

GOA SHIPYARD LIMITED

MAKE IN INDIA (OUTSOURCING, LONG TERM PROCUREMENT & VENDOR DEVELOPMENT AND INDIGENIZATION) POLICY

1. In order to provide focus on Make in India, three policies viz, Outsourcing, Long Term Procurement & Vendor Development and Indigenization Policies have been formulated as per MoD directive. The aim of all three policies is to enhance the local content / indigenization through increased vendor / manufacturing base, so as to give impetus to “Make in India” policy of Govt. of India. All three policies will work in sync with common aim to increase indigenization / local content in our ship building projects. All three policies are to be read in conjunction with existing Government Policies on procurement / subject and ensure that they do not violate the laid down procedures of DPE / MoD. Further MoD vide letter ref 7(72)/2014/D(DIP) dated 05 May 2015, have issued guidelines regarding Outsourcing and Vendor Development for DPSUs/OFB, which have been addressed in this policy and to be followed. Major thrust of these guidelines is to create a strong and vibrant manufacturing base in defence and aerospace in the country. The key features of three policies are highlighted below:-

a) **Outsourcing Policy (Appendix ‘A’)**. In ship building Industry, material cost constitutes about 60% of total cost, while the labour constitutes approx. 20% of the total cost. Presently approx. 55% of labour content is being executed by GSL in house on core activities, while balance 45% of the labour content is outsourced for executing non-core activities. The aim of outsourcing policy is to ensure that this balance 45% of the labour contracts which are being outsourced presently are expanded further in order to increase the outsourcing percentage from 45% to 60% within the period of 5 years and from 60% to 70% within the period of 10 yrs. To achieve the above objective of increased outsourcing, hereafter on award of the major Project by the customer, outsourcing of non core activities will be identified well in advance and pursued. A systematic approach of identifying core and non-core activities and categorizing of capable vendors for the purpose of outsourcing in each category like tier-I, II, III will be followed. Necessary hand holding in terms of production drawings, Quality inspections, flexible payment terms etc will be provided to the vendors with potential for being long term partners in core areas. The increase in the percentage of outsourcing is proposed to encourage local private industries there by encourage development of ancillary industry. During outsourcing, it is to be ensured that, GSL manpower does not remain idle, outsourcing is more productive / cost effective and project timelines are met. The outsourcing efforts will add to capacity enhancement and improve competitiveness. The participation of private firms will be an enabler in building technological and manufacturing capability of the company as well as reduction in cost and build-period.

b) **Long Term Procurement & Vendor Development Policy (Appendix ‘B’)**. The company will share the business opportunities available to the vendors in next 10 to 15 years, so as to encourage them to take conscious financial decisions in setting up / expanding their base/ business. The policy will encourage OEMs to set up manufacture base in and around GSL, in line with ‘Make in India’ Policy of the Government. Long term procurement policy will further help in retaining the active vendors by providing them continuous and

adequate business and encouraging new firms to enter the sector. The aim of this policy is also to increase the vendor base, so as to reduce the monopoly of selective/limited vendors available presently to provide choice and healthy competition. Increased vendor base will also avoid delays, in execution of project, presently being faced due to limited production base with very few vendors, for large number of equipment.

In order to enhance vendor base, direct registration of vendors who are already registered with other DPSUs, to be done expeditiously. Due process for verification can be followed simultaneously.

c) **Indigenization Policy (Appendix 'C'). Typically for a medium size warship like OPVs, the indigenous content is about 60%.** The balance about 40% import content comprises of equipment, spares and services required to be imported, due to non-availability of proven and reliable technology with indigenous firms or Indian vendors are not cost competitive in comparison to some of the foreign OEMs. The Indigenization policy formulated is aimed towards identifying and facilitating indigenous manufacture of equipment, from among those which are currently being imported to increase the indigenous content in our shipbuilding projects. As indicated at para 7 of Appendix "C", a well defined process for identifying and prioritizing items for indigenization has been laid down in the policy. The policy articulates both 'short' and 'long' term measures and targets to achieve higher indigenization content in our ship building projects.

COTS item not to be considered for indigenization. Higher priority to be accorded for indigenization of technology, denial items with reasonable volumes, where capable Indian private industries are available.

