

Govt of India
Ministry of Defence
Deptt of Defence Production

Sena Bhavan, New Delhi
Dated: 16 Dec 2020

OFFICE MEMORANDUM

**SUBJECT: METHODOLOGY OF PRICING AND PAYMENT OF PROOF / TESTING
CARRIED OUT FOR PRIVATE SECTOR BY DGQA / DRDO / OFB PROOF
RANGES AND THEIR LABORATORIES**

The undersigned is directed to convey the sanction of the President to Establishments under the Director General of Quality Assurance, Secretary DD R&D and Chairman DRDO, and Chairman/DGOF, Ordnance Factory Board undertaking Proof / testing work for Private Firms. Such testing work will be undertaken subject to the availability of spare capacity in Defence Proof Ranges / Testing.

2. In order to carry out such outside work, the Proof / Testing Establishments will compile a schedule in consultation with the local CDA taking into account Cost of Barrel, Cost of Weapon, Cost of Instrument / Equipment, Cost of Materials / Targets / Stores / Power, Cost of Direct Labour, Cost of Transportation (if applicable) etc as mentioned in Appx 'A'.

3. The basis for calculation of cost of Proof / Testing is as under:-

(a) **Manpower.** Effective availability of manpower is 08 working hours per day and 22 working days in a month, totalling to 264 days in a year. The actual cost of manpower involved in Proof / testing will be worked out on hourly basis by the concerned Establishment based on the gross monthly salary of the individual. Cost of manpower to be rounded off to the next hour and in no case is to be charged for less than one hour.

(b) The pay and allowance of Officers, Staff / Industrial employees appropriate to the testing hours would be taken as the direct labour value: the hourly rates being computed on monthly hours of employment. (8 hrs per day, 22 working days in a month 264 working days in a year)



(c) The material cost viz Proof Stock Ammunition, Target material, Weapon, Equipment, Instrument, Power etc as per their actual cost.

(d) **Transportation Charges.** Movement for a particular Proof / Test within the Unit Premises Establishment Area is minimal and is generally clubbed with other daily Proof / Test activities. The cost incurred in such transportation can be considered to be subsumed in Administrative Charges. Transportation Charges are however proposed to be levied as per actual in case movement is beyond the Unit premises / Establishment Area.

(e) **Miscellaneous Charges.** Any cost of Proof / Testing which may occur and is not covered under various heads above will be charged on actual expenditure to be decided by the concerned Establishment.

(f) In case any additional expenditure is incurred due to requirement of carrying out additional Proof / Testing then the Private Firm will pay additional charges as per the expenditure actually incurred.

(g) **Administrative Charges.** 15% on the total calculated cost of Proof / Test to be charged as Administrative Charges. This will cater for all the range facilities, transportation within the Unit premises, security, infrastructure, sundry expenditures etc.

(h) **GST.** GST and other taxes as specified by the Govt from time to time shall be levied on the overall cost of Proof / Testing on the Private Firm.

(j) The recommended methodology to be adopted for levying Proof /Testing Charges is as per Appx 'A' as an illustration.

4. All DGQA/DRDO/OFB Proof Ranges and Testing Establishments undertaking Proof/Testing for Pvt. Firms shall workout costing duly vetted by Local Audit Authorities as per methodology of costing for Proof/Testing given in above paras and notify the changes within a month's time of issuance of OM.

5. **Methodology of Payment.**

(a) The Proof / Testing Establishment of DGQA / DRDO / OFB shall raise an invoice to the Private Firm as per the notified rates for Proof/Testing charges including applicable GST / other Taxes. The Concerned Establishment shall also intimate their GST Account Number details to the Firm (Appx 'B').

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(b) The Proof/Testing Establishment units may direct the private firms to pay the applicable GST directly with the GST authorities (on reverse charge basis) and attach the documentary proof of the same, while seeking the services.

(c) The Cost of Proof /Testing shall be paid by NEFT / DD to the concerned Establishment. The Establishment shall deposit the Proof / Testing charges amount through MRO in Govt Treasury.

6. **Liability and Compensation.**

(a) In case of failure to feed the eqpt on the scheduled date of testing or cancellation of scheduled Proof / Test, the firm will be liable to pay 15% of the estimated cost as penalty (refer relevant Para of MoD SOP on "Allotment of Utilisation of Proof and Field Firing Ranges by Private Industries" available on Min of Defence website: makeinindiadefence.gov.in under head policies, as amended from time to time).

(b) In case of any damage to Proof Equipment / Instrument / Property / Personnel, then the same would be assessed by a Board of Officers and cost of damage thereof shall be made good by the Private Firm (refer relevant Para of MoD SOP on "Allotment of Utilisation of Proof and Field Firing Ranges by Private Industries" available on Min of Defence website: makeinindiadefence.gov.in under head policies, as amended from time to time).

7. The list of documents and timelines for payment to be submitted by private Firms utilising Proof Ranges is explained in Min of Def SOP (available on MoD Website) on "Allotment and Utilisation of Proof Ranges by Private Firms" as Appendices. The same forms shall be applicable for DGQA / DRDO / OFB Proof Ranges / Testing duly modified by them to their test requirements.

8. **Audit / Review .**

(a) The methodology of levying Proof / Testing charges on Private Firms will be reviewed in every five years. Charges for Proof/Testing will be fixed for first year and thereafter it shall increase by 10% annually for subsequent years on the base charge.

