

GUIDANCE NOTE ON LOCAL CONTENT IN MANUFACTURING/PRODUCTION & SUPPLY OF GOODS AND SERVICES



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March, 2021

DISCLAIMER

This Guidance Note has been designed to assist the manufacturers, producers, suppliers, auditors, practicing professionals and other stakeholders for better understanding of the provisions relating to Public Procurement (Preference to Make in India) Order 2017. The members should utilize this guide in light of his/her professional judgement and facts and circumstances involved in each particular case of verification/certification of local/indigenous content in the supply of goods, services and works.

The Technical Cell, the Professional Development Committee and the Council of the Institute disclaims any responsibility or liability that may occur, directly or indirectly, as consequence of the use and application of this Guidance Note.

IMPORTANT ADVISORY

Before providing any certificate, all manufacturers, producers, suppliers, auditors, practicing professionals and other users are advised to first refer to the concerned Nodal Ministry/ Department's website for any update or modification of the previous orders/ notifications.

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GUIDANCE NOTE ON LOCAL CONTENT IN MANUFACTURING/ PRODUCTION & SUPPLY OF GOODS AND SERVICES

CHAPTER –1

INTRODUCTION

BACKGROUND

Hon'ble Prime Minister, Shri Narendra Modi launched the "**Make in India**" initiative on September 25, 2014, with the primary goal of making India a global manufacturing hub, by encouraging both multinational as well as domestic companies to manufacture their products in India and incentivize with dedicated investments into manufacturing. It had three stated objectives:

- (a) to increase the manufacturing sector's growth rate to 12-14% per annum;
- (b) to create 100 million additional manufacturing jobs in the economy; and
- (c) to increase the manufacturing sector's contribution to GDP to 25% by 2022 [later changed to 2025].

As part of this program, the Department of Promotion of Industry and Internal Trade (DPIIT) (earlier known as Department of Industrial Policy and Promotion), Ministry of Commerce and Industry, Government of India introduced multiple new initiatives, promoting foreign direct investment, implementing intellectual property rights and developing the manufacturing sector.

The 'Make in India' targets 25 sectors of the economy, which range from automobile to Information Technology (IT) & Business Process Management (BPM). It also seeks to facilitate job creation, foster innovation, enhance skill development and protect intellectual property. The logo of 'Make in India' – a lion made of gear wheels – itself reflects the integral role of manufacturing in government's vision and national development. The initiative is built on four pillars:

1. New Processes
2. New Infrastructure
3. New Sectors
4. New Mindset

India's rise in the World Bank's Ease of Doing Business Index & Logistics Performance Index, and World Economic Forum's Global Competitiveness Index, are visible indicators of strengthening its position in the manufacturing sector. Number of flagship schemes such as Bharatmala, Sagarmala, Dedicated Freight Corridors, Industrial corridors, UDAN-RCS, Bharat Broadband Network, Digital India, etc. are steps in that direction and supplemented government's major initiative of improving the country's share in global production of goods and services. Since the launch of Make in India, FDI inflows have shown tremendous increase.

DPIIT announcement of Public Procurement (Preference to Make in India), Order 2017 on June 15, 2017 was aimed to encourage 'Make in India'. In the Preamble of this Order, it is said,

- **Whereas** it is the policy of the Government of India to encourage 'Make in India' and promote manufacturing and production of goods and services in India with a view to enhancing income and employment, and
- **Whereas** procurement by the Government is substantial in amount and can contribute towards this policy objective, and
- **Whereas** local content can be increased through partnerships, cooperation with local companies, establishing production units in India or Joint Ventures (JVs) with Indian suppliers, increasing the participation of local employees in services and training them.

OBJECTIVES

The Objectives of this Guidance Note are:

- To explain various contours of Public Procurement (Preference to Make in India), Order 2017, as amended till date;
- To make available, at one place, various Orders, Circulars, Notifications, Guidelines, etc. issued by different Ministries/ Departments of Government of India on the subject of promoting local/indigenous content in the manufacturing/production of goods & services in India and to grant purchase preference in all public procurements to the manufacturers/producers having high local/indigenous content;

- To explain various terminologies used in the policy relating to public procurement;
- To explain what constitutes imported content in the manufacturing & supply of goods and services;
- To explain the methodology & working for computation of local/indigenous content in the manufacturing/production of goods & services;
- To explain the requirements of certification of local/indigenous content at various stages of bidding and supply; and
- To make available various formats for local/indigenous content's computations and certifications.

SCOPE

This Guidance Note has been designed to assist the following for better understanding of the provisions relating to Public Procurement (Preference to Make in India), Order 2017; requirements of local/indigenous content in the manufacturing/ production of goods & services in India; and policy of purchase preference in public procurements.

- Cost & Management Accountants in public practice or in service,
- Chartered Accountants in public practice or in service,
- Other practicing professionals,
- Public procurement authorities,
- Various entities engaged in the manufacture & supply of goods and services, and
- all other stakeholders

The users should utilize this guide in light of their professional judgement and facts and circumstances involved in each particular case of providing certification for local/indigenous content in the manufacturing/production of goods & services, at various stages of bidding and supply.

CHAPTER -2

GENERAL FINANCIAL RULES

Note: Reference to General Financial Rules (GFR) in this Guidance Note is important as the Public Procurement (Preference to Make in India), Order 2017 contain number of clauses that refer to the provisions made under various Rules of GFR, 2017.

GENERAL FINANCIAL RULES

General Financial Rules (GFRs) are a compilation of rules and orders of Government of India to be followed by all Ministries/ Departments, government organizations, public authorities/agencies, central government companies/corporations, autonomous bodies, and public entities while dealing with matters involving public finances. These rules and orders are treated as executive instructions to be observed by all Departments and Organisations under the Government and specified Bodies except otherwise provided for in these Rules.

General Financial Rules were issued for the first time in 1947 bringing together in one place all the then existing orders and instructions pertaining to financial matters. These have subsequently been modified and issued as GFRs 1963 and GFRs 2005.

GENERAL FINANCIAL RULES, 2017

In February 2017, Department of Expenditure, Ministry of Finance, Government of India issued General Financial Rules, 2017. Relevant Rules of this GFR referred to in the *Public Procurement (Preference to Make in India), Order 2017* have been reproduced below.

Rule 130 - Original works

Original works means all new constructions, site preparation, additions and alterations to existing works, special repairs to newly purchased or previously abandoned buildings or structures, including re-modelling or replacement.

Minor works mean works which add capital value to existing assets but do not create new assets.

Repair works means works undertaken to maintain building and fixtures. Works will also include services or goods incidental or consequential to the original or repair works.

Rule 151 - Debarment from bidding

- (i) A bidder shall be debarred if he has been convicted of an offence —
 - (a) under the Prevention of Corruption Act, 1988; or
 - (b) the Indian Penal Code or any other law for the time being in force, for causing any loss of life or property or causing a threat to public health as part of execution of a public procurement contract.
- (ii) A bidder debarred under sub-section (i) or any successor of the bidder shall not be eligible to participate in a procurement process of any procuring entity for a period not exceeding three years commencing from the date of debarment. Department of Commerce (DGS&D) will maintain such list which will also be displayed on the website of DGS&D as well as Central Public Procurement Portal.
- (iii) A procuring entity may debar a bidder or any of its successors, from participating in any procurement process undertaken by it, for a period not exceeding two years, if it determines that the bidder has breached the code of integrity. The Ministry/Department will maintain such list which will also be displayed on their website.
- (iv) The bidder shall not be debarred unless such bidder has been given a reasonable opportunity to represent against such debarment.

Rule 153 - Reserved Items and other Purchase/Price Preference Policy

- (i) The Central Government, through administrative instructions, has reserved all items of hand spun and hand-woven textiles (khadi goods) for exclusive purchase from Khadi Village Industries Commission (KVIC). It has also reserved all items of handloom textiles required by Central

Government departments for exclusive purchase from KVIC and/or the notified handloom units of Association of Corporations and Apex Societies of Handlooms (ACASH).

- (ii) Ministry of Micro, Small and Medium Enterprises (MSME) have notified procurement policy under section 11 of the Micro, Small and Medium Enterprises Development Act, 2006.
- (iii) The Central Government may, by notification, provide for mandatory procurement of any goods or services from any category of bidders, or provide for preference to bidders on the grounds of promotion of locally manufactured goods or locally provided services.

Rule 161 - Advertised Tender Enquiry

- (i) Subject to exceptions incorporated under Rule 154, 155, 162 and 166, invitation to tenders by advertisement should be used for procurement of goods of estimated value of Rs. 25 lakh (Rupees Twenty Five Lakh) and above. Advertisement in such cases should be given on Central Public Procurement Portal (CPPP) at www.eprocure.gov.in and on GeM. An organisation having its own website should also publish all its advertised tender enquiries on the website.
- (ii) The organisation should also post the complete bidding document in its website and on CPPP to enable prospective bidders to make use of the document by downloading from the website.
- (iii) The advertisements for invitation of tenders should give the complete web address from where the bidding documents can be downloaded.
- (iv) In order to promote wider participation and ease of bidding, no cost of tender document may be charged for the tender documents downloaded by the bidders.
- (v) Where the Ministry or Department feels that the goods of the required quality, specifications etc., may not be available in the country and it is necessary to also look for suitable competitive offers from abroad, the Ministry or Department may send copies of the tender notice to the Indian Embassies abroad as well as to the foreign Embassies in India. The

selection of the embassies will depend on the possibility of availability of the required goods in such countries. In such cases e-procurement as per Rule 160 may not be insisted.

- (vi) Ordinarily, the minimum time to be allowed for submission of bids should be three weeks from the date of publication of the tender notice or availability of the bidding document for sale, whichever is later. Where the Department also contemplates obtaining bids from abroad, the minimum period should be kept as four weeks for both domestic and foreign bidders.

Rule 175 (1) - Code of Integrity

No official of a procuring entity or a bidder shall act in contravention of the codes which includes

- (i) prohibition of
 - (a) making offer, solicitation or acceptance of bribe, reward or gift or any material benefit, either directly or indirectly, in exchange for an unfair advantage in the procurement process or to otherwise influence the procurement process.
 - (b) any omission or misrepresentation that may mislead or attempt to mislead so that financial or other benefit may be obtained or an obligation avoided.
 - (c) any collusion, bid rigging or anticompetitive behavior that may impair the transparency, fairness and the progress of the procurement process.
 - (d) improper use of information provided by the procuring entity to the bidder with an intent to gain unfair advantage in the procurement process or for personal gain.
 - (e) any financial or business transactions between the bidder and any official of the procuring entity related to tender or execution process of contract; which can affect the decision of the procuring entity directly or indirectly.

- (f) any coercion or any threat to impair or harm, directly or indirectly, any party or its property to influence the procurement process.
- (g) obstruction of any investigation or auditing of a procurement process.
- (h) making false declaration or providing false information for participation in a tender process or to secure a contract;
- (ii) disclosure of conflict of interest.
- (iii) Disclosure by the bidder of any previous transgressions made in respect of the provisions of sub-clause (i) with any entity in any country during the last three years or of being debarred by any other procuring entity.

CHAPTER –3

DEFINITIONS

DEFINITIONS AS PER PUBLIC PROCUREMENT ORDER

In the Public Procurement (Preference to Make in India), Order 2017, certain terms have been defined as under:

- "*Local content*" means the amount of value added in India which shall, unless otherwise prescribed by the Nodal Ministry, be the total value of the item procured (excluding net domestic indirect taxes) minus the value of imported content in the item (including all custom duties) as a proportion of the total value, in percent.
- "*Class-I local supplier*" means a supplier or service provider, whose goods, services or works offered for procurement, meets the local content as prescribed for 'Class-I local supplier' under this Order.
- "*Class-II local supplier*" means a supplier or service provider, whose goods, services or works offered for procurement, meets the local content as prescribed for 'Class-II local supplier' but less than that prescribed for 'Class-I local supplier' under this Order.
- "*Non-Local supplier*" means a supplier or service provider, whose goods, services or works offered for procurement, has local content less than that prescribed for 'Class-II local supplier' under this Order.
- "*L1*" means the lowest tender or lowest bid or the lowest quotation received in a tender, bidding process or other procurement solicitation as adjudged in the evaluation process as per the tender or other procurement solicitation.
- "*Margin of purchase preference*" means the maximum extent to which the price quoted by a "Class-I local supplier" may be above the L1 for the purpose of purchase preference.
- "*Nodal Ministry*" means the Ministry or Department identified pursuant to this order in respect of a particular item of goods or services or works.

- "*Procuring entity*" means a Ministry or Department or attached or subordinate office of, or autonomous body controlled by, the Government of India and includes Government companies as defined in the Companies Act.
- "*Works*" means all works as per Rule 130 of GFR, 2017 and will also include "*turnkey works*".

Note: For the purpose of this Order, works includes Engineering, Procurement and Construction (EPC) contracts and services includes System Integrator (SI) contracts.