As a policy initiative for encouraging indigenization, price preference to be given to local Indian manufacturers over Foreign manufactures. In addition, RFP to include assurance of placing orders for future requirement, on the same Indian firm, who has executed 'import substitute' order successfully. Further, as a long term policy, in case of new projects conscious efforts will be put in to indigenize major equipment wherever feasible.

OUTSOURCING POLICY

Preamble

1. Defence sector is expanding globally and India is emerging as one of the largest defence markets. To support the ambitious aim of Government of India- 'Make in India' policy and also to boost growth of Indian defence industry, Government has further simplified licensing policy for manufacture of defence products within country and FDI limit has also been enhanced to 49%, which can be further expanded to 100% on case to case basis by the Govt depending upon the technology involved.

2. In order to achieve the goal of self-reliance, GSL and Indian Private Industries need to work in tandem. Outsourcing needs to be adopted, as a Business Strategy to further grow GSL, with long-term vision to attain self-reliance by strengthening partnership with private industry, in line with the stated Government Policy.

Objective

3. In order to achieve cost effectiveness and to reduce the 'build period' of the ships, it is imperative to outsource the non-core activities and core activities, if unavoidable due to project timeline / cost advantage / lack of man power, wherever feasible to vendors. It is important to ensure that during the process of outsourcing core activities, we do not loose the in-house expertise. The outsourcing efforts will add to capacity enhancement and improve competitiveness. The participation of private firms will be an enabler in building technological and manufacturing capability of the company as well as reduction in cost and build-period. Further, long term procurement policy will help in retaining the active Vendors by providing them continuous and adequate business. **The aim of outsourcing policy is to ensure that 45% of the labour contracts, which are being outsourced presently, are expanded further in order to increase the outsourcing percentage from 45% to 60% within the period of 5 years and from 60% to 70% within the period of 10 yrs.**

4. Road Map

(a) Presently approx. 55% of labour content is being executed by GSL in - house on core activities, while balance 45% of the labour content is outsourced for executing non-core activities. The aim of outsourcing policy is to ensure that this balance 45% of the labour contracts which are being outsourced presently are expanded to 60% within the period of 5 years and from 60% to 70% within the period of 10 yrs. In pursuit of achieving capacity enhancement, cost effectiveness, improve profitability & ensure global competitiveness by utilizing qualified and economical labour available in the market, GSL has implemented concept of outsourcing of following activities:-

- i) Fabrication and erection of Hull blocks inside and outside GSL Premises
- ii) Installation of Electrical & Engineering equipment
- i) Supply and installation of AC & Ventilation system
- ii) Supply and installation of Modular accommodation
- iii) Laying & Termination of cables

- iv) Fabrication and installation of Piping
- v) Supply and laying of Deck covering
- vi) Supply and fitment of Insulation etc.
- vii) Construction of boats, barges etc.
- viii) Construction of Damage Control Simulators

(b) GSL also outsources technology and labour intensive jobs like specialized high precision machining, in-situ machining of shafts, machinery alignment, fabrication of complete Hull, under the close supervision of /inspection by GSL Quality Assurance Dept and Owner's overseeing team.

(c) Further, the following aspects are also considered while adopting outsourcing activities during the shipbuilding:

- i) Focus on noncore areas, of low cost and low technology activities.
- ii) Reduce dependence on imports through Indigenization in a phased manner.
- iii) Develop robust and reliable domestic vendor base.
- iv) Develop multiple vendors to build competition and achieve cost effectiveness.
- v) To foster partnership with vendors by assisting them in a mutually beneficial manner

5. **New Activities for Outsourcing.** The following new activities are identified for outsourcing:-

a) **Outsourcing Major Parts of MCMV Project :** It is proposed to outsource part of FRP hull construction in our premises / in vendors premises to meet the stringent time schedule of MCMV Project. It is also planned to develop local industrial base in this key FRP technology, which is likely to proliferate on large number of other future warship Projects. Further, it is planned to facilitate various OEMs based in other countries to encourage them to set up base in Goa for manufacture of ship/ MCMV equipment, in collaboration with local industries.