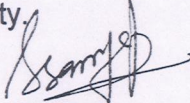
(b) Charges levied on Private Firms will be calculated annually by the Proof Ranges and audited by Local Audit Authorities. The same will be ensured by respective organisations i.e. DGQA, DRDO & OFB.

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9. This letter supersedes 53940/DG/(Adm-16)/0776D(Prod) dated 31 Aug 1976 (presently applied by DGQA) and all previous letters by Min of Defence to DGQA / DRDO issued on Proof / Testing charges to be levied on Private Firms. This letter also supersedes any previous letters on the subject issued by MoD / OFB to their Proof Ranges / Testing.

10. The provisions of this letter shall be uniformly applicable for all DGQA / DRDO / OFB Proof Ranges and Testing undertaking Proof / Testing for Private Firms. Clarification if any can be sought from Director PP&T Dte HQ DGQA, New Delhi (Email ID : ppt-dgqa@nic.in / Fax : 011-23013760 / Tel : 011-23016219).

11. This issues with the approval of the Competent Authority.


(SOMA SANYAL)

Under Secy to the Govt of India

Appendices - As above.

To

1. The Scientific Adviser to the Minister of Defence and Director General of Research and Development (DRDO) ,
New Delhi.
2. The Director General of Quality Assurance (DGQA),
New Delhi.
3. Chairman & DGOF,
Ordinance Factory Board,
Kolkata

Copy to

Principal Controller of Accounts (Fys), Kolkata.
CDA (R&D), New Delhi
CDA (fys), Kolkata

(Ref Para 2 & 3 (j) of MoD L/No. S/209/QA Charges/DGQA/DQA(A)/TC/938/D(QA)/2020
Dated: 16 Dec 2020)

**PROOF AND TEST CHARGES TO BE LEVIED BY DGQA / DRDO
ON PRIVATE SECTOR**

1. **COST OF BARREL (for 105mm IFG)**

- (a) Cost of barrel (A) = Original cost
- (b) Effective EFC for proof (B) = Upto 1st / 2nd / 3rd / 4th Qtr (As per requirement / Proof Schedule)
- (c) Cost of one EFC (C) = $\frac{\text{Cost of Barrel (A)}}{\text{Effective EFC for Proof (B)}}$
- (d) No of EFC to be fired (D) = To be calculated as per firing schedule of the vendor
- (e) Cost of Barrel for proof (E) = Cost of One EFC (C) x No. of EFC to be fired (D)

2. **Cost of Weapon**

- (a) Cost per day (F) = $\frac{\text{Original cost}}{\text{Life of weapon in years} \times 365 \text{ days}}$
- (b) Total Weapon Cost (G) = Cost per day (F) x Test duration (in days)

Life of weapon if not specified then the life of weapon to be taken as 10 years.
Weapon once deployed will be charged for one working day.

3. **Cost of Instrument / Equipment**

- (a) Cost per day (H) = $\frac{\text{Original cost}}{\text{Life of Inst / Eqpt in years} \times 365 \text{ days}}$
- (b) Total Inst / Eqpt cost (J) = Cost per day (H) x Test duration (in days)

1 day = 8 working hours
Not more than 4 hours = ½ day
More than 4 hours = 1 day

Life of Inst / Eqpt if not specified then the life of Inst / Eqpt to be taken as 10 years.

Inst / Eqpt deployed will be charged for minimum half working day.

4. Manpower charges

$$\text{Hourly pay of the employee (K)} = \frac{\text{Gross monthly salary}}{22 \times 8}$$

1 month = 22 working days

1 day = 08 working hours

$$\text{Total manpower cost (L)} = \text{Hourly pay of the employees (K)} \times \text{Test duration (in hours)}$$

Actual cost of manpower involved in each activity of the Trial Firing /Testing to be worked out by the respective Proof Range / Laboratory.

5. Cost of Proof Stock Components, = As per actuals.
Materials, Targets, Stores,
Power etc. (M)
6. Transportation Charges(N) = Beyond the Unit / Estt Area, to be charged as per actual.
7. Miscellaneous Charges (O) = Any expenditure incurred by the Proof / Test Establishment not included above.
8. Cost of Proof / Test (P) = (E) + (G) + (J) + (L) + (M) + (N) + (O)
9. Administrative Charges (Q) = 15 % of cost of Proof / Test (P).
10. Overall Cost Proof / Test (R) = (P) + (Q)
11. Govt Taxes (S) = GST / Taxes as laid down by Govt on the overall cost (R).
12. Final Cost of Proof / Test (T) = (R) + (S)

(Ref Para 5 (a) of MoD L/No. S/209/QA Charges/DGQA/DQA(A)/TC/938/D(QA)/2020

Dated: 16 Dec 2020)

SAMPLE TAX INVOICE**Name of the Estt**

Invoice Ser no.	Invoice date:
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DETAILS OF RECEIVER

Proof Establishment					Letter No. dt			
GSTIN No :					State:		Date:	
Description of Goods/Services	SAC/HSN Code	Qty	Units	Rate	Total	IGST		Grand Total
						Rate in %	Amount	
Total								
Invoice value(in words)	Rupee							
	"Certified that the particulars given above are true and correct"							