LOCAL CONTENT AS PER MINISTRY OF DEFENCE

Ministry of Defence (MoD) is one of the major public procurement authorities. To streamline its procurements, MoD has issued a comprehensive document titled "Defence Procurement Procedure (DPP)". DPP has been revised from time-to-time and last one is DPP-2016. Draft DPP-2020 was uploaded for public comments in March, 2020. Later, based on the views/comments received and internal review, the DPP has been renamed as 'Defence Acquisition Procedure (DAP) 2020' and again uploaded on July 27, 2020 soliciting public comments on the amended draft by August 10, 2020. Based of the views/comments received, final document titled DAP 2020 was issued on September 30, 2020.

In place of the term 'Local Content (LC)' used in Public Procurement (Preference to Make in India), Order 2017, DAP uses the term Indigenous Content (IC). DAP 2020 has defined Indigenous Content as under:

- For the purpose of the DAP, Indigenous Content (IC) for acquisition case shall be arrived at based on the Base Contract Price (i.e. the Total Contract Price less taxes and duties) of that equipment/item by excluding the following elements of manufacturing/production/assembly:-
 - (a) Direct costs (including Custom Duties, Freight/transportation and insurance) of all materials, components, sub-assemblies, assemblies and products imported into India.
 - (b) Direct and Indirect costs of all services obtained from non-Indian entities/citizens.

- (c) All license fees, royalties, technical fees and other fees/payments of this nature paid out of India, by whatever term/phrase referred to in contracts/agreements made by vendors/sub-vendors.

DEFINITIONS AS PER MINISTRY OF PETROLEUM & NATURAL GAS

Ministry of Petroleum and Natural Gas vide their Letter No. O-27011/44/2015-ONG-II/FP dated 25.04.2017 addressed to all Government companies, regulatory bodies, autonomous authorities, attached & subordinate offices & other public institutions under its control issued Policy to provide Purchase Preference (linked with local content) (PP-LC) in all Public Sector Undertakings under the M/o P&NG. This Policy was first revised vide letter no. FP-20013/2/2017-FP-PNG dated 07.10.2019 and again revised vide letter of even number dated 17.11.2020. In this policy document, certain terms have been defined as under.

- **Oil and Gas Business Activity** shall comprise of Upstream, Midstream and Downstream business activities.
- **Domestic products** shall be goods and/or service (including design and engineering), produced by companies, investing and producing in India.
- **Local Content** hereinafter abbreviated to LC means the amount of value added in India which shall, unless otherwise prescribed by the Nodal Ministry, be the total value of the item procured (excluding net domestic indirect taxes) minus the value of imported content in the item (including all customs duties) as a proportion of the total value, in percent.
- **Domestic Manufacturer** shall be business entity or individual having business activity established under Indian law and producing products domestically.
- **Supplier** of goods and/or provider of service shall be a business entity having capability of providing goods and/or service in accordance with the business line and qualification thereof and classified as under:

'Class-I local supplier' means a supplier or service provider, whose goods, services or works offered for procurement, has local content equal to or more than 50% as defined under this Policy.

'Class-II local supplier' means a supplier or service provider, whose goods, services or works offered for procurement, has local content more than 20% but less than 50%, as defined under this Policy.

'Non-local supplier' means a supplier or service provider, whose goods, services or works offered for procurement, has local content less than or equal to 20% as defined under this Policy.

- **Steering Committee** means the committee to be constituted by MoPNG to provide effective guidance and to oversee the implementation of the Policy on a regular and continuing basis.
- **Verification** shall be an activity to verify the accomplishment of LC by domestic manufacturers and/or suppliers of goods and/or providers of service with the data obtained or collected from respective business activities.
- **Purchase preference:** Where the quoted price is within the margin of purchase preference of the lowest price, other things being equal, purchase preference may be granted to the bidder concerned, at the lowest valid price bid.
- **Local Content (LC)** in Goods shall be the use of raw materials, design and engineering towards manufacturing, fabrication and finishing of work carried out within the country.
- **Local Content (LC)** in Services shall be the use of services upto the final delivery by utilizing manpower (including specialist), working appliance (including software) and supporting facilities carried out within the country.
- **Local Content (LC)** in EPC contracts shall be the use of materials, design and engineering comprising of manufacturing, fabrication, assembly and finishing as well as the use of services by utilizing manpower (including specialist), working appliance (including software) and supporting facility upto the final delivery, carried out within the country.
- **Factory overhead cost** shall be indirect costs of manpower, machine/working appliance/facility and the whole other fabrication costs needed to produce a unit of product with the cost not chargeable directly to specified product.

- **Company overhead cost** shall be costs related to the marketing, administration and general affairs cost of the company.
- **Indian Company** means a company formed and registered under the Companies Act, 2013.
- **Foreign Company** means any company or body corporate incorporated outside India which – (a) has a place of business in India whether by itself or through an agent, physically or through electronic mode; and (b) conducts any business activity in India in any other manner.

DEFINITIONS AS PER MINISTRY OF STEEL

Ministry of Steel vide Notification No. G.S.R. 451(E) dated 08.05.2017, issued a Policy for providing preference to domestically manufactured iron & steel products in Government procurement. This Policy was revised vide Notification No. G.S.R. 385(E) dated 29.05.2019. In this policy document, certain terms have been defined as under.

- **Bidder** may be a domestic/ foreign manufacturer of iron & steel or their selling agents/ authorized distributors/ authorized dealers/ authorized supply houses or any other company engaged in the bidding of projects funded by Government agencies.
- **Domestically Manufactured Iron & Steel Products (DMI&SP)** are those iron and steel products which are manufactured by entities that are registered and established in India, including in Special Economic Zones (SEZs). In addition, such products shall meet the criteria of domestic minimum value addition as mentioned in Appendix-A.
- **Domestic Manufacturer** is a manufacturer of iron and steel products conforming to guidelines in section 7 and confirming to the definition of 'manufacture' as per Central Excise Act.
- **Net Selling Price** shall be the invoice price excluding net domestic taxes and duties.
- **L1** means the lowest tender or the lowest bid or the lowest quotation received in a tender, bidding process or other procurement solicitation as

adjudged in the evaluation process as per the tender or other procurement solicitation.

- **Margin of purchase preference** means the maximum extent to which the price quoted by a domestic supplier may be above L1 for the purpose of purchase preference. In case of DMI&SO policy, the margin of purchase preference shall be 20% for items in Appendix B.
- **Domestic value addition** shall be the net selling price (invoiced price excluding net domestic taxes and duties) minus the landed cost of imported input materials at the manufacturing plant in India (including all customs duties) as a proportion of the net selling price, in percent. The 'domestic value addition' definition shall be inline with the DPIIT (formerly DIPP) guidelines, and shall be suitably amended in case of any changes by DPIIT in the future. For the purpose of this policy document, domestic value addition and local content have been used interchangeably.

Note: Various orders/notifications issued by other nodal Ministries/ Departments also contain certain local terms, but none of these are useful for common understanding of the concept of local/indigenous content as perceived under the scheme envisaged in the Public Procurement (Preference to Make in India), Order 2017 issued by the DPIIT. These may, however, be referred to in the relevant order/ notification of each Ministry/ Department.

CHAPTER –4

PUBLIC PROCUREMENT ORDER

PUBLIC PROCUREMENT (PREFERENCE TO MAKE IN INDIA), ORDER 2017

Pursuant to Rule 153(iii) of GFR 2017, and to encourage 'Make in India' and to promote manufacturing and production of goods and services in India with a view to enhancing income and employment, Government of India, through the Department of Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, issued Public Procurement (Preference to Make in India), Order 2017 on June 15, 2017. It was first revised on May 28, 2018; then on May 29, 2019; and June 04, 2020 and latest on September 16, 2020. Copies of these orders are enclosed as Annexure-1 to 5. For sake of easy reference, the Order dated 16.09.2020 is also reproduced in the Appendix-I attached to this Chapter.

Salient features as per the last amended Order are as under.

***Note:** This is only gist of few relevant paras. For full reading of the document and in verbatim, please read the Orders reproduced in the Appendix-I. The document is also available at Annexure-5.*

1. **Eligibility for different types of procurement:** Eligibility for different types of procurement has been prescribed as under:
 - In procurement of all goods, services or works in respect of which the Nodal Ministry/ Department has communicated that there is sufficient local capacity and local competition, only "Class-I local supplier", as defined under the Order, shall be eligible to bid irrespective of purchase value.
 - Only "Class-I local supplier" and "Class-II local supplier", as defined under the Order, shall be eligible to bid in procurements undertaken by procuring entities, except when Global tender enquiry has been issued.
 - In global tender enquires, "Non-local suppliers" shall also be eligible to bid alongwith "Class-I local suppliers" and "Class-II local suppliers".

- In procurement of all goods, services or works, not covered above, and with estimated value of purchases less than Rs.200 crore, in accordance with Rule 161(iv) of GFR 2017, Global tender enquiry shall not be issued except with the approval of competent authority as designated by Department of Expenditure.
2. **Purchase Preference:** Subject to the provisions of this Order and to any specific instructions issued by the Nodal Ministry or in pursuance of this Order, purchase preference shall be given to "Class-I local supplier" in procurements undertaken by procuring entities in the manner specified here under.
- In the procurement of goods or works, which are divisible in nature, the "Class-I local supplier" shall get purchase preference as per the following procedure:
 - Among all qualified bids, the lowest bid will be termed as L1. If L1 is "Class-I local supplier", the contract for full quantity will be awarded to L1.
 - If L1 is not a "Class-I local supplier", 50% of the order quantity shall be awarded to L1. Remaining 50% or the quantity as accepted, shall be awarded to the lowest bidder among the "Class-I local supplier" at the L1 price, subject to his quoted price falling within the margin of purchase preference. This process shall be repeated and in case, some quantity is still left uncovered, then such balance quantity may also be ordered to the L1 bidder.
 - In the procurement of goods or works, which are not divisible in nature, and in procurement of services where the bid is evaluated on price alone, the "Class-I local supplier" shall get purchase preference as per the following procedure:
 - Among all qualified bids, the lowest bid will be termed as L1. If L1 is "Class-I local supplier", the contract will be awarded to L1.
 - If L1 is not a "Class-I local supplier", the contract shall be awarded to the lowest bidder among the "Class-I local supplier" at the L1

price, subject to his quoted price falling within the margin of purchase preference. This process shall be repeated and in case, none matches the L1 price, then the contract may be awarded to the L1 bidder.

- "Class-II local supplier" will not get purchase preference in any procurement undertaken by procuring entities.

3. Applicability in tenders where contract is to be awarded in multiple bidders – In tenders where contract is awarded to multiple bidders subject to matching of L1 rates or otherwise, the 'Class-I local supplier' shall get purchase preference over 'Class-II local supplier' as well as 'Non-local supplier', as per following procedure:

- In case there is sufficient local capacity and competition for the item to be procured, as notified by the nodal Ministry, only Class-I local suppliers shall be eligible to bid. As such, the multiple suppliers, who would be awarded the contract, should be all and only 'Class-I Local suppliers'.
- In other cases, 'Class-II local suppliers' and 'Non-local suppliers' may also participate in the bidding process along with 'Class-I Local suppliers' as per provisions of this Order.
- If 'Class-I Local suppliers' qualify for award of contract for at least 50% of the tendered quantity in any tender, the contract may be awarded to all the qualified bidders as per award criteria stipulated in the bid documents. However, in case 'Class I Local suppliers' do not qualify for award of contract for at least 50% of the tendered quantity, purchase preference should be given to the 'Class I local supplier'.;

4. Exemption of small purchases: Procurements where the estimated value to be procured is less than Rs.5 lakh shall be exempt from this Order.

5. Minimum local content: The 'local content' requirement to categorize a supplier as 'Class-I local supplier' is minimum 50%. For 'Class-II local supplier', the 'local content' requirement is minimum 20%. Nodal Ministry/ Department may prescribe only a higher percentage of minimum local content requirement to categorize a supplier as 'Class-I local supplier' / 'Class-

II local supplier'. For the items, for which Nodal Ministry/Department has not prescribed higher minimum local content notification under the Order, it shall be 50% and 20% for 'Class-I local supplier'/ 'Class-II local supplier' respectively.

6. **Margin of Purchase Preference:** The margin of purchase preference shall be 20%.

7. **Verification of local content:**

- The "Class-I local supplier"/"Class-II local supplier", at the time of tender, bidding or solicitation, shall be required to indicate percentage of local content and provide self-certification. They shall also give details of the location(s) at which the local value addition is made.
- In case of procurement of value in excess of Rs.10 crore, the "Class-I local supplier"/"Class-II local supplier" shall be required to provide a certificate from the statutory auditor or cost auditor of the company (in the case of companies) or from a practicing cost accountant or practicing chartered accountant (in respect of suppliers other than companies) giving the percentage of local content.
- Nodal Ministries may constitute committees, with internal & external experts, for independent verification of self-declarations and auditor's/accountant's certificate on random basis and in case of complaints.

8. **Reciprocity Clause:** When a Nodal Ministry/ Department identifies that Indian suppliers of an item are not allowed to participate and/or compete in procurement by any foreign government, due to restrictive tender conditions which have direct or indirect effect of barring Indian companies such as registration in the procuring country, execution of projects of specific value in the procuring country etc., it shall provide such details to all its procuring entities including CMDs/CEOs of PSEs/PSUs, State Governments and other procurement agencies under their administrative control and GeM for appropriate reciprocal action.