b) **Fitment and Welding of 'A' Brackets and Fitment and Welding in & out Bossing Stern Tube :** Presently, GSL employees are carrying out this job. As series of ships are under construction simultaneously, it is becoming difficult to achieve the target due to limited man power resources. In order to overcome this, it is proposed to encourage existing vendors who are undertaking fabrication of blocks and piping work to get their welders qualified and participate in the tender as and when called for and get registered in the above category.

c) **Handling and Management of Transportation and Stores Activities Outside GSL :** There is space constraint in view of ongoing modernisation. GSL has setup stores facilities outside yard at Sada and Sancoale (around 10 locations) and materials required for production are brought from these locations on need basis. More than 70% of material is stored in the warehouses situated outside yard. GSL stores personnel, crane facility and vehicles are used for transportation of materials from yard to outside warehouses and vice versa. These materials are voluminous as well as heavy in nature, a lot of GSL deployed human efforts are required to handle them. Also, at times a lot of difficulties are faced while arranging logistics like trucks, cranes and suitable

vehicles for transportation of labourers for handling the material, thus causing delays in supply of material to production dept. In order to ease out the above logistic problems and supply the material to production dept well in time, entire operation of transportation of materials can be outsourced to private party, thereby substantial cost and time savings can be achieved. This can be done by calling quotations through open tendering process and selecting a suitable firm who is having adequate facilities to take up the entire job, under GSL supervision, safety and security.

d) **Hired Workforce for Machine Shop Facility in GSL.** Machine shop facility is available at GSL. This facility can be provided to private parties having the skilled work force to manufacture 'made to order', items like flanges, special nuts and bolts, machining / boring of bushes etc, for use of GSL, as and when required. We can hire machinists by calling quotations through open tendering process as is being done for hiring of Fabricators, Welders and Grinders, etc.

e) **Outsourcing of Hydraulic Power Pack for Stern Gear System.** Presently, Stern Gear equipment for OPVs is being imported. GSL has taken the initiative in indigenizing the power pack by procurement of components indigenously through local suppliers and arranging assembling and testing in-house. Manufacture and testing of power pack, which is being done in-house now, is proposed to be outsourced through suitable vendors.

6. **Constraints in the Process of Outsourcing**

a) GSL is presently building 6 CGOPVs, 2 SLNOPVs & 2 Mauritius FACs. While outsourcing the activities as listed above, due to limited Vendor base, execution of outsourced activities are not progressing inline with the GSL production schedule committed to the customers. There is therefore need to increase the vendor base, incorporate suitable clause in the tenders, which enables GSL to place the order on multiple vendors on the same ship of the series or divide the number of ships amongst different vendors, at L1 rate. There by avoiding the order placements on a single firm and to minimize the monopoly of single vendor.

b) Repetitive tendering and processing for placement of orders for the same and similar jobs on series of the ships. This involves repetition of time consuming processes and may lead to legal complications, affecting the production schedule of series of ships.

c) Limited Vendors in most of the areas like shafting, auxiliary equipment installation, insulation laying, deck covering, cable laying, modular accommodation, air conditioning, ventilation & refrigeration etc.

7. Strategic Policies Proposed

a) **To achieve the above objective of increased outsourcing, hereafter on award of the major Project by the customer, outsourcing of non core activities will be identified well in advance and pursued** during the currency of the Project.

b) In case of series of ships, when the turnkey or labour oriented jobs like modular accommodation, insulation, deck covering, cable laying, electrical / electronic equipment installation are to be tendered, there is a possibility that one firm is likely to be L1 and the job on all ships of the series is to be awarded on them. This results in dependency on the progress of the project on that particular firm and the risk factor of timely compliance increases manifold. This is particularly critical, as limited skill sets are available in various ship building activities. In order to overcome this problem, a strategic decision is required to be taken at the time of tender stage by incorporating suitable clause regarding distribution of the job to more than one firm, without deviating in the tendering procedure. Clear-cut tender conditions can be incorporated in this regard. It may be declared in the tender itself, that L1 firm will be awarded alternate ships in the series. The process of negotiation with L1 can be done, as applicable and tender can be awarded to L1 for the jobs on alternate ships of the series. Further, L2 can be invited to agree for the L1 price (negotiated if required as per the procedure) and jobs on the remaining ships can be offered to them.

