

CONTENTS

	PAGE
<i>Foreword</i>	I-5-I-13
<i>About the Author</i>	I-15
<i>About the Book</i>	I-17
<i>Preface</i>	I-19
<i>Acknowledgement</i>	I-21
<i>List of Cases</i>	I-31
<i>List of Abbreviation</i>	I-37
<i>Disclaimer</i>	I-45

PART I

INTRODUCTION & AEROSPACE/ DEFENCE INDUSTRY PERSPECTIVE

1

AEROSPACE & CONTRACT MANAGEMENT

1.1	Introduction	3
1.1.1	Concept of Contract Management	6
1.1.2	Types of Contracts	9
1.1.3	The role of modern contract manager	12
1.1.4	Smart Tools & Strategic Techniques	14
1.1.5	Emerging Opportunities	19
1.2	Concept of defence PSU contract	21

	PAGE
1.3 Defence PSUs & Private Sector – Larsen and Toubro (L&T), Tata Defence Product Design, Development and Manufacturing, Kalyani Group, Hinduja Group - Ashok Leyland Defence & Alfa Design Technologies Pvt. Ltd. Bangalore	24
1.4 Pitfall of Manufacturing Organisation	35

2

GLOBAL AEROSPACE & DEFENCE COMPANIES – PERSPECTIVE

2.1 Introduction	38
2.2 Post Covid Situation	38
2.3 Defence expenditure scenario	39
2.4 Strategic Partnerships	41
2.5 Providing the right market Dynamics	42

3

TECHNOLOGY INNOVATIONS AND DEFENCE INDUSTRY IN AEROSPACE

3.1 Background	47
3.2 Big data	50
3.2.1 Big Data and analytics	50
3.2.2 Simulation	51
3.3 Future of Manufacturing in Aerospace and Defence	53
3.3.1 Additive Manufacturing (AM)	53
3.3.2 Computerised maintenance system	54
3.3.3 Repair technology	54
3.3.4 Skill Set – No Substitute to Trained Manpower	54

4

MAINTENANCE, REPAIR AND OVERHAUL (MRO) – AN EFFECTIVE SUPPORT SYSTEM FOR AEROSPACE

4.1 Civil Aircraft Maintenance Repair & Overhaul (MRO) and Development of Aero Engines	55
4.2 MRO Industry: Description and Structure	55

	PAGE
4.2.1 'O' Level: O level maintenance covers unit and field repairs at the 1st and 2nd level	57
4.2.2 'T' Level Maintenance	57
4.2.3 'D' Level Maintenance	57
4.3 Existing Infrastructure	59
4.4 Estimated Investment for MRO Industry	63
4.5 Challenges Faced by MRO Industry	65
4.6 Establishment of an Aero-Engine HUB in India for Manned and Unmanned Aircraft	67

5

AEROSPACE MANUFACTURING – A RITE OF PASSAGE OVER 5 DECADES

5.1 Introduction	82
5.2 Manufacturing of Aircraft (HAL) – Technical Issues & Solutions	83
5.3 A Word of Guidance from Aerospace Luminaries	91

PART II

DEFENCE CONTRACTS AND CURRENT SCENARIO

6

CONTRACT MANAGEMENT IN DEFENCE PSU'S

6.1 Issue in defence contracts in India	95
6.2 Administration of defence contracts	97
6.3 Defence expenditure of India	114
6.4 Contribution of DPSU's to the defence requirements of the country	122
6.5 "Lease financing" in defence contract	129
6.5.1 Finance Lease	132
6.5.2 Operating Lease	133
6.5.3 Pros and cons of Leasing	134
6.5.4 Leasing by the Armed Forces	135

	PAGE
6.6 Offsets	136
6.6.1 Definition	136
6.6.2 Offset Feature, policy & Objective	137
6.6.3 Offsets – Avenues	139
6.6.4 India’s journey in Offsets - The full circle	144
6.6.5 Best Practises followed by other countries	152
6.7 United nations convention on contracts for the International Sale of Goods	156
6.7.1 Introduction	156
6.7.2 Practical CISG Issues for Purchasers	156
6.7.3 Practical Issues in Implementation of CISG	157
6.7.4 Passing of Risk in International Contracts of Sale of Goods between the United Nations Convention on Contracts for Sale of Goods 1980 (CISG) and the English Sale of Goods Act, 1979 (SGA)	158

