) of cash flows as per vendor payment terms. Let this be P.
- Then, the quote Q with loading will be Q+P-H

The method is illustrated below with a simple example. In this, it is assumed that HAL terms are 100% payment on delivery & acceptance. Vendor proposes 15% Advance payment, one intermediate milestone payment of 50% after 12 months and balance 35% on delivery & acceptance. Order value quoted by the vendor is assumed as Rs. 80 lakhs.

Months			0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
PV_T			1.000	0.992	0.984	0.976	0.969	0.961	0.953	0.946	0.938	0.931	0.924	0.916	0.909	0.902	0.895	0.888	0.881	0.874	0.867	0.860	0.853	0.846	0.840	0.833	0.826
Terms	Stages	Sum	Cash flows																								
HAL terms	Final																										80 (100%)
	PVCF	66.1157																									66.1157
Vendor terms	Advance		12 (15%)																								
	Mile-stone														40 (50%)												
	Final																										28 (35%)
	PVCF	71.50413	12												36.36364												23.1405

In the above example,

H = Rs. 66.1157 lakhs.

P = Rs. 71.50413 lakhs.

Original Quote = Rs. 80 lakhs.

Quote with loading = 80 + 71.50413 - 66.1157 = Rs. 85.38843 lakhs.

4. INCO Terms

Usually, HAL terms are for delivery at HAL Stores, which means that transportation costs, transit insurance, etc. are to be bourne by the vendor. Similarly, if material is issued by HAL, transportation costs to the vendor's site should also be bourne by the vendor. To complicate matters, deliveries may be in batches, thus involving multiple transshipments. With these complications, Loading of quotes for difference in INCO terms between what is specified in the RFP and what the vendor offers is a difficult task. Hence, Loading is generally optional unless not loading can unduly favour certain vendors vis-a-vis the others. Also, Loading should not be done on a percentage basis on the quoted value because this can lead to large errors. In case Loading is to be done, the following methodology is to be adopted.

If Ex-Works FOR, for a different destination, etc. are quoted, and if the transportation costs are not indicated by the vendor or if what is indicated appears to be an underestimate, the balance portion of transportation costs up to HAL Stores have to be loaded to the quote. Online calculators of professional courier services can be readily tapped to estimate the transportation costs. Inputs usually required are the Pin Codes of Source and destination (and locations within the Codes which can be selected from dropdown lists), Weight and volume of the consignment in Kg and cubic cm respectively, value of the consignment and whether the transit risk is bourne by the courier or not. Same logic can be applied for materials sent out from HAL also. Transportation costs will be involved if the item comes back to HAL for some HT or Process and then has to go back to the vendor. All these occurrences should be estimated before loading of quote is done. Transit Insurance charges will be automatically covered if online calculators as per a) above are used for estimation.

ANNEXURE-11 REJECTION-RELATED EXAMPLES

Consider the following sample cases for Orders with multiple line items. In these cases, the Unit material cost will be estimated based on the quantity (Kg, Lt, M^2, M, etc.) of the material required per unit, and its inventory value per unit quantity.

Case-1: **Where rounding is not involved**

PO Line	Item description	Quantity	Unit Material cost	Total Material cost	Items rejected	Value of rejection
Line-1	Item-1	40	5,000	200,000	1	5,000
Line-2	Item-2	25	7,500	187,500		0
Line-3	Item-3	15	15,000	225,000	3	45,000
…	Item-4	30	20,000	600,000	2	40,000
…	Item-5	25	8,000	200,000		0
Total		135		1,412,500		90,000

- Rejection Allowance in terms of quantity = 5% of 135 = 6.75. As this number is >1, no rounding off is required. So, effective rejection allowance remains 6.75/135 = 5%.
- Rejection Allowance in terms of value = 5% of 14,12,500 = Rs. 70,625.
- In the above rejection scenario, the value of rejection (Rs. 90,000) exceeds the allowance of Rs. 70,625 by a margin of Rs. 19,375. The following are to be done.
    a) Issue material required for Qty 1 of Item-1, Qty 3 of Item-3 and Qty 2 of Item-4 to the vendor.
    b) Recover Rs. 19,375 through any of the means specified in this Manual.

****

Case-2: Where rounding is involved

PO Line	Item description	Quantity	Unit Material cost	Total Material cost	Items rejected	Value of rejection
Line-1	Item-1	1	5,000	5,000	1	5,000
Line-2	Item-2	2	7,500	15,000		
Line-3	Item-3	5	15,000	75,000		
…	Item-4	3	20,000	60,000	1	20,000
…	Item-5	3	8,000	24,000		
Total		14		1,79,000		25,000

- Rejection Allowance in terms of quantity = 5% of 14 = 0.7. As this number is <1, it will be rounded off to 1. Effective rejection allowance = 1/14 = 7.142857%
- Rejection Allowance in terms of value = 7.142857% of 1,79,000 = Rs. 12,786.
- In the above rejection scenario, the value of rejection (Rs. 25,000) exceeds the allowance of Rs. 12,786 by a margin of Rs. 12,214. The following are to be done.
    a) Issue material required for Qty 1 of Item-1 and Qty 1 of Item-4 to the vendor.
    b) Recover Rs. 12,214 through any of the means specified in this Manual.