c) If, number of similar jobs on one ship of the series of the ships is to be outsourced, where same set of subcontractors are involved for these jobs, then there is possibility of one firm becoming L1 in all the jobs on a ship and in the normal course, to be awarded accordingly. This may lead to the total dependency of the progress of the project on one firm for various activities of these jobs, which may not be a desirable situation all the times. In such cases, a suitable clause can be incorporated in the tender, in such a way that, if one firm becomes L1 in one job, the price bid of this firm should not be considered for the next job. Thus, ensuring that the jobs are awarded to more than one firm. In case of E-tenders, different tenders are to be floated for different jobs, incorporating suitable clause.

d) In order to explore the possibility of indigenization of the equipment, presently being imported for the projects, list of imported items will be published in GSL website. The private entrepreneurs can obtain the details of a specific equipment / material and check the feasibility of manufacturing the same indigenously.

d) Identify and explore the possibility of entering into Annual/Biennial rate contracts for variety of jobs to reduce tendering period/cost and ensure adequate work load for one or multiple contractors.

e) Explore the possibility of entering into long term MOU with proven sub-contractors to ensure availability of infrastructure and skilled manpower for undertaking GSL jobs on priority basis. Explore possibility and developing long

term pricing mechanism. Important aspects such as geographical/location advantages, quality set up, financial strength and stability are to be considered while deciding. As per above, whenever firm is meeting GSL's requirement, GSL may enter into a MoU, for long term supplies.

f) Encourage proven contractors working at other shipyards/PSU shipyards/Navy/Local Industry to actively participate in GSL tendering process.

g) Try and identify more than one contractor for a particular type of work to encourage competition/ continuous availability of contractors.

h) The contractors to be divided as tier 1, tier 2, tier 3 based on the business importance and their reliable performance over the years. As per good management practice, contract terms including payment terms to be so devised as to ensure continuous cash flow to the contractors to sustain their operations particularly in view of long gestation period from start of work to ship's completion. Tender terms to encourage participation of more and more good, qualified and capable contractors.

LONG TERM PROCUREMENT & VENDOR DEVELOPMENT POLICY

Preamble

1. The test of success of the outsourcing strategy would depend largely on how it is able to develop and retain reliable and competitive vendors for supply of required services/ items. Hence there is a need for adopting integrated policy of outsourcing, vendor development and long-term procurement policy. Vendor development is examined as logical extension of 'outsourcing'. Vendor development covers identification of indigenous firms, determination of pre-qualification of vendors, long term association and breaking of resultant monopoly by resorting to open tendering at national level. On a selective basis, feasibility of entering into MOU with suitable parties will be explored so that long-term procurement policy can be defined.

2. GSL has a laid down system and procedure for vendor selection and vendor registration. This takes care of buying goods and services of generic nature. Vendors either through limited tendering or through open tendering supply the items, which are of generic type. Limited tendering is done to those vendors who are registered with GSL for such categories of items or from Vendor panels given in the build specification of the projects.

Objective

3. Shipbuilding is primarily aggregation of equipment. Approximately 60% of total project cost constitutes the cost of materials. Timely availability of equipment and material at optimum price is the key for good shipbuilding.

4. GSL is having a dependency on some OEMs of general purpose equipment like "A" bracket, Rudder and Rudder Stock, Stern Gear, Air conditioning ventilation and Refrigeration systems, Heli starting rectifier, fin stabilizer, steering gear etc. where limited vendors/OEM are available. This is leading to major dependency of GSL on OEMs and delay in receipt of equipment thereby delaying the completion of the project. Hence, there is a need to enhance the vendor base to have adequate number of reliable vendors. Following are the provisions available in GSL to increase the vendor base and to have the transparency:-

a) E-procurement is being followed in GSL since Dec 2011 for procurement of Equipment/Material with the value more than 5 lacs, through limited and open tendering. This results in enhancing the transparency in the transactions and considerable reduction in the processing time.

b) GSL has introduced online vendor registration with a view to identify and enlist suitable vendors based on capacity & capability including financial soundness to expand dynamically to meet the objective of creating healthy competition. The scrutiny of the vendor's applications by the members of VR committee, management approval and issue of vendor registration certificate is done online. This process not only reduces the processing time but also ensures transparency in the vendor registration system.

c) The vendor registration format is available on GSL website, which can be downloaded by intending firms and application with credential can be submitted. The committee appointed by the management will scrutinize this, management approval is taken and the registration certificate is issued.

d) The vendors participated in open tendering also encouraged to apply for registration with GSL in order to eliminate monopolistic situation.

e) Every year, GSL organizes Vendor Development meet to create awareness of GSL requirement to the new vendors.