9. **Assessment of supply base by Nodal Ministries:** The Nodal Ministry shall keep in view the domestic manufacturing / supply base and assess the available capacity and the extent of local competition while identifying items and prescribing minimum local content or the manner of its calculation, with a view to avoiding cost increase from the operation of this Order.
10. **Increase in minimum local content:** The Nodal Ministry may annually review the local content requirements with a view to increasing them, subject to availability of sufficient local competition with adequate quality.
11. **Manufacture under license/ technology collaboration agreements with phased indigenization:** While notifying the minimum local content, Nodal Ministries may make special provisions for exempting suppliers from meeting the stipulated local content if the product is being manufactured in India under a license from a foreign manufacturer who holds intellectual property rights and where there is technology collaboration agreement/ transfer of technology agreement for indigenous manufacture of a product developed abroad with clear phasing of increase in local content.
12. **Power to grant exemption and to reduce minimum local content:** The administrative Department may be written order, for reasons to be recorded in writing:
- reduce the minimum local content below the prescribed level; or
 - reduce the margin of purchase preference below 20%; or
 - exempt any particular item or supplying entities from the operation of this Order or any part of the Order.
13. **Directions to Government Companies:** In respect of Government companies and other procuring entities not governed by the GFR, the administrative Ministry or Department shall issue policy directions requiring compliance with this Order.
14. **Ministries having existing policies:** Where the Ministry or Department has its own policy for preference to local content approved by the Cabinet after 1st January 2015, such policies will prevail over the provisions of this Order. All other existing orders on preference to local content shall be reviewed by the

Nodal Ministries and revised as needed to conform to this Order, within two months of the issue of this Order.

It may be noted that in this Order, no format or proforma for computation of local content by the "Class-I local supplier"/"Class-II local supplier", or to provide self-certification by the manufacturer/producer or provide a certificate from the statutory auditor or cost auditor of the company (in the case of companies) or from a practicing cost accountant or practicing chartered accountant (in respect of suppliers other than companies) giving the percentage of local content, has been prescribed. Nor this Order prescribes for submissions of these certificates at different stages of bidding and supply. Therefore, it is left to the entities and certifying professionals to decide.

Appendix-I to Chapter-4

No. P-45021/2/2017-PP (BE-II)
Government of India
Ministry of Commerce and Industry
Department of Promotion of Industry and Internal Trade
(Public Procurement Section)

Udyog Bhawan, New Delhi
Dated 16th September, 2020

To

All Central Ministries/Departments/CPSUs/All concerned

ORDER

Subject: Public Procurement (Preference to Make in India), Order, 2017 – Revision; regarding.

Department for Promotion of Industry and Internal Trade, in partial modification [Paras 2, 3, 5, 10 & 13] of Order No. P-45021/2/2017-B.E.-II dated 15.6.2017 as amended by Order No. P-45021/2/2017-B.E.-II dated 28.05.2018, Order No. P-45021/2/2017-B.E.-II dated 29.05.2019 and Order No. P-45021/2/2017-B.E.-II dated 04.06.2020, hereby issues the revised "Public Procurement (Preference to Make in India), Order 2017" dated 16.09.2020 effective with immediate effect.

Whereas it is the policy of the Government of India to encourage 'Make in India' and promote manufacturing and production of goods and services in India with a view to enhancing income and employment, and

Whereas procurement by the Government is substantial in amount and can contribute towards this policy objective, and

Whereas local content can be increased through partnerships, cooperation with local companies, establishing production units in India or Joint Ventures (JV) with Indian suppliers, increasing the participation of local employees in services and training them.

Now therefore the following Order is issued:

1. This Order is issued pursuant to Rule 153 (iii) of the General Financial Rules 2017.
2. Definitions: For the purposes of this Order:

'Local content' means the amount of value added in India which shall, unless otherwise prescribed by the Nodal Ministry, be the total value of the item procured (excluding net domestic indirect taxes) minus the value of imported content in the item (including all custom duties) as a proportion of the total value, in percent.

'Class-I local supplier' means a supplier or service provider, whose goods, services or works offered for procurement, meets the local content as prescribed for 'Class-I local supplier' under this Order.

'Class-II local supplier' means a supplier or service provider, whose goods, services or works offered for procurement, meets the local content as prescribed for 'Class-II local supplier' but less than that prescribed for 'Class-I local supplier' under this Order.

'Non-Local supplier' means a supplier or service provider, whose goods, services or works offered for procurement, has local content less than that prescribed for 'Class-II local supplier' under this Order.

'L1' means the lowest tender or lowest bid or the lowest quotation received in a tender, bidding process or other procurement solicitation as adjudged in the evaluation process as per the tender or other procurement solicitation.

'Margin of purchase preference' means the maximum extent to which the price quoted by a "Class-I local supplier" may be above the L1 for the purpose of purchase preference.

'Nodal Ministry' means the Ministry or Department identified pursuant to this order in respect of a particular item of goods or services or works.

'Procuring entity' means a Ministry or Department or attached or subordinate office of, or autonomous body controlled by, the Government of India and includes Government companies as defined in the Companies Act.

'Works' means all works as per Rule 130 of GFR, 2017 and will also include "turnkey works".

3. Eligibility of 'Class-I local supplier' / 'Class-II local supplier' / 'Non-local suppliers' for different types of procurement

(a) In procurement of all goods, services or works in respect of which the Nodal Ministry/ Department has communicated that there is sufficient local capacity and local competition, only 'Class-I local supplier', as defined under the Order, shall be eligible to bid irrespective of purchase value.

(b) Only 'Class-I local supplier' and 'Class-II local supplier', as defined under the Order, shall be eligible to bid in procurements undertaken by procuring entities, except when Global tender enquiry has been issued. In global tender enquiries, 'Non-local suppliers' shall also be eligible to bid along with 'Class-I local suppliers' and 'Class-II local suppliers'. In procurement of all goods, services or works, not covered by sub-para 3(a) above, and with estimated value of purchases less than Rs.200 crore, in accordance with Rule 161(iv) of GFR 2017, Global tender enquiry shall not be issued except with the approval of competent authority as designated by Department of Expenditure.

(c) For the purpose of this Order, works includes Engineering, Procurement and Construction (EPC) contracts and services include System Integrator (SI) contracts.

3A. Purchase Preference

a. Subject to the provisions of this Order and to any specific instructions issued by the Nodal Ministry or in pursuance of this Order, purchase preference shall be given to 'Class-I local supplier' in procurements undertaken by procuring entities in the manner specified here under.

b. In the procurement of goods or works, which are covered by para 3(b) above and which are divisible in nature, the 'Class-I local supplier' shall get

purchase preference over 'Class-II local supplier' as well as 'Non-local supplier', as per the following procedure:

- i. Among all qualified bids, the lowest bid will be termed as L1. If L1 is 'Class-I local supplier', the contract for full quantity will be awarded to L1.
 - ii. If L1 bid is not a 'Class-I local supplier', 50% of the order quantity shall be awarded to L1. Thereafter, the lowest bidder among the 'Class-I local supplier' will be invited to match the L1 price for the remaining 50% quantity subject to the Class-I local supplier's quoted price falling within the margin of purchase preference, and contract for that quantity shall be awarded to such 'Class-I local supplier' subject to matching the L1 price. In case such lowest eligible 'Class-I local supplier' fails to match the L1 price or accepts less than the offered quantity, the next higher 'Class-I local supplier' within the margin of purchase preference shall be invited to match the L1 price for remaining quantity and so on, and contract shall be awarded accordingly. In case some quantity is still left uncovered on Class-I local suppliers, then such balance quantity may also be ordered to the L1 bidder.
- c. In the procurement of goods or works, which are covered by para 3(b) above and which are not divisible in nature, and in procurement of services where the bid is evaluated on price alone, the 'Class-I local supplier' shall get purchase preference over 'Class-II local supplier' as well as 'Non-local supplier', as per the following procedure:
- i. Among all qualified bids, the lowest bid will be termed as L1. If L1 is 'Class-I local supplier', the contract will be awarded to L1.
 - ii. If L1 is not 'Class-I local supplier', the lowest bidder among the 'Class-I local supplier' will be invited to match the L1 price subject to the Class-I local supplier's quoted price falling within the margin of purchase preference, and contract for that quantity shall be awarded to such 'Class-I local supplier' subject to matching the L1 price.

iii. In case such lowest eligible 'Class-I local supplier' fails to match the L1 price, the 'Class-I local supplier' with the next higher bid within the margin of purchase preference shall be invited to match the L1 price and so on, and contract shall be awarded accordingly. In case some none of the 'Class-I local supplier' within the margin of purchase preference matches the L1 price, the contract may be awarded to the L1 bidder.

d. "Class-II local supplier" will not get purchase preference in any procurement undertaken by procuring entities.

3B. Applicability in tenders where contract is to be awarded in multiple bidders – In tenders where contract is awarded to multiple bidders subject to matching of L1 rates or otherwise, the 'Class-I local supplier' shall get purchase preference over 'Class-II local supplier' as well as 'Non-local supplier', as per following procedure:

- a) In case there is sufficient local capacity and competition for the item to be procured, as notified by the nodal Ministry, only Class-I local suppliers shall be eligible to bid. As such, the multiple suppliers, who would be awarded the contract, should be all and only 'Class-I Local suppliers'.
- b) In other cases, 'Class-II local suppliers' and 'Non-local suppliers' may also participate in the bidding process along with 'Class-I Local suppliers' as per provisions of this Order.
- c) If 'Class-I Local suppliers' qualify for award of contract for at least 50% of the tendered quantity in any tender, the contract may be awarded to all the qualified bidders as per award criteria stipulated in the bid documents. However, in case 'Class I Local suppliers' do not qualify for award of contract for at least 50% of the tendered quantity, purchase preference should be given to the 'Class I local supplier' over 'Class II local suppliers'/'Non local suppliers' provided that their quoted rate falls within 20% margin of purchase preference of the highest quoted bidder considered for award of contract so as to ensure that the 'Class I Local suppliers' taken in totality are considered for award of contract for at least 50% of the tendered quantity.

- d) First purchase preference has to be given to the lowest quoting 'Class-I local supplier', whose quoted rates fall within 20% margin of purchase preference, subject to its meeting the prescribed criteria for award of contract as also the constraint of maximum quantity that can be sourced from any single supplier. If the lowest quoting 'Class-I local supplier' does not qualify for purchase preference because of aforesaid constraints or does not accept the offered quantity, an opportunity may be given to next higher 'Class-I local supplier', falling within 20% margin of purchase preference, and so on.
- e) To avoid any ambiguity during bid evaluation process, the procuring entities may stipulate its own tender specific criteria for award of contract amongst different bidders including the procedure for purchase preference to 'Class-I local suppliers' within the broad policy guidelines stipulated in sub-paras above.
4. **Exemption of small purchases:** Notwithstanding anything contained in paragraph 3, procurements where the estimated value to be procured is less than Rs.5 lakh shall be exempt from this Order. However, it shall be ensured by procuring entities that procurement is not split for the purpose of avoiding the provisions of this Order.
5. **Minimum local content:** The 'local content' requirement to categorize a supplier as 'Class-I local supplier' is minimum 50%. For 'Class-II local supplier', the 'local content' requirement is minimum 20%. Nodal Ministry/ Department may prescribe only a higher percentage of minimum local content requirement to categorize a supplier as 'Class-I local supplier' / 'Class-II local supplier'. For the items, for which Nodal Ministry/Department has not prescribed higher minimum local content notification under the Order, it shall be 50% and 20% for 'Class-I local supplier' / 'Class-II local supplier' respectively.
6. **Margin of Purchase Preference:** The margin of purchase preference shall be 20%.
7. **Requirements for specifications in advance:** The minimum local content, the margin of purchase preference and the procedure for preference to Make

in India shall be specified in the notice inviting tenders or other form of procurement solicitation and shall not be varied during a particular procurement transaction.

8. **Government E-marketplace:** In respect of procurement through the Government E-marketplace (GeM) shall, as far as possible, specifically mark the items which meet the minimum local content while registering the item for display, and shall, wherever feasible, make provision for automated comparison with purchase preference and without purchase preference and for obtaining consent of the local supplier in those cases where purchase preference is to be exercised.

9. **Verification of local content:**

- The 'Class-I local supplier'/'Class-II local supplier', at the time of tender, bidding or solicitation, shall be required to indicate percentage of local content and provide self-certification that the item offered meets the local content requirement for 'Class-I local supplier'/'Class-II local supplier', as the case may be. They shall also give details of the location(s) at which the local value addition is made.
- In case of procurement of value in excess of Rs.10 crore, the 'Class-I local supplier'/'Class-II local supplier' shall be required to provide a certificate from the statutory auditor or cost auditor of the company (in the case of companies) or from a practicing cost accountant or practicing chartered accountant (in respect of suppliers other than companies) giving the percentage of local content.
- Decisions on complaints relating to implementation of this Order shall be taken by the competent authority which is empowered to look into procurement-related complaints relating to the procuring entity.
- Nodal Ministries may constitute committees, with internal & external experts, for independent verification of self-declarations and auditor's/accountant's certificate on random basis and in case of complaints.