ANNEXURE-12 SUGGESTED PRICE BID FORMAT

Price Bid PART-1	Labour Cost			Cost of Material if procured by the vendor			Insurance for Materials	Packing	Freight	Transit Insurance	Any other cost	Base Value for GST	GST rate	GST	Base Value for other Tax if any	Rate of Other Tax	Other Tax	Total Quote	Enclosure ref if any
	A			B			C	D	E	F	G	H	J	K=H×J	L	M	N=L×M	N=A+B+C+ D+E+F+ G+K+N	
Particulars	Qty	Unit rate	Amt	Qty	Unit rate	Amt													
A. Non-Recurring Cost (NRC)																			
Item/Job/Task-1																			
Item/Job/Task-2																			
Item/Job/Task-3																			
…																			
…																			
Sub-Total A																			
B. Recurring Cost (Deliverables)																			
B.1. Tooling Items/GSE/GHE																			
Item-1	T1			T1															
Item-2	T2			T2															
Item-3	T3			T3															
..	…			…															
..	…			…															
Sub-Total B.1	T			T															
B.2. Parts/Sub-Assy/Assy																			
Item-1	Q1			Q1															
Item-2	Q2			Q2															
Item-3	Q3			Q3															
..	…			…															
..	…			…															
Sub-Total B.2	Q			Q															
B.3. Operations/Processes																			
Operation-1	P1			P1															
Operation-2	P2			P2															
Operation-3	P3			P3															
..	…			…															
..	…			…															
Sub-Total B.3	P			P															
Grand Total (A+B.1+B.2+B.3)																		Total Quote	

Notes: (1) For Deliverable items, Qty is quantity ordered by HAL. (2) For certain items of NRC, Qty & Unit rate may not be applicable. Only Amount to be indicated. (3) HSN/ SAC Code should be indicated under column J

Packing, Freight & Transit Insurance (Column D, E & F in Part-1 of the Price Bid format) should ideally be based on details as per the sample format below.

Price Bid PART-2	Material Issued after Order placement					Items brought to HAL for intermediate operation					Finished Items supplied to HAL				
Particulars		Qty for which material is issued	Packing cost	Freight	Transit Insurance		Qty for which material is brought	Packing cost	Freight	Transit Insurance		Qty supplied	Packing cost	Freight	Transit Insurance
B.1. Tooling Items/ GSE/GHE	Batch-1	TM-1				Batch-1	TI-1				Batch-1	TS-1			
	Batch-2	TM-2				Batch-2	TI-2				Batch-2	TS-2			
	Batch-3	TM-3				Batch-3	TI-3				Batch-3	TS-3			
	…	…				…	…				…	…			
	…	…				…	…				…	…			
	Sub-Total (B.1)	T				Sub-Total (B.1)	T				Sub-Total (B.1)	T			
B.2. Parts/Sub-Assy/ Assembly	Batch-1	QM-1				Batch-1	QI-1				Batch-1	QS-1			
	Batch-2	QM-2				Batch-2	QI-2				Batch-2	QS-2			
	Batch-3	QM-3				Batch-3	QI-3				Batch-3	QS-3			
	…	…				…	…				…	…			
	…	…				…	…				…	…			
	Sub-Total (B.2)	Q				Sub-Total (B.2)	Q				Sub-Total (B.2)	Q			
B.3. Operations/ Processes	Batch-1	PM-1				Batch-1	PI-1				Batch-1	PS-1			
	Batch-2	PM-2				Batch-2	PI-2				Batch-2	PS-2			
	Batch-3	PM-3				Batch-3	PI-3				Batch-3	PS-3			
	…	…				…	…				…	…			
	…	…				…	…				…	…			
	Sub-Total (B.3)	P				Sub-Total (B.3)	P				Sub-Total (B.3)	P			

Notes:

1. The Batches under the above three main columns will usually be different from each other. E.g., if number of Parts to be supplied is 20, materials may be supplied in 2 batches of 10 each. However, if they come back to HAL for intermediate operations, this may be through 10 batches of 2 Parts each. Finally, the finished items may be delivered in 4 batches of 5 each. Batch-1, 2, 3, etc. as above in each case should be interpreted accordingly.
2. "T", "Q" and "P" above shall match with the corresponding "T", "Q" and "P" in Part-1 of the Price Bid such that the quantities on order are fully accounted for.
3. Once matching is done as above, Packing, Freight and Transit Insurance figures from the above Table can be mapped to the T1, T2, etc., Q1,Q2, etc. and P1, P2, etc. in Part-1 of the format by a pro rata method.
4. Availability of cost details as above in Part-1 and Part-2 will help in resolving commercial disputes at later stages. However, these can be modified or simplified depending on the specific outsourcing case, especially the simpler cases.