5. Following are the steps taken by GSL in order to promote vendor development and long term procurement policy:-

a) A committee involving Technical services, commercial, production and planning depts. representatives has been constituted vide D(O) Memo No. 02/2015 dated 27.03.2015 to '**standardize the low cost items**', which are commonly, used in all shipbuilding projects. Thus the annual consumption of such items can be estimated so that the rate contracts on long-term procurement can be initiated.

b) A committee involving members from Purchase, Finance, TS, QA & GR departments has been constituted vide D(O) Memo No. 04/2014 dated 06.10.2014 for **revalidating the existing vendors and updating the compendium with the active vendors**.

c) **Vendor meets** are annually conducted in GSL wherein local as well as outstation vendors are participating. GSL normally invites the concerned agencies like MSME, NSIC etc., to enlighten the vendors about the provisions / concessions / various schemes available for them for encouraging entrepreneurship. GSL gives the detailed presentation to the vendors regarding the products and services required to be procured / outsourced and detailed procedure for online vendor registration. The prospective vendors can further interact with GSL technical and commercial team and get more details about the products / services and registration procedure. This interactive session elaborates the avenues available in GSL for prospective business, there by widening the vendor base. After the vendor meet, the prospective vendors are pursued, for submission of their documents for further scrutiny and registration.

d) Vendor meet conducted in the year 2014 attracted 58 local as well as outstation vendors for participation in the meet, out of which 33 vendors have applied for registration for various products and services. Eight vendors have been successfully registered with GSL and remaining vendors are in advance stage of submitting relevant documents/registration. Further, vendor Meet was conducted at GSL on 26.03.2015 inviting prospective vendors to participate. MSME and NSIC reps were also invited to give the presentation to the vendors about the schemes available with them. 84 vendors participated in the vendor meet and showed keen interest for developing business relations with GSL. Same to be pursued for increase in vendor base.

e) In view of the present projects in hand for executing concurrently 6 CGOPVs, 2 SLOPVs, 2 MFPVs and fast approaching delivery commitments to the respective customers, there is a need to develop more vendors for outsourcing, installation and commissioning of equipment, electrical cable laying and termination, ACVR, modular accommodation, piping etc. The Vendors approaching for these equipment/services will be given priority for registration. For such requirements, open tendering is resorted to and registered / known vendors are intimated about the requirement.

6. Constraints

a) Limited Vendor base is available in most of the equipment/items in Shipbuilding Industry in view of unique tailor made projects, which requires equipment/items of non-standard specifications. In most of the cases the quantity requirement is limited thereby limiting economical viability for vendor development and long-term sustenance of the vendors.

b) Stringent quality and inspection requirement of certain items used in ship building industry, which restricts encouraging various vendors for specific items.

c) Periodicity of ordering the same items / equipment on the vendors of those items is uncertain and the vendors have to depend on non-marine industrial orders from other customers for survival. The advantageous of mass production is not applicable in such cases.

7. Strategic Policies Proposed

a) In case of shipbuilding industry, there is always limited number of vendors in certain critical areas and vendor base needs to be adequately widened to have healthy competition in the tendering process and to minimize the dependency. Following strategic provisions are proposed to be made / pursued in vendor registration:-

i) The vendors already registered with other shipyards like MDL, GRSE, CSL, Naval dockyard, after the scrutiny as per the laid down procedure, are to be considered on need basis, for direct registration by taking management approval.

ii) The firms participated in the open tender and not registered with GSL are to be pursued for registration.

iii) Certain proportion of the generic requirement of the organization for both projects as well as DPO / General stock items, say 10%, is to be tendered through open tendering, with a clause that, the vendors not registered with GSL only to participate in the tendering process. Thus, on conclusion of the tender, the reasonability of existing prices can be established and new vendors can be identified for registration based on their capability. This is strategic decision for vendor development.