- Nodal Ministries and procuring entities may prescribe fees for such complaints.
- False declarations will be in breach of the Code of Integrity under Rule 175(1)(i)(h) of the General Financial Rules for which a bidder or its successors can be debarred for up to two years as per Rule 151(iii) of the General Financial Rules along with such other actions as may be permissible under law.
- A supplier who has been debarred by any procuring entity for violation of this Order shall not be eligible for preference under this Order for procurement by any other procuring entity for the duration of the debarment. The debarment for such other procuring entities shall take effect prospectively from the date on which it comes to the notice of other procurement entities, in the manner prescribed under paragraph 9h below.
- The Department of Expenditure shall issue suitable instructions for the effective and smooth operation of this process, so that:
 - i. The fact and duration of debarment for violation of this Order by any procuring entity are promptly brought to the notice of the Member-Convenor of the Standing Committee and the Department of Expenditure through the concerned Ministry/ Department or in some other manner;
 - ii. on a periodical basis such cases are consolidated and a centralized list or decentralized lists of such suppliers with the period of debarment is maintained and displayed on website(s);
 - iii. in respect of procuring entities other than the one which has carried out the debarment, the debarment takes effect prospectively from the date of uploading on the website(s) in the such a manner that ongoing procurements are not disrupted.

10. Specifications in Tenders and other procurement solicitations:

- a. Every procuring entity shall ensure that the eligibility conditions in respect of previous experience fixed in any tender or solicitation do not require proof of supply in other countries or proof of exports.
- b. Procuring entities shall endeavour to see that eligibility conditions, including on matters like turnover, production capability and financial strength do not result in unreasonable exclusion of 'Class-I local supplier'/'Class-II local supplier' who would otherwise be eligible, beyond what is essential for ensuring quality or creditworthiness of the supplier.
- c. Procuring entities shall, within 2 months of the issue of this Order, review all existing eligibility norms and conditions with reference to sub-paragraphs 'a' and 'b' above.
- d. **Reciprocity Clause**
 - i. When a Nodal Ministry/ Department identifies that Indian suppliers of an item are not allowed to participate and/or compete in procurement by any foreign government, due to restrictive tender conditions which have direct or indirect effect of barring Indian companies such as registration in the procuring country, execution of projects of specific value in the procuring country etc., it shall provide such details to all its procuring entities including CMDs/CEOs of PSEs/PSUs, State Governments and other procurement agencies under their administrative control and GeM for appropriate reciprocal action.
 - ii. Entities of countries which have been identified by the nodal Ministry/ Department as not allowing Indian companies to participate in their Government procurement for any item related to that nodal Ministry shall not be allowed to participate in Government procurement in India for all items related to that nodal Ministry/ Department, except for the list of items published by the Ministry/ Department permitting their participation.
 - iii. The stipulation in (ii) above shall be part of all tenders invited by the Central Government procuring entities stated in (i) above. All purchases on GeM shall also necessarily have the above provisions for items identified by nodal Ministry/ Department.

- iv. State Governments should be encouraged to incorporate similar provisions in their respective tenders.
 - v. The term 'entity' of a country shall have the same meaning as under the FDI Policy of DPIIT as amended from time to time.
 - e. Specifying foreign certifications/ unreasonable technical specifications/ brands/ models in the bid document is restrictive and discriminatory practice against local suppliers. If foreign certification is required to be stipulated because of non-availability of Indian Standards and/or for any other reason, the same shall be done only after written approval of Secretary of the Department concerned or any other Authority having been designated such power by the Secretary of the Department concerned.
 - f. "All administrative Ministries/ Departments whose procurement exceeds Ra.1000 Crore per annum shall notify/ update their procurement projections every year, including those of the PSEs/PSUs, for the next 5 years on their respective website."
- 10A. Action for non-compliance of the Provisions of the Order:** In case restrictive or discriminatory conditions against domestic suppliers are included in bid documents, an inquiry shall be conducted by the Administrative Department undertaking the procurement (including procurement by an entity under its administrative control) to fix responsibility for the same. Thereafter, appropriate action, administrative or otherwise, shall be taken against erring officials of procurement entities under relevant provisions. Intimation on all such actions shall be sent to the Standing Committee.
- 11. Assessment of supply base by Nodal Ministries:** The Nodal Ministry shall keep in view the domestic manufacturing / supply base and assess the available capacity and the extent of local competition while identifying items and prescribing minimum local content or the manner of its calculation, with a view to avoiding cost increase from the operation of this Order.

12. Increase in minimum local content: The Nodal Ministry may annually review the local content requirements with a view to increasing them, subject to availability of sufficient local competition with adequate quality.

13. Manufacture under license/ technology collaboration agreements with phased indigenization: While notifying the minimum local content, Nodal Ministries may make special provisions for exempting suppliers from meeting the stipulated local content if the product is being manufactured in India under a license from a foreign manufacturer who holds intellectual property rights and where there is technology collaboration agreement/ transfer of technology agreement for indigenous manufacture of a product developed abroad with clear phasing of increase in local content.

13A. In procurement of all goods, services or works in respect of which there is substantial quantity of public procurement and for which the nodal ministry has not notified that there is sufficient local capacity and local competition, the concerned nodal ministry shall notify an upper threshold value of procurement beyond which foreign companies shall enter into a joint venture with an Indian company to participate in the tender. Procuring entities, while procuring such items beyond the notified threshold value, shall prescribe in their respective tenders that foreign companies may enter into a joint venture with an Indian company to participate in the tender. The procuring Ministries/ Departments shall also make special provisions for exempting such joint ventures from meeting the stipulated minimum local content requirement, which shall be increased in a phased manner.

14. Powers to grant exemption and to reduce minimum local content: The administrative Department undertaking the procurement (including procurement by any entity under its administrative control), with the approval of their Minister-in-charge, may be written order, for reasons to be recorded in writing:

- reduce the minimum local content below the prescribed level; or
- reduce the margin of purchase preference below 20%; or
- exempt any particular item or supplying entities from the operation of this Order or any part of the Order.

A copy of every such order shall be provided to the Standing Committee and concerned Nodal Ministry / Department. The Nodal Ministry/ Department concerned will continue to have the power to vary its notification on Minimum Local Content.

15. Directions to Government Companies: In respect of Government companies and other procuring entities not governed by the General Financial Rules, the administrative Ministry or Department shall issue policy directions requiring compliance with this Order.

16. Standing Committee: A standing committee is hereby constituted with the following membership:

Secretary, Department of Promotion of Industry and Internal Trade – Chairman

Secretary, Commerce – Member

Secretary, Ministry of Electronics and Information Technology – Member

Joint Secretary (Public Procurement), Department of Expenditure – Member

Joint Secretary (DPIIT) – Member-Convenor

The Secretary of the Department concerned with a particular item shall be a member in respect of issues relating to such item. The Chairman of the Committee may co-opt technical experts as relevant to any issue or class of issues under its consideration.

17. Functions of the Standing Committee: The Standing Committee shall meet as often as necessary, but not less than once in six months. The Committee

- a. shall oversee the implementation of this order and issues arising therefrom, and make recommendations to Nodal Ministries and procuring entities,
- b. shall annually assess and periodically monitor compliance with this Order,
- c. shall identify Nodal Ministries and the allocation of items among them for issue of notifications on minimum local content,
- d. may require furnishing of details or returns regarding compliance with this Order and related matters,

- e. may, during the annual review or otherwise, assess issues, if any, where it is felt that the manner of implementation of the order results in any restrictive practices, cartelization, or increase in public expenditure and suggest remedial measures,
- f. may examine cases covered by paragraph 13 above relating to manufacture under license/ technology transfer agreements with a view to satisfying itself that adequate mechanisms exist for enforcement of such agreements and for attaining the underlying objective of progressive indigenization.
- g. may consider any other issue relating to this Order which may arise.

18. Removal of difficulties: Ministries/ Departments and the Board of Directors of Government companies may issue such clarifications and instructions as may be necessary for the removal of any difficulties arising in the implementation of this Order.

19. Ministries having existing policies: Where any Ministry or Department has its own policy for preference to local content approved by the Cabinet after 1st January 2015, such policies will prevail over the provisions of this Order. All other existing orders on preference to local content shall be reviewed by the Nodal Ministries and revised as needed to conform to this Order, within two months of the issue of this Order.

20. Transitional provision: This Order shall not apply to any tender or procurement for which notice inviting tender or other form of procurement solicitation has been issued before the issue of this Order.

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CHAPTER –5 ACTIONS BY NODAL MINISTRIES/DEPARTMENTS

ACTIONS BY NODAL/ADMINISTRATIVE MINISTRIES / DEPARTMENTS

In terms of Public Procurement (Preference to Make in India), Order 2017, Department of Promotion of Industry and Internal Trade issued list of approved product categories and their associated nodal Ministry/Department. This list is given at Appendix-I to this Chapter.

Further, as per provisions contained in the said Order, nodal/administrative Ministries or Departments have been assigned number of responsibilities. Accordingly, in compliance with these Orders, various Ministries/Departments of Government of India, including the DPIIT, issued orders, circulars, notifications, guidelines, etc. reiterating the provisions and requirements of Public Procurement (Preference to Make in India), Order 2017 while undertaking public procurements.

In particular, the nodal/administrative Ministries or Departments issued the following:

- a) List of products for which only local suppliers shall be eligible to bid for all public procurement, with or without any restrictions on the purchase value.
- b) List of products with minimum local content where sufficient domestic manufacturing capacity and local competition is available.
- c) List of products which are exempted from the operation of Public Procurement (Preference to Make in India), Order 2017.
- d) Margin of purchase preference, if reduced from 20%.
- e) Constitution of Technical Committee for independent verification of self-declaration and auditor's/accountant's certificate on random basis and in case of complaints.
- f) Policy directions requiring compliance with the DPIIT's Order by Government companies and other procuring entities not governed by the GFR, under their administrative control.

LIST OF ORDERS, CIRCULARS, NOTIFICATIONS OR GUIDELINES ISSUED BY NODAL/ADMINISTRATIVE MINISTRIES / DEPARTMENTS

Copies of following orders, circulars, notifications, guidelines, etc. issued by various Ministries/ Departments of Government of India are placed at Annexure Nos. 6 to 81.

1. Department of Chemicals & Petrochemicals Order No. C.I-43012/52/2017-Chem-1(B) dated 25.05.2018, 23.10.2018 and dated 01.06.2020.
2. Department of Fertilizer O.M. No. 14023/4/2018-FP dated 27.07.2018 and Order No. 14023/4/2018-FP (Vol.1) dated 20.08.2020.
3. Department of Pharmaceuticals Guidelines No. 31026/36/2016-MD dated 18.05.2018 and Order No. 31026/4/2018-Policy dated 01.01.2019.
4. Ministry of Civil Aviation Notification No. AV-31020/47/2017-CNW-MOCA/[Com. No. E-122603] dated 26.02.2019.
5. Department of Industrial Policy and Promotion Order No. P-31032/16/2018-CEMENT dated 21.05.2018; No. P-27025/44/2018-Lather dated 19.06.2018; No. P-20028/19/2018-PAPER dated 31.07.2018 & 13.05.2020; and No. P-31032/7/2020-Cement dated 13.05.2020.
6. Department of Telecommunications Notification No. 18-10/2017-IP dated 11.01.2017 and dated 29.08.2018.
7. Ministry of Electronics and Information Technology Notification No. 33(3)/2013-IPHW dated 23.12.2013, 22.05.2014, 01.10.2014, & 22.05.2015; No. 33(7)/2015-IPHW dated 16.11.2015; S.O. 3586(E) [33(1)/2017-IPHW] dated 14.09.2017; No. 1(10)/2017-CLES dated 02.07.2018; No. 33(5)/2017-IPHW dated 01.08.2018; and No. W-43/1/2020-IPHW-MeitY dated 29.04.2020.
8. Ministry of Health & Family Welfare OM No. Z.28018/67/2010-EPW(Part) dated 14.01.2018.
9. Department of Heavy Industry Notification No. 12(39)/2018-AEI(15446) dated 18.05.2018; No. 9/45/2017-HE&MT dated 08.06.2018; OM No.

9/45/2017-HE&MT (E 13365) dated 10.08.2018 and Order dated 20.10.2020.

