

**Draft Modifications To Defence Offset Guidelines – invite for
comments**

Ministry of Defence has proposed modifications to offset guideline to include additional avenues for offset discharge, which is placed below.

It is requested to provide your comments on the draft modifications to the offset guidelines at email id: **rr.thakur27@gov.in** latest by **15.05.2018**.

Sub: Draft Amendment to Defence Offset Guidelines

In continuation to the Defence Offset Guidelines the following amendments are proposed.

1. In addition to the avenues for discharge of Offset Obligations mentioned in paragraph 3 of defence offset guidelines under DPP 2016, the following additional avenues for discharge of Offset Obligations along with mode of discharge shall be available.

a. **Investment in Specified Projects:** Investment in specified projects for fostering development of internationally competitive defence, aerospace and internal security related enterprises in the country. These projects would include:

- i. Defence related infrastructure projects like Testing labs, Testing Ranges, Skill Centre's and others specified in List A (To be finalized). Only the capital costs of these projects would be reckoned for discharge.
- ii. Specified technology acquisition projects as specified in List B. (To be finalized).
- iii. Specified critical technology as specified in List C. (To be finalized).
- iv. These projects will be implemented through an implementing agency identified by the Government. The implementing agency may be in the public sector entity including DRDO, DPSUs, OFB or through an SPV set up with or without industry participation for this purpose.
- v. A collegium would be constituted including SHQs, DRDO, DPSU, OFB, DDP to recommend projects in List A, List B and List C. These Lists would be updated periodically to enable new requirements to be included from time to time.
- vi. The investment may be made by the vendor having discharge obligation, by any of its sister companies or affiliates.
- vii. Investment in above mentioned projects will be eligible for the following multipliers

| Avenue | Defence Industry Corridors | Other areas |
|--|-----------------------------------|--------------------|
| Defence related infrastructure projects (List A) | 3 | 2 |
| Specified technology related projects (List B) | 4 | 3 |
| Specified Critical Technology (List C) | 5 | 5 |

viii. Methodology for offset discharge: Offset discharge shall be subject to physical completion of the project and verification of audited accounts of implementing agency clearing indicating that the investment has been made. Procurement of products/services arising out of the investment by the vendor shall not be eligible for offset discharge.

b. Investment in defence manufacturing: Equity investment in a business enterprise for fostering development of internationally competitive defence, aerospace and internal security related enterprises in the country.

i. Equity investment in a company for setting up a manufacturing unit in defence, aerospace and internal security. The investor will be eligible to returns on its investment as per law.

ii. The investment should be made by the vendor having offset obligation as per the contract or by such other vendors specified in the contract.

iii. Multiplier: The investment in this mode will be eligible for the following multipliers

| Avenue | Defence Corridor | Other areas |
|-------------------------------------|-------------------------|--------------------|
| Investment in defence manufacturing | 4 | 3 |

iv. Methodology for offset discharge: Offset discharge shall be subject to physical completion of the project and verification of audited

accounts of the company setting up a manufacturing unit in defence, aerospace or internal security. Further, procurement of products/services from the unit set up shall not be eligible for offset discharge.

c. Investment in specified SEBI regulated Funds for Defence, Aerospace and Internal Security

- i. Investment in MoD registered professionally managed SEBI regulated funds dedicated for development of start-ups and MSMEs of defence, aerospace and internal security related enterprises in the country. Investment in any such Fund would be subject to a ceiling of 30% of the Fund corpus. The Vendor contributing to a fund would be entitled for usual returns on its investments per law. Detailed terms and conditions guidelines will be issued by MoD for registering funds for this purpose.
- ii. Multiplier: Investment under this option will be eligible for a multiplier of 3.
- iii. Methodology for offset discharge: Offset discharge shall be based on verification of transfer of funds from the vendor to the Fund.

2. Applicability

- i. These guidelines will come into effect from the date of issue.
- ii. Other existing terms and conditions regarding Offset discharge as mentioned in references cited above, will apply mutatis mutandis.
- ii. All existing vendors having Offset obligation on the date of issue of this amendment guidelines will have an option, subject to Government approval, to avail aforesaid options, as a mode of Offset Discharge.