- b) On a selective basis, feasibility of entering into MOU with suitable parties to be explored, in order to have long-term procurement policy.
- c) Explore the possibility of developing common vendors for common items across the PSU shipyards to get a price advantage.
- d) Share long-term requirement of equipment / material with vendors / OEMS, so as to encourage them to firm up business plan to develop resources to meet shipyard's requirement.
- e) Process to be put in place to ensure regular review of Vendor Compendium. Particular attention to be paid regularly, to identify and remove delinquent vendors or firms not quoting repeatedly.
- f) Standardize low cost items. Identify and explore the possibility of entering into Annual/Biennial rate contracts for variety of items to reduce tendering period/cost and ensure adequate supply from one or multiple vendors.
- g) Try and identify more than one vendor for a particular type of items/ equipment to encourage competition/ continuous supply of items.
- h) To expedite the vendor registration, the firms who are regular suppliers to other DPSUs should be expeditiously cleared for registration purpose. They will be registered initially on the basis of registration certificate / proof of supply of successful items to other PSUs and then parallelly shipyard will continue to confirm the validity of all documents submitted.
- i) To increase the vendor base by way of advertisement atleast once in 5 yrs and by conducting vendor meets periodically.
- j) 'Vendor Rating System' be introduced earliest and feedback mechanism be started so as to address the right concerns of the firm.

INDIGENIZATION POLICY

Introduction

1. Government of India is giving a major thrust for 'Make in India' programme towards achieving long term goal of self reliance in strategic defence sector. Accordingly MoD has also issued directives to Shipyards to put in place an Indigenization policy. This policy is to form a sub set of the long term Make in India policy.

2. For implementation of the above programme of the Govt, Sec (DP) held a meeting on 11 March 2015 with the CMDs of DPSUs and Chairman OFB in New Delhi and affirmed that Indigenization is an offshoot of the 'Make in India' programme of the Government of India, and requested for necessary action.

3. At the outset, it may be stated that the warship construction by the Indian Defence Shipyards, by itself, is a major indigenization success. GSL has made further significant contributions by way of in-house designs of range of Patrol Vessels from 50 m to 105 m. Over the years the shipbuilding inputs have also been indigenized to a large extent. Though indigenous manufacture of certain high value equipment may be difficult, due to economy of scale and high costs involved in setting up of manufacturing facilities, there is scope for further enhancement in this direction by a collaborative approach amongst all stakeholders.

4. India is witnessing technological advancements of an unprecedented magnitude. In this context, it is imperative that all stake holders of warship building put concerted efforts for technological self-reliance. Import substitution through indigenization is a key driver in this journey and GSL, as a shipbuilder; play a participating role in the process of indigenization.

5. **Typically for the medium size warships like OPVs, the indigenous content is about 60%.** The balance about 40% import content comprises of equipment, spares and services required to be imported, due to non-availability of proven and reliable technology available indigenously. Alternatively in some cases, indigenous sources or Indian vendors are not cost competitive in comparison to some of the foreign OEMs. This Indigenization policy formulated is aimed towards identifying and facilitating indigenous manufacture of items from among those which are currently being imported to increase the indigenous content in our shipbuilding projects. The policy articulates both 'short' and 'long term' measures and targets to achieve higher indigenization content.

Problem Areas for Indigenization.

6. The indigenization suffers from following problems:-

a) Normal land based commercial industry standards do not directly meet the stringent marine environment requirements coupled with stringent qualitative requirements. Additional technical knowhow & qualitative efforts are necessary.

- b) The low volume of business is not sufficient to attract the capable vendors, to shipbuilding industry in many cases.
- c) Some of the high value equipment requiring substantial investment for set-up of manufacturing facility making it unviable for indigenous manufacture considering the economy of scale. Further the foreign vendors in many cases do not want to transfer the technology.
- d) Even in cases where indigenous vendors are available, they are sometimes not able to compete with foreign vendors in terms of price.
- e) Problems of availability of the requisite technology with Indian firms vis-a-viz state of art technology available with foreign firms.