10. Ministry of Housing & Urban Affairs OM/Letter No. K-14011/08/2017/MRTS-Coord dated 24.05.2018; K-14011/09/2014/UT-II/MRTS-Coord dated 14.11.2017 & 11.08.2018; K-14011/11/2019-UT-V dated 05.05.2020; K-14011/08/2017/MRTS-Coord dated 14.10.2020; and K-14011/10/2019-UT-V dated 01.01.2021.
11. Ministry of Mines Order No. 7/49/2014-M.IV dated 16.10.2018.
12. Ministry of New and Renewable Energy OM No. 146/57/2018-P&C dated 11.12.2018 and Order No. 283/22/2019-GRID SOLAR dated 23.09.2020.
13. Ministry of Petroleum and Natural Gas Order No. FP-20013/22/2017-FP-PNG dated 06.08.2018; and FP-20013/12/2018-FP-PNG dated 25.06.2019; Notification No. O-27011/44/2015-ONG-II/FP dated 25.04.2017; No. FP-20013/2/2017-FP-PNG dated 07.10.2019; and No. FP-20013/2/2017-FP-PNG dated 17.11.2020.
14. Ministry of Power Order/Notification No. 11/05/2018-Coord dated 20.12.2018, 28.12.2018, & 04.04.2020 and OM No. 10/1/2019-St.Th.(part-II) dated 20.03.2020 and Order No. 11/05/2018-Coord dated 28.07.2020 and 17.09.2020.
15. Ministry of Railways (Railway Board) Letter No. 2015/RS(G)/779/5 dated 03.08.2017, & 01.02.2018 and No. 2015/RS(G)/779/5 (Vol.III) dated 22.06.2020, 12.07.2020 and 18.09.2020.
16. Ministry of Shipping Notification No. SY-24015/2/2018-SBR (332405) dated 31.08.2018.
17. Ministry of Textile Notification No. D-42011/4/2018-Genl. dated 01.02.2019 and Order dated 23.10.2019.

ACTIONS BY DEPARTMENT OF EXPENDITURE

Para 9(h) of the Public Procurement (Preference to Make in India), Order 2017 provides that the Department of Expenditure shall issue suitable instructions for

the effective and smooth operation of this process [i.e. the process of debarment], so that:

- i. The fact and duration of debarment for violation of this Order by any procuring entity are promptly brought to the notice of the Member-Convenor of the Standing Committee and the Department of Expenditure through the concerned Ministry/ Department or in some other manner;
- ii. on a periodical basis such cases are consolidated and a centralized list or decentralized lists of such suppliers with the period of debarment is maintained and displayed on website(s);
- iii. in respect of procuring entities other than the one which has carried out the debarment, the debarment takes effect prospectively from the date of uploading on the website(s) in the such a manner that ongoing procurements are not disrupted.

Accordingly, the Department of Expenditure, Ministry of Finance, vide their Office Memorandum No. F.7/7/2018-PPD dated 05.06.2018 issued instructions to the Financial Advisers of all Central Government Ministries/ Departments. Copy of this OM is placed at Annexure-65.

ACTIONS BY CENTRAL VIGILANCE COMMISSION

Further, in order to implement the Public Procurement (Preference to Make in India), Order 2017 in letter and spirit, Central Vigilance Commission vide their Circular No. 018/VGL/022-377353 dated 20.04.2018 directed all the Chief Vigilance Officers (CVOs) to exercise oversight on all contracts over an amount of Rs. five crore so as to ensure that restrictive and discriminative clauses against domestic suppliers are not included in the tender documents for procurement of goods and services and that the tender conditions are in sync with the Public Procurement (Preference to Make in India), Order 2017 in their respective Departments/ Organisations.

The Commission further desired that the Independent External Monitors (IEMs) appointed by the respective organizations may keep in view the provisions of Public Procurement (Preference to Make in India), Order 2017 while exercising

their functions/duties as IEM in respect of procurements/contracts which fall in their purview.

Copy of the CVC's letter dated 20.04.2018 is placed at Annexure-66.

ACTIONS BY MINISTRY OF DEFENCE

Much before the issue of Public Procurement (Preference to Make in India), Order 2017 by DPIIT, Ministry of Defence had issued a comprehensive Defence Procurement Procedure (DPP) 2016 on March 28, 2016. Pursuant to issue of Public Procurement (Preference to Make in India), Order 2017 by DPIIT, Department of Defence Production issued a notification dated 29.06.2018 specifying the local/indigenous content in various products as per DPP 2016 guidelines. It was supplemented by notifications dated 29.06.2018, 26.07.2018, 27.08.2018, 17.09.2018, 16.11.2018, 01.05.2019, 20.02.2020, 21.05.2020, 31.07.2020 (3 nos.) and 25.08.2020. Copies of these notifications are enclosed as Annexure Nos. 67 to 78.

On September 30, 2020, Ministry of Defence issued Defence Acquisition Procedure (DAP) 2020. Provisions contained in DAP have certain variations to the Public Procurement (Preference to Make in India), Order 2017. Therefore, salient features of DAP have been given in a separate Chapter.

ACTIONS BY MINISTRY OF PETROLEUM & NATURAL GAS

Pursuant to the issue of Public Procurement (Preference to Make in India), Order 2017 by the Department of Promotion of Industry and Internal Trade, Ministry of Petroleum and Natural Gas vide their Order No. FP-20013/22/2017-FP-PNG dated 06.08.2018 prescribed percentage of minimum local content for HSD and Petrol. Later, vide their Order No. FP-20013/12/2018-FP-PNG dated 25.06.2019, the Ministry prescribed percentage of minimum local content for various other petroleum products produced in the country. Copies of these Orders are placed at Annexure-46 & 47.

Notwithstanding above actions by the Ministry of Petroleum and Natural Gas that emanated from the issue of Public Procurement (Preference to Make in India), Order 2017 by the Department of Promotion of Industry and Internal Trade, the Ministry of Petroleum and Natural Gas vide their Letter No. O-27011/44/2015-

ONG-II/FP dated 25.04.2017 addressed to all Government companies, regulatory bodies, autonomous authorities, attached & subordinate offices & other public institutions under its control issued Policy to provide Purchase Preference (linked with local content) (PP-LC) in all Public Sector Undertakings under the M/o P&NG. This Policy was first revised vide letter no. FP-20013/2/2017-FP-PNG dated 07.10.2019 and again on 17.11.2020. This policy is almost same/similar to the Public Procurement (Preference to Make in India), Order 2017 but with certain variations. Therefore, salient features of this Policy, as amended, have been given in a separate Chapter. Copies of these letters are placed at Annexure-48 to 50.

ACTIONS BY MINISTRY OF STEEL

Ministry of Steel vides Notification No. G.S.R. 451(E) dated 08.05.2017, issued a Policy for providing preference to domestically manufactured iron & steel products in Government procurement. This Policy was revised vide Notification No. G.S.R. 385(E) dated 29.05.2019. Copies of these notifications are placed at Annexure-79 & 80.

The Policy issued by Ministry of Steel is applicable to every Ministry or Department of Government and all agencies/entities under their administrative control and to projects funded by these agencies for purchase of iron & steel products for government projects. However, this policy shall not apply for purchase of iron & steel products with a view to commercially resale or with a view to use in the production of goods for commercial sale.

Pursuant to notification of aforesaid Policy, Ministry of Steel did not issue any separate orders in compliance with the provisions of Public Procurement (Preference to Make in India), Order 2017 issued by the Department of Promotion of Industry and Internal Trade, as its Policy is generally in line therewith, except that the self-certification is largely permitted and in case of capital goods given in Appendix B of the Notification, the certificate from the statutory auditor is only allowed. To that extent, there is variation and this needs to be resolved in line with the overall approach of permitting cost auditors and practicing cost accountants to also certify the compliance with local content requirements.

ACTIONS BY MINISTRY OF ELECTRONICS & INFORMATION TECHNOLOGY

Ministry of Communications and Information Technology, Department of Electronics and Information Technology, vide Notification No. 8(78)/2010-IPHW dated 10.02.2012 had issued a Policy for providing preference to domestically manufactured electronic goods in Government procurement. This Policy was revised vide Notification No. 33(3)/2013-IPHW dated 23.12.2013. To operationalize the policy, detailed guidelines were issued vide Notifications of even number dated 22.05.2014 & 01.10.2014.

Department, vide Notification No. 33(3)/2013-IPHW dated 22.05.2015 clarified that domestic manufacturers include contract manufacturers, but excludes traders who are primarily importers. However, the sole selling agents, authorised distributors, authorised dealers, and authorised supply houses of domestic manufacturers of electronic products are eligible to bid on behalf of the domestic manufacturer. Department, vide its Notification No. 33(7)/2015-IPHW dated 16.11.2015 issued detailed guidelines with respect to the Policy issued on 23.12.2013. Copies of all these notifications are placed at Annexure-21 to 27.

Consequent upon the issue of Public Procurement (Preference to Make in India) Order 2017 dated 15.06.2017 by the erstwhile Department of Industrial Policy and Promotion (DIPP), Ministry of Electronics and Information Technology, vide Notification No. 33(1)/2017-IPHW [S.O. 3586(E)] dated 14.08.2017 issued fresh policy. In furtherance thereto, Ministry issued notification dated 02.07.2018 for procurement of Cyber Security Products. Procurement of Cellular Mobile Phones was mandated vide notification dated 01.08.2018 that was modified vide notification dated 29.04.2020. Copies of all these notifications are placed at Annexure-28 to 31.

METHODOLOGY AND FORMATS

Further, Public Procurement (Preference to Make in India), Order 2017 issued by DPIIT did not prescribe any format for the computation of local content in the goods and services. It has also not given any format for self-certification of local content by the manufacturer/producer or certification by the statutory auditor or cost auditor or by the practicing cost accountant or practicing chartered accountant, as the case may be.

Therefore, few nodal/administrative Ministries/ Departments have prescribed their own formats for the calculation of local content. Wherever available, these are reproduced in this Guidance Note, as per details below:

- a) Methodology and/or Formats prescribed by Ministry of Defence, Ministry of Petroleum & Natural Gas, Ministry of Steel and Ministry of Electronics & Information Technology have been given in Chapter Nos. 6 to 9. Department of Chemicals & Petrochemicals has also given format for calculation of LC which is exactly same as given at Appendix-I to Chapter-7. Therefore, it is not repeated.
- b) Department of Heavy Industry has not given any formats for computation of LC or for certification thereof, but it has prescribed a methodology for the calculation of local content, which is given in Appendix-II attached to this chapter. Ministry of Electronics & Information Technology and Department of Pharmaceuticals has endorsed this.
- c) Department of Pharmaceuticals in their order dated 18.05.2018 in respect of procurement of medical devices has prescribed a methodology & format which is given in Appendix-III.
- d) The methodology prescribed by Ministry of Textiles is given at Appendix-IV. It may be noted that the Ministry has reduced limit of procurement value for certification by cost auditor/statutory auditor or by the practicing cost accountant/ chartered accountant from Rs.10 crore as per DPIIT Order to just Rs.1 (one) crore.
- e) Department of Telecommunications has prescribed only self-certification. No certificate from the independent professional is prescribed. The format prescribed for self-certification is given at Appendix-V. This is, more or less, based on that prescribed by Ministry of Steel, with few modifications.

Appendix-I to Chapter-5

**Public Procurement (Preference to Make in India) Order 2017
Approved Product Categories and Associated Ministry/Department**

Sno.	Product categories	Associated Ministries/Department
1.	Pharmaceuticals, Medical Devices	Department of Pharmaceuticals
2.	IT and Electronics (including softwares)	Ministry of Electronics & IT
3.	Telecommunications	Department of Telecommunications
4.	Automobile and Automotive Components, Capital Goods (Heavy Machinery, Machine Tools etc.)	Department of Heavy Industries
5.	Petroleum and Natural Gas	Ministry of Petroleum and Natural Gas
6.	Chemicals	Department of Chemicals & Petrochemicals
7.	Paper Products, Cement, Leather Products	Deptt. of Industrial Policy & Promotion
8.	Construction, Metro Rail Systems, All other works	Ministry of Housing & Urban Affairs
9.	Textiles & Apparel	Ministry of Textiles
10.	Shipping	Ministry of Shipping
11.	Railways, All Railway Works	Ministry of Railways
12.	All Defence Works	Department of Defence, Ministry of Defence
13.	Defence	Department of Defence Production
14.	Power (generation, transmission and distribution)	Ministry of Power
15.	Non-conventional energy	Ministry of New and Renewable Energy
16.	Aviation	Ministry of Civil Aviation
17.	Iron and Steel	Ministry of Steel
18.	Mining	Ministry of Mines
19.	Fertilizers	Department of Fertilizers

Appendix-II to Chapter-5

Department of Heavy Industry

Procedure for calculating local content/domestic value addition

- a) Bill of Material sourced from domestic manufacturers (Dom-BOM) may be calculated based on one of the following depending on data available. Each of these calculations should provide consistent result.
 - a. Sum of the costs of all inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit/ set-off can be taken) and which have not been imported directly or through a domestic trader or an intermediary.
 - b. Ex-Factory Price of product minus profit after tax minus sum of imported Bill of Material used (directly or indirectly) as inputs in producing the product (including duties and taxes levied on procurement of inputs except those for which credit/ set-off can be taken) minus warranty costs.
 - c. Market price minus post-production freight, insurance and other handling costs minus profit after tax, minus warranty costs, minus sum of imported Bill of Material used as inputs in producing the product (including duties and taxes levied on procurement of inputs except those for which credit/ set-off can be taken) minus sales and marketing expenses.
- b) Total Bill of Material (Total-BOM) may be calculated based on one of the following depending on data available. Each of these calculations should provide consistent result.
 - a. Sum of the costs of all inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit/ set-off can be taken).
 - b. Ex-Factory Price of product minus profit after tax, minus warranty costs.
 - c. Market price minus post-production freight, insurance and other handling costs minus profit after tax, minus warranty costs, minus sales and marketing expenses.

