

**GOVERNMENT OF INDIA
DEPARTMENT OF DEFENCE PRODUCTION
MINISTRY OF DEFENCE**

**Scheme for
Innovations for Defence Excellence (iDEX)**

**Defence Innovation Organisation (DIO)
Department of Defence Production
Ministry of Defence
New Delhi**

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Scheme for Innovations for Defence Excellence (iDEX)

1. Background

A special effort was required to reach out and engage the smaller enterprises, startups and innovators, which have the competence, flexibility and adaptability to supply the Indian military with innovative and ingenious technological solutions. In order to operationalize and institutionalize this effort, the Innovations for Defence Excellence (iDEX) framework was formulated and approved by the Ministry of Defence. In order to implement the iDEX framework, Defence Innovation Organization (DIO) was set up as a Section 8 Company. iDEX was formally launched during DefExpo 2018 by the Hon'ble Prime Minister.

iDEX–DIO with the primary objective of self-reliance and indigenization in Defence & aerospace sector of the country bolsters the “Atmanirbhar Bharat Abhiyan” of the Government. Moreover, iDEX-DIO is relevant to further the objectives laid out for this Department under the “Atmanirbhar Bharat” package, mainly self-reliance in Defence Production and reduction in Defence Import Bill.

2. The scheme

A scheme of the Department of Defence Production, Ministry of Defence, to be implemented through DIO, with budgetary support of Rs. 498.8 crore for the next 5 years from 2021-22 to 2025-26 to provide financial support to nearly 300 startups/ MSMEs/ individual innovators and about 20 partner incubators under the DIO framework in consultation with other stakeholders including DST.

3. Objectives

Defence Innovation Organization (DIO) aims at creation of an ecosystem to foster innovation and technology development in Defence and Aerospace by engaging Industries including MSMEs, startups, individual innovators, R&D institutes and academia and provide them grants/funding and other support to carry out R&D development which has good potential for future adoption for Indian defence and aerospace needs.

The core objectives of the scheme are:

- a. Facilitate rapid development of new, indigenized, and innovative technologies for the Indian defence and aerospace sector, to meet needs for these sectors in shorter timelines
- b. Create a culture of engagement with innovative startups, to encourage co-creation for defence and aerospace
- c. Empower a culture of technology co-creation and co-innovation within the defence and aerospace sectors

- d. Boost innovation among the start-ups and encourage them to be a part of Indian defence and aerospace ecosystem.

4. Implementation

4.1 The Defence Innovation Organization with its team will enable the creation of channels for innovators to engage and interact with the Indian defence production industry. The long-term effect to be realized by the group is the establishment of a culture, where enlisting the effort of innovators by the Indian military is commonplace and frequent.

4.2 Department of Defence Production (DDP) will release funds to DIO for undertaking the following activities: -

- i. Setting up and managing the iDEX network in the form of Partner Incubators.
- ii. Communicating with innovators/start-ups/technology centres of MSMEs through the Partner Incubators (PIs) including the PIs of Department of Science and Technology regarding defence and aerospace needs.
- iii. Organizing various challenges/ hackathons to shortlist potential technologies and entities for defence and aerospace use.
- iv. Evaluating technologies and products coming from innovators/ startups in terms of their utility and impact on the Indian defence and aerospace setup.
- v. Enabling and funding pilots using innovation funds dedicated to the purpose.
- vi. Interfacing with the military (Army/Navy/Airforce) top brass about key innovative technologies and encouraging their adoption into the defence establishment with suitable assistance (financial, if required).
- vii. Facilitating scale-up, indigenization and integration in manufacturing facilities for successfully piloted technologies.
- viii. Organising outreach activities all across the country.
- ix. Any other activity required to promote the objectives of the scheme.

5. Quantum and Nature of Financial Assistance

5.1 At the beginning of the financial year DDP will release the funds to DIO through PFMS.

5.2 The funds will be utilised by DIO as follows:

- i. Applicants showing capability, intent, and promise to be able to produce functional prototypes or to productize existing technologies will be awarded

maximum grants of up to Rs. 1.5 crores per applicant, strictly on a milestone basis and starting, in the form of grant/equity/debt/other relevant structures.

- ii. The exact amount and mode of each grant shall be decided by a high-powered committee based on the application, as per the prevailing scheme. In special cases, if deemed necessary by the high-powered committee, the funding amount may be increased beyond the prescribed limit, on a case by case basis. (refer Annexure A)

5.3 Innovation activities like accelerator programs, challenges, etc. will be carried by the iDEX Partners along with their outreach and candidate sourcing.

- i. These programs will target locations or clusters focused around specific military platforms, components, or requirements as decided in consultation with the iDEX (DIO) team.
- ii. If the proposed program is deemed worthwhile by the iDEX team, it will disburse funding of up to 40 lakhs depending on the activity.
- iii. There will be no establishment funding provided to any DIO-affiliated incubators; only programs will be funded. (refer Annexure B)

6. Eligible Organisations/ Beneficiaries

6.1 To avail the grants under Support for Prototype and Research Kickstart (SPARK) the eligibility is as follows:

- i. Startups, as defined and recognized by Department of Industrial Policy Promotion (DIPP), Ministry of Commerce and Industry, Government of India.
- ii. Any Indian company incorporated under the Companies Act 1956/2013, primarily a Micro, Small and Medium Enterprises (MSME) as defined in the MSME Act, 2006.
- iii. Individual innovators are also encouraged to apply (research & academic institutions can use this category to apply)

6.2 To avail the grants as iDEX Partners the eligibility is as follows:

- i. The applicant incubator should be registered in India as a legal entity in public, private or public – partnership mode, and should have received establishment or grant support from a government of India ministry/department in the past.
- ii. The incubator must have been in operation for a minimum of 3 years before application for affiliation with DIO, and experience of having supported at least 25 startups.