7

RELATED ISSUES IN DEFENCE CONTRACT MANAGEMENT

7.1 Sanctions by foreign Government	161
7.1.1 Introduction	161
7.1.2 Implementation of Sanctions in the Indian Context	161
7.1.3 Consideration of Sanctions under Indian Foreign Policy	162
7.1.4 Sanctions on India	162
7.2 Obsolescence Management	163
7.2.1 Introduction	163
7.2.2 Obsolescence Mitigation Measures	164
7.2.3 Obsolescence Forecasting	165
7.3 International contracts and related issues	165
7.3.1 Introduction	165
7.3.2 The Legal Dimension of International Trade	165
7.3.3 Cultural dimension in International Contracts	166
7.3.4 Contractual Disputes	167
7.3.5 Major issues in Negotiating Cross Border Contracts	167

	PAGE	
7.4	Price Escalation	169
7.4.1	Introduction	169
7.4.2	Consideration of Price Variation	170
7.4.3	Consideration of Price Overheads & Profits	170
7.4.4	Mechanism for Computation of Price Variation	170
7.5	Integrity Pact	171
7.5.1	Introduction	171
7.5.2	The Mechanism	171
7.5.3	What are the essential ingredients of IP?	171
7.5.4	Terms of contract	172
7.5.5	Penalties	172
7.5.6	IP's Advantages	172
7.5.7	IP's challenges in its Implementation in general, not limited to DAP - 2020	173
7.5.8	Observations	173
7.5.9	Integrity Pact with Government Departments	174
7.6	Technology Transfer	174
7.6.1	Introduction	174
7.6.2	Technology Inflow Routes	175
7.6.3	Issues and Challenges associated with Technology Transfer	177
7.7	Commercial, legal and financial issues	178

PART III

GOVERNMENT CONTRACTS IN LARGE-SCALE INDUSTRIES/MSME

8

CONTRACT MANAGEMENT AND PRACTICE

8.1	Impact assessment for variation between contractual payment terms and release of actual payments by services	185
8.2	Suggested contractual terms and conditions (as devised by author while a member in related committee)	187
8.3	Practical life examples/case studies/contract management and practice – An appreciation	188

9**LEGAL PERSPECTIVE**

9.1	Introduction	206
9.1.1	Inter-Dependence of Indian Contract Act, 1872 (ICA) & Sale of Goods Act, 1930 (SGA)	208
9.1.2	Does Indian law recognize transactions carried out electronically?	210
9.2	Basics/Essential of Contracts	210
9.2.1	Intention to create legal relations	211
9.2.2	The nature of the obligation	211
9.2.3	Nature and Contractual Obligation	211
9.2.4	Classification or Types of Contracts	212
9.2.5	Does a contract have to be in writing?	213
9.2.6	The Parties	214
9.2.7	Privity of Contract	214
9.2.8	Recitals	215
9.3	Main Commercial terms in Contracts	215
9.3.1	Elements of a Contract	215
9.3.2	Reality of Consent	219
9.4	Key differences between specific contract provisions	222
9.4.1	Limitation of Liability (Section 73 of ICA refers to)	222
9.4.2	Liquidated Damages (Section 74 of ICA refers to)	222
9.4.3	Agents and Distributors	222
9.4.4	Intellectual Property Rights Protection	222
9.4.5	IPR	223
9.4.6	Patenting Strategy	225
9.4.7	Confidential Information and Trade Secrets	226
9.5	Dealing with Government Contracts (Central/State)	226
9.5.1	Government Contracts	226
9.5.2	Position in India	226
9.5.3	'Contracts' and 'Government Contracts'	226
9.5.4	Formation of Government Contracts	227
9.5.5	Judicial Review in Contractual Matters	233

	PAGE	
9.6	Grey areas of Indian Contract Act, 1872 (ICA) provisions	243
9.7	Enforceability of non-compete clause in India	247
9.8	Arbitration/dispute resolution issues	247
9.8.1	Non-arbitrability – Meaning, explanation & discussion	247
9.8.2	Relief under Arbitration and Conciliation Act, 1996 <i>vis-a-vis</i> the Jurisdiction of Specialised Tribunals	264
9.8.3	Non-Arbitrability : Meaning, Concept & Application	267
9.8.4	International Commercial Arbitration	274
9.9	Non-disclosure agreement – Applicability of laws of different countries	280
9.9.1	Introduction	280
9.9.2	What is a ‘Trade Secret’?	284
9.9.3	Trade Secrets in Different ASEAN Member Countries	288

10

LESSONS FOR FUTURE

10.1	Public/Private Collaboration	290
10.2	MSME	290
10.3	Atmanirbhar Bharat	291
10.4	Contracts for new products/equipments even for future technologies	291

11

FINDINGS OF AUTHOR’S RESEARCH WORK ON THE RELATED AREA

11.1	Synopsis	295
11.2	Main Findings	296
11.3	Contract Management and Practice - A review	302
	Source of Data	340