- c) The percentage of domestic value-addition may be calculated based on information furnished as per the following formula:

$$\text{Percentage of domestic value-addition} = (\text{Dom-BOM} / \text{Total-BOM}) \times 100$$

- d) It is recommended that each agency assessing should calculate the domestic local content/ value-addition using at least two of the above formulae so as to validate the assessments in this regard and ensure that the domestic value addition that is claimed is consistent.

Appendix-III to Chapter-5

Department of Pharmaceuticals

Manner of calculation of Local Content in procurement of Goods & Services in Medical Devices: DoP in accordance with Para 5 of PPO, 2017 prescribes the following manner of calculation of local content.

- i. Local content of Medical Device shall be computed on the basis of the cost of domestic components in the device/service compared to the total cost of the device/service. The total cost of product shall be the cost incurred for the production of the medical device including direct component i.e. material cost, manpower cost and overhead costs including profit but excluding taxes and duties.
- ii. The determination of local content cost shall be based on the following:
 - a. In the case of direct component (material), based on the country of origin
 - b. In the case of manpower, based on domestic manpower
- iii. The calculation of local content of the combination of several kinds of goods shall be based on the ratio of the sum of multiplication of local content of each goods with the acquisition price of each goods to the acquisition price of combination of goods.
- iv. Format of calculation of local content shall be as contained in **Enclosure-I**.

Verification of local Content

- a) The local supplier at the time of tender, bidding or solicitation shall be required to furnish self-certification of local content in the format as contained in **Enclosure-II**.
- b) In cases of procurement for a value in excess of Rs.10 crores, the local supplier shall be required to provide a certificate from the statutory auditor or cost auditor of the company (in the case of companies) or from a practicing cost accountant or practicing chartered accountant (in respect of suppliers other than companies) giving the percentage of local content.

Enclosure-I

Calculation of Local Content

Name of Manufacturer	Calculation by Manufacturer (Cost per unit of product)		
Cost Component	Cost (Domestic Component) A	Total Cost b	Percentage of Local Content $c=(a/b)*100$
I.			
II.			
III. Total Cost (Excluding tax and duties)			

Note:

- I. **Cost (Domestic Component):** Cost of domestic component may be calculated based on one of the following depending on data available. Each of these calculations should provide consistent result.
 - a. Sum of the costs of all inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit/ set-off can be taken) and which have not been imported directly or through a domestic trader or an intermediary.
 - b. Ex-Factory Price of product minus profit after tax, minus sum of imported Bill of Material used (directly or indirectly) as inputs in producing the product (including duties and taxes levied on procurement of inputs except those for which credit/ set-off can be taken) minus warranty costs.
 - c. Market price minus post-production freight, insurance and other handling costs minus profit after tax, minus warranty costs, minus sum of imported Bill of Material used as inputs in producing the product (including duties and taxes levied on procurement of inputs except those for which credit/ set-off can be taken) minus sales and marketing expenses.

- II. **Total Cost:** Total cost may be calculated based on one of the following depending on data available. Each of these calculations should provide consistent result.
- a. Sum of the costs of all inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit/set-off can be taken).
 - b. Ex-Factory Price of product minus profit after tax, minus warranty costs.
 - c. Market price minus post-production freight, insurance and other handling costs minus profit after tax, minus warranty costs, minus sales and marketing expenses.

Enclosure-II

Format for Affidavit of Self-Certification regarding Local Content (LC) in a Medical Device to be provided on Rs.100/- Stamp Paper

Date: _____

I _____ S/o, D/o, W/o, _____, Resident of _____ do hereby solemnly affirm and declare as under:

That I will agree to abide by the terms and conditions of the policy of Government of India issued vide Notification No. _____ dated _____.

That the information furnished hereinafter is correct to best of my knowledge and belief and I undertake to produce relevant records before the procuring entity or any other authority so nominated by the Department of Pharmaceuticals, Government of India for the purpose of assessing the local content.

That the local content for all inputs which constitute the said medical device has been verified by me and I am responsible for the correctness of the claims made therein.

That in the event of the domestic value addition of the product mentioned herein is found to be incorrect and not meeting the prescribed value-addition norms, based on the assessment of an authority so nominated by the Department of Pharmaceuticals, Government of India for the purpose of assessing the local content, action will be taken against me as per Order No. P-45021/2/2017-B.E.-II dated 15.06.2017 and Guidelines issued vide letter no. 31026/36/2016-MD dated 18.05.2018.

I agree to maintain the following information in the Company's record for a period of 8 years and shall make this available for verification to any statutory authority.

- i. Name and details of the Domestic Manufacturer (Registered Office, Manufacturing unit location, nature of legal entity)
- ii. Date on which this certificate is issued
- iii. Medical devices for which the certificate is produced

- iv. Procuring entity to whom the certificate is furnished
- v. Percentage of local content claimed
- vi. Name and contact details of the unit of the manufacturer
- vii. Sale Price of the product
- viii. Ex-Factory Price of the product
- ix. Freight, insurance and handling
- x. Total Bill of Material
- xi. List and total cost value of inputs used for manufacture of the medical device
- xii. List and total cost of inputs which are domestically sourced. Value-addition certificates from suppliers, if the input is not in-house to be attached.
- xiii. List and cost of inputs which are imported, directly or indirectly

For and on behalf of _____ (Name of firm/entity)

(authorized signatory (To be duly authorized by the Board of Directors))

Appendix-IV to Chapter-5

Department of Textiles

Procedure for calculating local content/ domestic value addition

LC shall be computed on the basis of the cost of domestic components in goods as compared to the total cost of the product. Total cost of the product shall constitute the cost of production of goods, covering direct component (material) cost, direct manpower cost; factory overhead cost and shall exclude profit, company overhead cost and taxes for the delivery of goods. Accordingly % for domestic and value addition will be calculated as under

$$\text{Percentage of domestic value addition} = \frac{\text{Domestic Bill of Material} \times 100}{\text{Total Bill of Material}}$$

Where in

Dom-BOM is Domestic Bill of Material which is sum of the costs of all domestic inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit/ set-off can be taken) and which have not been imported directly or through a domestic trader or an intermediary.

Total Bill of Material is the Market price of the item (excluding net domestic indirect taxes) excluding post-production freight, insurance, advertisement, and other handling costs minus profit after tax, minus warranty costs

Verification of Local content/ Domestic Value Addition

- a. The local supplier at the time of tender, bidding or solicitation shall provide self-certification that the item offered meets the minimum local content and shall give details of the locations(s) at which the local value addition is made.
- b. In cases of procurement for a value in excess of Rs: 1 crore (one crore), the local supplier shall provide a certificate from the statutory auditor or cost auditor of the company (in the case of companies) or from a practicing cost accountant or practicing chartered accountant (in respect of suppliers other than companies) giving the percentage of local content.

- c. False declaration will be in breach of the Code of Integrity under Rule 175(1) (i) (h) of the General Financial Rules for which a bidder or its successors can be debarred for upto two years as per Rule 151(iii) of the General Financial Rules along with such other actions as may be permissible under law.

Appendix-V to Chapter-5

Department of Telecommunications

Format for Self-Certification regarding Local Content (LC) for Telecom Product, Services and Works

Date: _____

I _____ S/o, D/o, W/o, _____, Resident of _____ do hereby solemnly affirm and declare as under:

That I agree to abide by the terms and conditions of Department of Telecommunications, Government of India issued vide Notification No. _____ dated _____.

That the information furnished hereinafter is correct to best of my knowledge and belief and I undertake to produce relevant records before the procuring entity or any other authority so nominated by the Department of Telecommunications, Government of India for the purpose of assessing the LC.

That the LC for all inputs which constitute the said Telecom Products/ Services/ Works has been verified by me and I am responsible for the correctness of the claims made therein.

That in the event of the LC of the Telecom Products/ Services/ Works mentioned herein is found to be incorrect and not meeting the prescribed LC norms, based on the assessment of an authority so nominated by the Department of Telecommunications, Government of India and I will be liable as under clause 9 (i) of Public Procurement (Preference to Make in India) Order 2017.

I agree to maintain all information regarding my claim for LC in the Company's record for a period of 2 years and shall make this available for verification to any statutory authorities.

- i. Name and details of the local supplier (Registered Office, Manufacturing unit location, nature of legal entity)
- ii. Date on which this certificate is issued

- iii. Telecom Products/ Services/ Works for which the certificate is produced
- iv. Procuring agency to whom the certificate is furnished
- v. Percentage of LC claimed
- vi. Name and contact details of the unit of the manufacturer
- vii. Sale Price of the product
- viii. Ex-Factory Price of the product
- ix. Freight, insurance and handling
- x. Total Bill of Material
- xi. List and total cost value of inputs used for manufacture of the Telecom Products/ Services/ Works
- xii. List and total cost of inputs which are locally sourced. Please attach LC certificates from local suppliers, if the input is not in-house.
- xiii. List and cost of inputs which are imported, directly or indirectly

For and on behalf of _____ (Name of firm/entity)

(authorized signatory (To be duly authorized by the Board of Directors)

<Insert Name, Designation, and Contact No. and date>

CHAPTER –6

ACTIONS BY MINISTRY OF DEFENCE

BACKGROUND

In 2001, new Defence Procurement Management Structures and Systems were set up in the Ministry of Defence (MoD). The Defence Procurement Procedure 2002 (DPP-2002) was issued on December 30, 2002. DPP has since been revised in 2005, 2006, 2008, 2009, 2010 and 2013 enhancing the scope & procedure of procurement under various categories.

In order to achieve enhanced self-reliance in defence manufacturing and to leverage the economic opportunity present in developing the Indian defence industry, MoD constituted a Committee of Experts, to recommend suitable amendments to DPP-2013. The mandate of the committee was as follows:

- (a) To evolve a policy framework to facilitate 'Make in India' in Defence manufacturing and align the policy evolved with the Defence Procurement Procedure (DPP-2013).
- (b) To suggest the requisite amendments in DPP-2013 to remove the bottlenecks in the procurement process and also simplify/rationalise various aspects of the Defence procurement.

Based on the Government's experience in the defence procurement process and the recommendations of the Committee of Experts, Defence Procurement Procedure was revised and issued in 2016.

DEFENCE PROCUREMENT PROCEDURE 2016

Ministry of Defence had issued a comprehensive Defence Procurement Procedure (DPP) 2016 on March 28, 2016, which is still in operation. Pursuant to issue of Public Procurement (Preference to Make in India), Order 2017 by DPIIT, Department of Defence Production issued a notification dated 29.06.2018 specifying the local/indigenous content in various products as per DPP 2016 guidelines. It was supplemented by notifications dated 29.06.2018, 26.07.2018, 27.08.2018, 17.09.2018, 16.11.2018, 01.05.2019, 20.02.2020, 21.05.2020, 31.07.2020 (3 nos.) and 25.08.2020. Copies of these notifications are enclosed as Annexure Nos. 51 to 62.

As per the notification, the percentage of the local content shall be calculated as per the definition of Indigenous Content (IC) given in Defence Procurement Procedure (DPP) 2016 which is as follows:

- Local Content for an equipment or an item shall be arrived at by excluding from the total cost of that equipment/item the following elements at all stages (tiers) of manufacturing /production/assembly : -
 - Direct costs (including freight/transportation and insurance) of all materials, components, sub-assemblies, assemblies and products imported into India.
 - Direct and Indirect costs of all services obtained from non-Indian entities/citizens.
 - All license fees, royalties, technical fees and other fees/payments of this nature paid out of India, by whatever term/phrase referred to in contracts/agreements made by vendors/ sub-vendors.
 - Taxes, duties, cesses, octroi and any other statutory levies in India of this nature.

Similar notifications were issued by other Departments/Wings of the Ministry of defence.

As per DPP 2016, IC shall be mandatorily reported by all stages (tiers) of manufacturing/ production/assembly to their higher stages (tiers). All stages (tiers) are required to aggregate indigenous content based on certifications and inputs from lower tiers, as well as on the basis of their own procurement actions and manufacturing activities undertaken. The final aggregation of IC shall be undertaken by the prime (main) contractor with whom an acquisition contract is signed by the Ministry/SHQ.

All relevant deliveries made under contract shall be accompanied by a certificate of IC issued by the Chief Financial Officer (CFO) of the prime/main contractor. All final deliveries under contract shall be accompanied, in addition to the certificate issued by the CFO of the prime (main) contractor as aforesaid, by its Company

Auditor's certificate. The format for certification of IC by the CFO/Company Auditor has been given as Appendix-I to this Chapter.

DEFENCE ACQUISITION PROCEDURE (DAP) 2020

Ministry of Defence uploaded the draft DPP 2020 on its website on March 20, 2020 and comments/recommendations/suggestions on the same were solicited by April 17, 2020. Later, in view of the lockdown of majority businesses & economic activities owing to the spread of COVID-19 pandemic, the date was extended till May 08, 2020. Based on the views/comments received and internal review, the DPP has been renamed as 'Defence Acquisition Procedure (DAP) 2020' and again uploaded on July 27, 2020 soliciting public comments on the amended draft by August 10, 2020. Finally, based on the views/comments received, Defence Acquisition Procedure (DAP) 2020 was issued on September 30, 2020. Chapter-1 of this DAP is placed at Annexure-67.