- iii. It should have successfully graduated at least 5 startups in the past 3 years that are running as 'a going concern' as of the date of application for affiliation with DIO.
 - a. A startup's graduation is to be defined as any of the following: (a) having raised a series A round of at least Rs 1 crore, valuing the firm at least Rs 10 crore; (b) or acqui-hired by another large company, at a valuation of at least Rs 10 crore; (c) a viable firm with at least Rs 5 crore in annual revenue, or (d) employee 20 full time-equivalent staff.
 - b. Experience of having supported defence or aerospace related startups will be given extra consideration.
- iv. It should have at least 25 mentors for startups affiliated with it, at least 5 of whom should have some connection with the defence or aerospace domain.
- v. Experience of having run sector-focused accelerator programs in at least two sectors, with investable startups having come out of each of them.
- vi. Experience of having partnered with academia and research sector
- vii. Extensive corporate, investor, academic, vendor, mentor and government relationships to support start-ups.

7. Scheme Components and Cost

7.1 The scheme with budgetary support of Rs. 498.8 crore for the next five years (from 2021-22 to 2025-26) is aimed at providing financial support to nearly 300 startups/ MSMEs/ individual innovators and 20 partner incubators under the DIO framework in consultation with other stakeholders including DST.

7.2 The component wise cost for five years (FY 2021-22 to FY 2025-26) would be as follows:

S.N o.	Component	Outlayfor five years (FY 2021-22 to FY 2025-26)
1	Grants to iDEX winners (to selected entities via challenges like the Defence India Startup Challenge)	Rs 450 crore
2	Partner Incubators	Rs 29.6 crore
3	DIO internal operations (Administrative and Management cost, Monitoring & Evaluation etc)	Rs 19.18 crore
	Total	Rs 498.8 Cr

7.3 Year-wise and component-wise cost details are mentioned below.

Financial Year	No of iDEX winners to be awarded SPARK grants in each year	Budget required for SPARK grants (Rs crore)	No of Partner incubators (active Pls = 9; assuming - a maximum of 3 new partner incubators added each year)	Budget Required for Pls (Rs crore)	Budget required for DIO internal operations (4%) (Rs crore)	Total Budget required each year for iDEX winners and Pls (Rs crore)
(a)	(b)	(c)	(d)	(e)	(f)	(g)=(c)+(e)+(f)
FY 21-22	40	60	9	3.60	2.54	66.10
FY 22-23	40	60	12	4.80	2.59	67.40
FY 23-24	60	90	15	6.00	3.84	99.80
FY 24-25	70	105	18	7.20	4.49	116.70
FY 25-26	90	135	20	8.00	5.72	148.70
Total for 5 years	300	450	20	29.60	19.18	498.80

7.4 iDEX will operate through the budgetary support by the Department of Defence Production, Ministry of Defence through channelization of resources. The Ministry of Finance will allocate the budget head as well as the resources for iDEX on a yearly basis as per the above table. The iDEX processes as per the existing guidelines will continue. To oversee the utilization of funds by DIO, guidelines will be continually updated by DIO as per the need to bring more stringency in due-diligence and financial compliance.

8. Procedure for selection

- i. Defence India Startup Challenge (DISC) with problem statements from Armed Forces, DPSUs, OFB and from any other agency under MoU with DIO are launched under iDEX and applications are invited from startups/ MSMEs/ individual innovators.
- ii. The received applications will be screened by a duly constituted high-powered committee of defence, technology, and innovation deployment experts for screening and selection of applications for the Defence India Startup Challenge (for more details refer Annexure A)
- iii. The scheme is continually monitored by DDP through the DIO team with DIO Board at the helm, under which CEO is authorized for disbursement of funds and all such acts, deeds & things as may be necessary.

- iv. Existing technology centres and tool rooms under the Ministry of MSME could be leveraged for project/product development and rapid prototyping of the prototypes of the startups.
- v. The disbursement of grants to the winners of iDEX challenges is based upon the set guidelines under iDEX. These guidelines stipulate payment in tranches based on milestones.
- vi. An elaborate monitoring mechanism exists as per the guidelines to oversee the utilization of funds/grants to the startups/ incubators. The C&AG audit of DIO is being conducted at the end of each year thus providing sufficient check on behalf of the Government.

9. Expected outcomes

The expected benefits from the proposed scheme are:

- i. Fostering innovation and technology development in Defence by engaging R&D institutes, academia, industries, startups and individual innovators.
- ii. Increased awareness in the Indian innovation ecosystem about defence needs and, conversely, in the Indian defence establishment about the potential of the Indian innovation eco-system to deliver innovative solutions to meet their needs. An indirect measure of this is the increase in Suo-moto proposals for the Make-II scheme of the Defence Procurement Procedure.
- iii. Expansion of MSME and start-ups base by extending financial support will be provided to nearly 300 startups/ MSMEs/ individual innovators and 20 partner incubators under the DIO framework in consultation with other stakeholders including DST.
- iv. At least 60 solutions will be taken up for Productionization by creating a linkage between the Start-up and the industry, including both in public as well as private sector.

10 Monitoring & evaluation

- i. Continuous monitoring will be taken by DDP & DIO team.
- ii. Third party monitoring would also be taken up.
- iii. The scheme will be evaluated in fourth year of its implementation through an independent agency.