7. Plan for Increasing Indigenous Content

A) Identification of items for indigenization:-

- a) Expand GSL's Role in Process of Indigenization of warships. Presently, GSL's role in indigenization is limited to domains like 'yard effort', yard material, sub-contracting, mechanical integration of weapons and sensors. GSL is now proposing to take this forward by studying the items which are being generally imported at present. The list of items which are generally imported at present is placed at **Annexure - I:-**
- b) The following broad criteria are being considered for identifying the items/ equipment/ systems/ sub-systems for indigenization:-
 - i) Technology has been developed/ available by Indian Companies.
 - ii) Technology is available through Transfer of Technology (TOT) for local manufacture/ production/ integration/ value addition.
 - iii) Required volume of the items in shipbuilding projects.
 - iv) Indigenous manufacture of components / sub-systems/ software of majors systems like IBS, IMCS, APMS etc. in partnership with the overseas OEM.
 - v) COTS items would not be considered for indigenization.
 - v) Items involving technology denial and upgradation of shipbuilding capability in the country, with reasonable volume and where such capability is available with private industry will be accorded higher priority.

Note:- In case of equipment with high value & involving substantial facility setup, costs could be taken up at Govt to Govt Defence cooperation route for 'Make in India' initiative.

8. **Steps for Identification of Vendors for Indigenous Manufacture.** Following steps are identified for identification / short listing of vendors for indigenous manufacture:-

- a) Brief Specification of items, which are identified for indigenization, will be put up on 'GSL website' www.goashipyard.co.in, with key specifications and information to that effect will be forwarded to the Local Chamber of Commerce, Industrial Associations, customers, prospective OEMs as well as the Directorate of MSME's etc.
- b) Other PSU Shipyards will also be consulted to check whether these items are being bought by them from any indigenous source.
- c) The list will also be shared with Indian Navy and Coast Guard to identify alternative local indigenous sources if any.
- d) Interactions with various interested firms / organizations will be arranged to clarify technical queries/ ship based integration aspects etc as applicable.

Note:

(i) The technical capability / capacity of the firms being considered for indigenous manufacture would be assessed by appropriate team or sub-committee of vendor development committee. Type of vessel e.g. Technology intensive platforms, OPV or yard craft to begin with, for which the firm can be considered for supply of any particular item / equipment will also be a prime consideration.

(ii) As regards Government's advice for earmarking funds for indigenization, the necessary policy formulation will be pursued with MoD for consideration, so that PSUs are within the frame work of rules to invest in private companies for co-development of items / equipment.

- e) Also in some cases wherein high technology equipment / systems like Stern gear, IMCS, IBS, etc. are presently imported, possibility of manufacture of components / sub-systems and part job like manufacture of certain sub-assemblies, support for test and trials, training, maintenance including supply of spares etc by indigenous partners of the Overseas OEMs will be explored and pursued.

9. **Projects with Total Transfer of Technology:** For projects with complete ToT like MCMV, assistance from ToT provider will be taken to encourage the OEMs of the specialized equipment to set up facilities at Goa / India through ToT / local manufacturing set up.

10. **Policy Initiatives:**

- a) **Purchase preferences to Local Indian Manufacturer over Foreign Manufacturers:**

To promote 'Make in India' policy of GSL in pursuance of Govt. of India initiative, the following purchase preference will be given to domestic manufacturers.

Indian firm, quoting with maximum up to 10% more (Landed Cost) than the foreign firms, can be requested to accept the L1 price of foreign firm and orders can be placed accordingly. This will have no additional cost impact on GSL. At the same time Indian firms are encouraged by way of giving purchase preference for placing the order. This is in line with purchase preference given to MSEs under Public Procurement Policy to encourage MSEs.

Modality of purchase preference:

In a competitive bidding process, Indian firm quoting with minimum 30% indigenous content in the product and quoting a maximum up to 10% higher than foreign L1 firm, may accept L1 price and GSL may consider the domestic firm for placement of order at L1 price. The purchase preference will depend upon the proposal value as per the following details:

- | | |
|----------------------------|---|
| i)10% Purchase Preference | - For Proposal value Up to Rs. 1 Cr. |
| ii)7% Purchase Preference | - For Proposal value between Rs. 1 Cr to Rs. 5 Cr |
| iii)5% Purchase Preference | - For Proposal value Above Rs. 5 Cr. |

Note:

i) Necessary supporting documentary evidence to be provided by the vendors to GSL in support of indigenisation percentage declared by them.