DAP 2020 has classified the Capital Acquisition schemes as, 'Buy', 'Buy and Make', Leasing, 'Make', 'Design and Development (D & D) and Strategic Partnership Model (SPM). Under the 'Buy' scheme, procurements are categorised as 'Buy (Indian - IDDM)', 'Buy (Indian)', Buy (Global - Manufacture in India) and 'Buy (Global)'. Under the 'Buy and Make' scheme, the procurements are categorised as 'Buy and Make (Indian)' and 'Buy and Make'. These categories, except Make, Leasing, D & D and SPM, have been prioritised, in decreasing order of priority, based on their relative importance towards indigenization.

- (a) Buy (Indian - IDDM)
- (b) Buy (Indian)
- (c) Buy and Make (Indian)
- (d) Buy (Global - Manufacture in India)
- (e) Buy (Global)

Relevant Chapter-1 of DAP 2020 titled "Acquisition Categories, Acquisition Planning and Indigenous Content" is placed at Annexure-57. Various acquisition categories with their prescribed minimum indigenous content are defined hereunder.

Buy (Indian-IDDM) - 'Buy (Indian-IDDM)' category refers to the procurement of products from an Indian vendor that have been indigenously designed, developed

and manufactured with a minimum of 50% Indigenous Content (IC) on cost basis of the base contract price i.e. total contract price less taxes and duties.

Buy (Indian) - 'Buy (Indian)' category refers to the procurement of products from an Indian vendor which may not have been designed and developed indigenously, having 60% IC on cost basis of the base contract price. Vendors eligible in 'Buy (Indian-IDDM)' category will also be permitted to participate in this category with indigenous design and a minimum of 50% IC on cost basis of the base contract price.

Buy and Make (Indian) - 'Buy & Make (Indian)' category refers to an initial procurement of equipment in Fully Formed (FF) state in quantities as considered necessary, from an Indian vendor engaged in a tie-up with a foreign Original Equipment Manufacturer (OEM), followed by indigenous production in a phased manner involving Transfer of Technology (ToT) of critical technologies as per specified range, depth and scope from the foreign OEM. Under this category of procurement, a minimum of 50% IC is required on cost basis of the Make portion of the contract less taxes and duties. Acquisition under this category can also be carried out without any initial procurement of equipment in FF state.

Buy and Make - 'Buy & Make' category refers to an initial procurement of equipment in Fully Formed (FF) state from a foreign vendor, in quantities as considered necessary, followed by indigenous production through an Indian Production Agency (PA), in a phased manner involving ToT of critical technologies as per specified range, depth and scope, to the PA. With a view to maximise indigenous production in each procurement case, the AoN according authority would approve an appropriate ratio of Fully Formed (FF), Completely Knocked Down kits (CKD), Semi Knocked Down kits (SKD) and Indigenous Manufacture (IM) kits; and a minimum percentage of 50% IC on cost basis for the 'Make' portion of acquisitions under 'Buy and Make' category. Acquisition under this category can also be carried out without any initial procurement of equipment in FF state.

Buy (Global - Manufacture in India) - Buy (Global - Manufacture in India) category refers to an outright purchase of equipment from foreign vendors, in quantities as considered necessary, followed by indigenous manufacture of the entire/part of the equipment and spares/ assemblies/sub-assemblies/

Maintenance along with Repair and Overhaul (MRO) facility (only in cases these are part of the main contract) for the equipment, through its subsidiary in India/through a Joint Venture/through an Indian Production Agency (PA) (with ToT of critical technologies as per specified range, depth and scope to the Indian PA), meeting a minimum of 50% IC on cost basis of the Base Contract Price. Indian vendors will be permitted to participate in Buy (Global - Manufacture in India). Acquisition under this category can also be carried out without any initial procurement of equipment in FF state. All payments for the 'Manufactured' portion will be paid to the vendor in Indian Rupees as per contract provisions.

Buy (Global) - 'Buy (Global)' category refers to outright purchase of equipment from foreign or Indian vendors. In case of procurement through foreign vendors, Government to Government (G2G) route/Inter Government Agreement (IGA) may also be adopted, for equipment meeting strategic/long term requirements. An Indian Vendor participating in this category would be required to meet minimum 30% IC, failing which such vendor would be required to discharge offsets as applicable in the case. Foreign vendors will need to discharge offsets in all Buy (Global) cases with AoN cost of Rs.2000 crores or more, other than all ab-initio Single Vendor Cases including procurement based on IGA/FMS.

Participation in Lower Category - Vendors eligible for participating in a higher category will be permitted to participate in the lower category, provided they meet the requirements for the same.

Applicability of Offsets - The Offsets clause would be applicable for Buy (Global) categories of procurement where the estimated AoN cost of the Buy portion is Rs.2000 Crores or more. An Indian Vendor participating in the Buy (Global) category would be required to meet minimum 30% IC, failing which such vendor would be required to discharge offsets as applicable in the case. In certain cases, the DAC may consider partial or full waiver of the Offsets clause. In case of a waiver for a particular acquisition case, eligible/selected Indian vendors need not be exempted from the corresponding IC stipulations. No offsets will be applicable in all ab-initio Single Vendor Cases, including procurements based on IGA/FMS.

Make and Innovation - Acquisitions covered under the Make and Innovation including Innovation in Defence Excellence (iDEX) and Technology Development Fund (TDF) categories refer to equipment/system/sub-system/assembly/sub-

assembly, major components, or upgrades thereof, to be designed, developed and manufactured by an Indian vendor/processed by the Services through their internal organisations, such as Base Workshop/Dockyards/ Base Repair Depots etc. with or without participation of Private industry, as per procedure and norms in Chapter III of DAP 2020.

Design and Development (D & D) - Design and Development (D & D) cases progressed by DRDO/DPSUs/OFB for acquisitions of equipment/system/subsystem/ assembly/sub-assembly, major components, or upgrades thereof, to be designed, developed and manufactured by an Indian vendor, will be as per procedure and norms in Chapter IV of DAP, 2020.

Strategic Partnership Model (SPM) - Acquisitions under the Strategic Partnership model refer to participation of private Indian firms along with foreign OEM in 'Make in India' in defence and play the role of a System Integrator by building an extensive eco-system comprising development partners, specialised vendors and suppliers, in particular, those from the MSME sector. Strategic Partnerships will seek to enhance indigenous defence manufacturing capabilities through the private sector over and above the existing production base. Detailed norms and procedures of the same are as given in Chapter VII of DAP, 2020.

Leasing - Leasing has been introduced as another category for acquisition in addition to the existing 'Buy' and 'Make' acquisition categories as it provides for an innovative technique for financing of equipment/platforms. Leasing provides means to possess and operate the asset without owning the asset and is useful to substitute huge initial capital outlays with periodical rental payments. Leasing would be permitted in two sub categories i.e. Lease (Indian), where Lessor is an Indian entity and is the owner of the asset, and Lease (Global). The procedure for Leasing will be as laid down in Chapter IX of the DAP, 2020.

Other Capital Procurement Procedure (OCP) - Overhaul, major refits, upgrades and replacement of items of Capital nature, will be procured following a simplified procedure as laid down in Chapter X of DAP, 2020.

Definition of Indian Vendor as per DAP 2020: Unless specifically provided for in a clause/section/chapter or elsewhere of the DAP, an Indian Vendor by

whatever nomenclature when referred to means - for defence products requiring industrial license, an Indian entity, which could include incorporation/ownership models as per Companies Act, Partnership Firm, Proprietorship and other types of ownership models including Societies as per relevant laws, complying with, besides other regulations in force, and the guidelines/licensing requirements stipulated by the Department for Promotion of Industry and Internal Trade (DPIIT) as applicable. For defence products not requiring industrial license, an Indian entity registered under the relevant Indian laws and complying with all regulations in force applicable to that industry will be classified as an Indian Vendor. The following two additional conditions will apply to the definition for Buy(Indian-IDDM), Make I, Make II, Development cum Production Partner (DcPP) in D & D acquisitions through DRDO/DPSUs/OFB and SP Model categories:-

- (a) **Ownership by Resident Indian Citizen(s).** Further, a company is considered as 'Owned' by resident Indian citizens if more than fifty percent (50%) of the capital in it is directly or beneficially owned by resident Indian citizens and / or Indian companies, which are ultimately owned and controlled by resident Indian citizens. This implies that the maximum permitted Foreign Direct Investment (FDI) shall be forty nine percent (49%). No pyramiding of FDI in Indian holding companies or in Indian entities subscribing to shares or securities of the Applicant Company or the Strategic Partner shall be permitted. Indirect foreign investment shall be accounted for in counting the forty-nine percent (49%) FDI.
- (b) **Control by Resident Indian Citizens(s) (As defined in Companies Act 2013).** 'Control' shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

INDIGENOUS CONTENT ASPECTS

Indigenous Content (IC): The category wise (less Strategic Partnership model cases) summary of IC, as per cost of the Base Contract Price i.e. Total Contract Price less taxes and duties will be as under:-

Sno.	Category	Indigenous Content (IC)
(a)	Buy(Indian-IDDM)	Indigenous design and $\geq 50\%$
(b)	Buy (Indian)	In case of indigenous design $\geq 50\%$ otherwise $\geq 60\%$
(c)	Buy and Make (Indian)	$\geq 50\%$ of the 'Make' portion
(d)	Buy (Global - Manufacture in India)	$\geq 50\%$
(e)	Buy (Global)	Foreign Vendor – Nil Indian Vendor $\geq 30\%$

Other aspects of Indigenous Content are given in Appendix B to Chapter 1 of DAP 2020, which is placed at Annexure-57 of this Guidance Note. However, for quick reading, the relevant paras are reproduced below.

Definitions

1. For the purposes of the DAP, Indigenous Content (IC) for acquisition case shall be arrived at based on the Base Contract Price (i.e. the Total Contract Price less taxes and duties) of that equipment/item by excluding the following elements of manufacturing/production/ assembly: -

- a. Direct costs (including Custom Duties, Freight/transportation and insurance) of all materials, components, sub-assemblies, assemblies and products imported into India.
- b. Direct and Indirect costs of all services obtained from non-Indian entities/citizens.
- c. All license fees, royalties, technical fees and other fees/payments of this nature paid out of India, by whatever term/phrase referred to in contracts/agreements made by vendors/sub-vendors.

2. The format for computation of IC, 'Indigenous Content (IC) Proforma' by the Prime Vendor is placed as Appendix-I to this Chapter. The Prime Vendor i.e. the vendor with whom the contract is signed, is required to maintain this Proforma for the purpose of any Verification by the MoD during the tenure of the contract.

3. Further, in all cases where IC is stipulated, it shall imply that IC is required at base contract price i.e. total contract price less taxes and duties as specified in the DAP, read in conjunction with additional specific requirements in this regard, if any, mentioned in the RFP. In cases involving BNE, the cost of the BNE will be excluded from the base contract price for the purpose of calculating IC.

Reporting Requirements

4. An Indigenisation Plan for Buy (Indian-IDD), Buy (Indian), Buy & Make (Indian) and Buy (Global – Manufacture in India) cases will be required to be submitted by the vendor as part of his bid to meet the requirement of IC as specified above. Considering the vast set of vendors in multiple tiers involved in production of Defence System/Equipment/item, the requirement for reporting IC are framed such that maximum coverage is achieved with practical & reasonable efforts for ensuring compliance. IC should be mandatorily reported (as per Appendix-I & II) by the Prime Vendor and by all tier vendors, who meet either of the under-mentioned conditions, whichever is lower:-

- (a) Base Contract price of the Tier Vendor exceeds 10 Crores; or
- (b) Base Contract price of the Tier Vendor is greater than 5% of the base contract price of the Prime Vendor.

Note: For this computation, the base contract price of Tier Vendor should include the price of all contracts of the Tier Vendor relating to the main contract of the Prime Vendor.

5. For supplies from the balance tier suppliers and components/equipment bought through traders, stockists and/or local agents of foreign suppliers, the foreign content shall be aggregated in the IC Proforma by the Prime Vendor, under the head 'Others' at a flat estimated rate of 90% of the total value of supplies. In case the Prime Vendor desires, he may include import certification for suppliers covered in 'Others', over and above the tier suppliers considered in paragraph 4 above.

6. All Contracts, sub-contracts, agreements and MoUs made by the Prime Vendor with their business partners/vendors, in so far as they relate to the main contract of the Prime Vendor, shall mandatorily incorporate the definition and reporting requirements for IC as above. Similarly, these business

partners/vendors shall sequentially incorporate these definitions and reporting requirements with their next levels of business partners/vendors and so on, covering lower tiers in the manufacturing/production/assembly chain, in respect of those tier vendors who meet the conditions mentioned above.

7. The Prime Vendor should use the inputs received from all applicable Tier Vendors as per Paragraph 4 and 5 above, to compute IC as per Appendix I and II.