Glossary

ACMA	Automotive Components Manufacturers Association of India
AICPI-IW	All India Consumer Price Index-Industrial Workers
AMRCD	Administrative Mechanism for Resolution of CPSE's Disputes
ATC	Additional Terms & Conditions
BG	Bank Guarantee
CAD/CAE	Computer Aided Design/Engineering
CFA	Competent Financial Authority
CII	Confederation of Indian Industry
CIN	Corporate Identification Number
CMM	Coordinate Measuring Machine
CNC	Computer Numerical Control
COTS	Commercial Off The Shelf
CPI-IW	Consumer Price Index – Industrial Workers
CPSE	Central Public Sector Enterprise
CQAG	Corporate Quality Assurance Guidelines
CRE	Chief Resident Engineer
CRI	Chief Resident Inspector
CRM	Customer Relationship Management
CTC	Cost To Company
CVC	Central Vigilance Commission
CVD	Centralized Vendor Directory
D&D	Design & Development
DC	Delivery Challan
DCF	Discounted Cash Flow
DCT	Development Control Time
DGAQA	Directorate General of Aeronautical Quality Assurance
DGCA	Directorate General of Civil Aviation
DGS&D	Directorate General of Supplies & Disposal
DIN	Director Identification Number
DMHR	Design Man Hour Rate
DoE	Department of Expenditure
DoP	Delegation of Powers
DPE	Department of Public Enterprises
DR	Delivery Rating
DSC	Digital Signature Certificate
DUNS	Data Universal Numbering System
EMD	Earnest Money Deposit
ERP	Enterprise Resource Planning
ERV	Exchange Rate Variation
FE	Foreign Exchange
GeM	Government e-Marketplace
GFR	General Financial Rules
GHE	Ground Handling Equipment
GIT	Goods In Transit
GSE	Ground Support Equipment
GST	Goods and Services Tax
GTC	General Terms & Conditions
HOD	Head of Department
HT	Heat Treatment
ICA	Indian Council of Arbitration
IFS	Industrial and Financial Systems
IMM	Integrated Materials Management
INCO Terms	International Commercial Terms
INR	Indian Rupee
IP	Integrity Pact
IP	Intellectual Property
IPR	Intellectual Property Rights
LD	Liquidated Damages
LPP	Last Purchase Price

LSP	Limited Series Production
LTBA	Long Term Business Agreement
MCA	Ministry of Corporate Affairs
MHR	Man Hour Rate
MPC	Material Provisioning Committee
MRO	Maintenance Repair and Overhaul
MSD	Management Services Department
MSE	Micro and Small Enterprises
MSME	Micro, Small and Medium Enterprises
MSR	Material Subcontracting Request
NDA	Non-Disclosure Agreement
NRC	Non-Recurring Cost
NSIC	National Small Industries Corporation
NPV	Net Present Value
OH	Overheads
PAC	Proprietary Article Certificate
PAN	Permanent Account Number
PAO	Payment Authorizing Officer
PBG	Performance Bank Guarantee
PC	Procurement Committee
PCT	Planning Control Time
PDI	Pre-Dispatch Inspection
PLM	Product Lifecycle Management
PMG	Project/Programme Management Group
PNC	Price Negotiation Committee
PO	Purchase Order
PR	Performance Rating
PSU	Public Sector Undertaking
PV	Present Value
PVCF	Present Value of Cash Flow
PVIF	Present Value Interest Factor
QA	Quality Assurance
QCBS	Quality and Cost Based Selection
QMS	Quality Management System
QR	Quality Rating
Qty	Quantity
R&D	Research & Development
R&D Centre	Research & Design Centre
RCMA	Regional Centre of Military Airworthiness
RFP	Request For Proposal
RFQ	Request For Quotation
ROM	Rough Order of Magnitude
RR	Receiving Report
SC/ST	Scheduled Caste/Scheduled Tribe
SIATI	Society of Indian Aerospace Technologies and Industries
Sigma, σ	Standard Deviation
SMH	Standard Man Hours
SOW	Scope Of Work/ Statement Of Work
SP	Service Provider
SRM	Supplier Relationship Management
STC	Special Terms & Conditions
T&C	Terms & Conditions
TEC	Technical Evaluation Committee
TPI	Third Party Inspection
VA	Value Added
VMM	Vendor Master Manager
WIP	Work In Progress
WPI	Wholesale Price Index