ii) In case the percentage of indigenization to be achieved, as declared by the vendors prior to placement of order, is not achieved at the time of supply, then 2.5% of the order value per 10% increase over and above the committed import content, or part thereof, shall be deducted as penalty while making final payment, for non compliance towards indigenization.

iii) Firm eligible for purchase preference in accordance with this policy will be required to submit Bank Guarantee, within three weeks from the date of placement of order, for an amount equivalent to the purchase preference given to the firm i.e. difference between firm's offer and L1 price of the foreign firm, valid till execution of the order plus three months encashing period. In case, the firm is not able to meet the percentage of Indigenization promised as per the Purchase Order terms, the penalty as elaborated in Note (ii) is to be adjusted by the firm in their Invoice, or else, same will be adjusted by encashing the bank Guarantee.

b) Assurance of Orders for Future Requirement in 5 yrs on the same Indian Firm Executed Import Substitute Order Successfully. : In RFP, commitment will be made for placement of orders on the same firm for similar requirements arising in next 5 yrs, incase the Indian firm develops the Import substitute successfully, meeting all the specifications and project time lines, with the pricing worked out based on indices for labour, material and services as applicable at that point of time.

11. Plan of Action

a) Short Term

(i) Based on the Perspective Plan of GSL and Maritime Capability Perspective Plan (MCP) of Indian Navy and Coast Guard, GSL will map the equipment, which need to be pursued for indigenization to increase the indigenization content in the projects. Based on this, the volume of different items / equipment for possible indigenization will be worked out.

(ii) Actions identified at para 1 to 9 above will be progressively completed for 5 to 10% of the items listed at **Annexure - I**, within two years.

(iii) At least five medium values, less technology intensive items will be identified for each project and efforts will be made to achieve indigenous manufacture of the same within three years.

(iv) Regular monitoring of progress made in this respect will be undertaken.

(v) Continuous dialogue will be maintained with all prospective equipment manufacturers. Indian Navy, Coast Guard, Nirdesh and other agencies involved in indigenization.

b) Long Term

(i) The level of implementation undertaken in 'Short Term' will be continually monitored and progressively enhanced.

(ii) In new projects conscious efforts will be made to encourage indigenous items, including gear box, main engine etc. wherever feasible.

(iii) GSL would explore collaboration with overseas OEMs for indigenous manufacture of complex and technology intensive items, currently being imported.

(iv) Government of India assistance required if any, based on experience in short term implementation for policy level directives, will be pursued with MoD for due consideration.

Annexure – I to ' Make In India' - Indigenization Policy

LIST OF ITEMS WHICH ARE GENERALLY IMPORTED

Sr No.	Description
HULL	
1.	Fire Class Doors
2.	Fire Class Windows
3.	Water Tight Quick Acting doors
4.	Weather Tight Quick Acting doors
5.	Electro-Hydraulic sliding door
6.	Marine Electro-hydraulic crane
7.	Fire class panels
8.	Gemini boat with OBM
9.	Single arm integrated boat and davit
10.	Probe Receiver
11.	Fin stabilizers
12.	Steel Plates - For Class approved Steel. <i>(DMR 249A Steel for Naval Vessels is indigenously available).</i>
ENGINEERING	
13.	Main Engine & Tools
14.	Stern Gear consisting of : 2 x CPP 2 x Propeller Shafts
15.	Gear Box
16.	IMCS
17.	Tunnel thruster (400 KW)
18.	Ext FiFi Pump
19.	Incinerator
20.	AVCAT filter/water separator and AVCAT filter/water absorber
21.	Air Whistle
ELECTRICAL	
22.	MCT glands
23.	Sealing & Retaining Compound
24.	Integrated Bridge System (IBS)
25.	Gyro (Ring Laser or FOG)
26.	Auto pilot
27.	Infra Red Internal Communication system
28.	Long Range Acoustic Device (LRAD)
29.	EPIRB 406 MHz
30.	SART 9 GHz
31.	GPS Compass
32.	Night Vision Binoculars & Goggles
33.	Satellite TV (Gyro stabilised) Entertainment System
34.	Anemometer (digital)
35.	Multi Channel recording System
36.	INMARSAT Fleet Broadband terminal
37.	Hand held un-cooled Thermal Imager