Computation of IC

8. The Foreign Content (FC) for the Prime Vendors is included in every contract along with break-up for each currency. Further, the FC is also monitored while the vendor seeks adjustments for Foreign Exchange Rate Variation (FERV) from the Ministry of Defence (MoD) as well as at the stage of filing for GST. The final aggregation of FC and thus the Computation of IC, shall be undertaken by the Prime Vendor, with whom the contract is signed by the MoD/SHQ, as per Appendix-I to this Chapter. This will be based on certifications and inputs received by the Prime Vendor from its' lower Tier Vendors applicable as per paragraph 4 above, as well as on the basis of Prime Vendor's own acquisition actions and manufacturing activities undertaken.

Payments

9. In Buy (Global – Manufacture in India) cases, all payments for the Manufactured portion will be paid to the vendor in Indian Rupees as per contract provisions.

Verification

10. The MoD can exercise its right to conduct verification with reasonable notice of relevant certifications and costs pertaining to imports for the Contract at all or any stages (tiers) of manufacturing/production/assembly, starting from the Prime Vendor downwards. The Verification could be conducted by the MoD itself and/or by an agency/institution/ officer(s) nominated by the MoD, as may be decided by the MoD during the tenure of the Contract and completed within one year of the last delivery under the contract. However, financial records will only need to be maintained for duration as stipulated by the existing Income Tax regulations at the time of signing of contract. Verification of IC will mandatorily

be carried out in case where incentivisation/reward for higher IC is to be granted and in all Make cases above Rs.500 crores.

Certification

11. All relevant deliveries made under contract shall be accompanied by a certificate of IC issued by the 'Responsible Designated Official' i.e. the Contract Signing Authority, Authorised Signatory etc., of the Prime Vendor and certified by the Statutory Auditor or Cost Auditor of the Company (in case of companies) or by a practicing Cost Accountant or practicing Chartered Accountant (in respect of suppliers other than companies). Further, the equipment offered for trial shall be accompanied with a certificate of IC issued similarly, in case the RFP mandates IC content during trials. The format for certification of IC by the 'Responsible Designated Official' and Statutory Auditor/Cost Auditor/ certified or licensed Cost Accountant/Chartered Accountant shall be as per Appendix-II to this Chapter-6.

12. Performance cum Warranty Bank Guarantee (PWBG) shall be released only after the submission of a certificate (as per Appendix-II) of meeting the overall IC at Contract level furnished by the 'Responsible Designated Official' of the Prime Vendor, after completion of all the contractual deliveries, in addition to any other requirements specified elsewhere in the contract.

13. Deliveries by the final stage of contract must conform to IC requirements and categorisation relevant to that particular stage. The Performance cum Warranty Bank Guarantee (PWBG) shall not be released before completing an Verification of the IC in all relevant deliveries by the MoD or its nominated agency/institution/officer(s), if such an verification is notified and initiated by the MoD.

Withholding of Payments and Imposition of Penalties

14. In case the vendor fails to certify achieving mandatory IC for the project, 5% of contract value will be withheld till verification of IC as per contract. All such payments withheld above shall be forfeited upon failure to achieve required IC post verification. In addition, the PWBG shall also be forfeited upon failure to discharge IC obligations as per contract. In case of incentivisation/ reward for

higher IC, the payment of incentivisation/ reward will be made only after verification of IC.

15. In case mandatory IC is not achieved by a vendor and/or if a false certificate is furnished by a vendor/sub-vendor, other than the forfeiture of the Vendor's IPBG and PWBG, the Ministry can impose any other penalty.

Miscellaneous

16. In the event of non-incorporation of the definitions and/or verification requirements laid down in contracts or agreements by vendors with next tier at any stage (tier) of manufacturing/production/assembly, it shall be presumed that items/services provided by that stage/tier to the next (tier) have no IC for the purposes of the DAP. Similarly, in the event of non-certification of IC at any stage (tier) as required herein, it shall be presumed that items/services provided by that stage/tier to the next stage (tier) have no IC for the purposes of the DAP. In such cases, the MoD can take any of the steps as per Paragraphs 13 and 14 above against the Prime Vendor.

Appendix-I to Chapter-6

INDIGENOUS CONTENT (IC) PROFORMA

Name of the Project/ Contract Details						
Sno.	Description	(In USD)	(In EUR)	(In GBP)	(.....)	Total (Rs.)
1	Foreign Content (FC)					
	Basic Equipment & Material (by Prime Vendor & Tier Vendors, as applicable)					
	Manufacturer's Recommended List of Spares (MRLS) (by Prime Vendor & Tier Vendors, as applicable)					
	Special Maintenance Tools (SMT) (by Prime Vendor & Tier Vendors, as applicable)					
	Special Test Equipment (STE) (by Prime Vendor & Tier Vendors, as applicable)					
	Freight / Transportation & Insurance (if paid by supplier)					
	By 'Others' (@90% FC)					
	Sub Total (A)					
2	Import of Services					
	Royalty Fee					
	Licence Fee if any					
	Technical know-how fee					
	Consultation fees					
	Other fees/payment					
	Sub Total (B)					
	FC = (A+B)					

Computation of Indigenous Content			
3	Base Exchange Rate	(D)	
4	FC in INR	$E = (FC * D)$	
5	Base Contract Price	(F)	
6	Indigenous Content	$G = (F - E)$	
	Indigenous Content (%)	$IC = G * 100 / F$	
Note: (a) Base Exchange Rate will be Selling Rate of Parliament Street Branch of State Bank of India, New Delhi as on the date of submission of bid. (b) Consolidated IC Proforma/ Certificate of Prime Vendor and applicable Tiers vendors will be maintained by Prime Vendor and made available on demand for audit by the MoD. (c) IC Proforma / Certificate are to be submitted along with or before the final invoice of the contract. At all prior stages the Prime Vendor shall submit an undertaking of compliance.			

Appendix-II to Chapter-6

FORMAT FOR CERTIFICATION OF INDIGENOUS CONTENT

VENDOR'S CERTIFICATE

This is to certify that we, _____ (Name of Prime Vendor/Tier Vendor) have achieved/are offering the following IC in the accompanying delivery under contract/equipment being offered for trials/prototype/delivery, as defined under the Defence Acquisition Procedure and as required under the RFP/Contract (tick whichever is applicable) No. _____ dated _____.

Signed by:

'Responsible Designated Official'
----- (Name of Vendor)

Seal of Vendor
Date:

AUDITOR'S CERTIFICATE

We (legal name of Audit Firm) _____, established in _____ (Full address) represented for signature of this Verification Certificate by (Name and designation of Authorised Representative), hereby certify that:-

The above mentioned Indigenous Content (IC) proforma has been examined and all checks of the supporting documentation and accounting records deemed necessary were carried out in order to obtain reasonable assurance that, in our opinion, based on our Verification, the Indigenous Content percentage ____ % (in numbers and words) reflected in the above mentioned proforma has been achieved by _____ (Name of Vendor) during the manufacture of _____ (Name of Equipment).

Certified by:

Statutory Auditor/Cost Auditor/Certified or
Licensed Cost Accountant / Chartered Accountant
(as applicable)
(Name /Name of Firm)
Membership Number / Registration Number

Seal of Verification Firm
Date:

CHAPTER -7

ACTIONS BY MINISTRY OF P&NG

PROCUREMENT POLICY FOR COMPANIES/ORGANISATIONS UNDER THE MINISTRY OF PETROLEUM AND NATURAL GAS

Pursuant to the issue of Public Procurement (Preference to Make in India), Order 2017 by the Department of Promotion of Industry and Internal Trade, Ministry of Petroleum and Natural Gas vide their Order No. FP-20013/22/2017-FP-PNG dated 06.08.2018 prescribed percentage of minimum local content for HSD and Petrol. Later, vide their Order No. FP-20013/12/2018-FP-PNG dated 25.06.2019, the Ministry prescribed percentage of minimum local content for various other petroleum products produced in the country. Copies of these Orders are placed at Annexure-46 & 47.

Notwithstanding above actions by the Ministry of Petroleum and Natural Gas that emanated from the issue of Public Procurement (Preference to Make in India), Order 2017 by the Department of Promotion of Industry and Internal Trade, the Ministry of Petroleum and Natural Gas vide their Letter No. O-27011/44/2015-ONG-II/FP dated 25.04.2017 addressed to all Government companies, regulatory bodies, autonomous authorities, attached & subordinate offices & other public institutions under its control issued Policy to provide Purchase Preference (linked with local content) (PP-LC) in all Public Sector Undertakings under the M/o P&NG. This Policy was first revised vide letter no. FP-20013/2/2017-FP-PNG dated 07.10.2019 and again revised vide letter of even number dated 17.11.2020. This policy is almost same/similar to the Public Procurement (Preference to Make in India), Order 2017 but with certain variations. Therefore, salient features as per the last amended Policy are given as under. Copies of these letters are placed at Annexure-48 to 50.

***Note:** This is only the gist of few relevant paras. For full reading of the document and in verbatim, please read the Policy reproduced in the Annexure-50.*

(a) **Definitions:** In this policy document, certain terms have been defined as under. These used have been reproduced in Chapter-3 as well.

- **Oil and Gas Business Activity** shall comprise of Upstream, Midstream and Downstream business activities.

- **Domestic products** shall be goods and/or service (including design and engineering), produced by companies, investing and producing in India.
- **Local Content** hereinafter abbreviated to LC means the amount of value added in India which shall, unless otherwise prescribed by the Nodal Ministry, be the total value of the item procured (excluding net domestic indirect taxes) minus the value of imported content in the item (including all customs duties) as a proportion of the total value, in percent.
- **Domestic Manufacturer** shall be business entity or individual having business activity established under Indian law and producing products domestically.
- **Supplier** of goods and/or provider of service shall be a business entity having capability of providing goods and/or service in accordance with the business line and qualification thereof and classified as under:

'Class-I local supplier' means a supplier or service provider, whose goods, services or works offered for procurement, has local content equal to or more than 50% as defined under this Policy.

'Class-II local supplier' means a supplier or service provider, whose goods, services or works offered for procurement, has local content more than 20% but less than 50%, as defined under this Policy.

'Non-local supplier' means a supplier or service provider, whose goods, services or works offered for procurement, has local content less than or equal to 20% as defined under this Policy.

- **Steering Committee** means the committee to be constituted by MoPNG to provide effective guidance and to oversee the implementation of the Policy on a regular and continuing basis.
- **Verification** shall be an activity to verify the accomplishment of LC by domestic manufacturers and/or suppliers of goods and/or providers of service with the data obtained or collected from respective business activities.

- **Purchase preference:** Where the quoted price is within the margin of purchase preference of the lowest price, other things being equal, purchase preference may be granted to the bidder concerned, at the lowest valid price bid.
- **Local Content (LC)** in Goods shall be the use of raw materials, design and engineering towards manufacturing, fabrication and finishing of work carried out within the country.
- **Local Content (LC)** in Services shall be the use of services upto the final delivery by utilizing manpower (including specialist), working appliance (including software) and supporting facilities carried out within the country.
- **Local Content (LC)** in EPC contracts shall be the use of materials, design and engineering comprising of manufacturing, fabrication, assembly and finishing as well as the use of services by utilizing manpower (including specialist), working appliance (including software) and supporting facility upto the final delivery, carried out within the country.
- **Factory overhead cost** shall be indirect costs of manpower, machine/working appliance/facility and the whole other fabrication costs needed to produce a unit of product with the cost not chargeable directly to specified product.
- **Company overhead cost** shall be costs related to the marketing, administration and general affairs cost of the company.
- **Indian Company** means a company formed and registered under the Companies Act, 2013.
- **Foreign Company** means any company or body corporate incorporated outside India which – (a) has a place of business in India whether by itself or through an agent, physically or through electronic mode; and (b) conducts any business activity in India in any other manner.

(b) **Margin of Purchase Preference:** The margin of purchase preference shall be 20%.

(c) Purchase Preference – Linked with Local Content (LC):

- The manufacturers/ service providers having the capability of meeting/ exceeding the local content targets shall be eligible for purchase preference under the policy i.e. LC manufacturers/ LC service providers respectively. Wherever the goods/ services are procured under this policy, eligible (techno-commercially qualified) Class-I Local supplier may be granted a purchase preference where the quoted price is within the margin of purchase preference of the lowest price, other things being equal, purchase preference may be granted to the eligible (techno-commercially qualified) Class-I Local supplier concerned, at the lowest valid price bid.
- **Goods:** The contract for 50% of the procured quantity would be awarded to the lowest techno-commercially qualified Class-I Local supplier, subject to matching with L1, if such bidders are available. The remaining will be awarded to L1. However, if L1 bidder happens to be a Class-I Local supplier, the entire procurement value shall be awarded to such bidder. If in the opinion of the procuring company, the tenders (procured quantity) cannot be divided in the prescribed ratio of 50:50, then they shall have the right to award contract to the eligible Class-I Local supplier for quantity not less than 50%, as may be divisible. If the tendered item is non divisible, the contract can be awarded to the eligible Class-I Local supplier for the entire quantity.
- **Services/ EPC Contracts:** The tender for oil and gas services/ EPC contracts shall not normally be split. Hence in such cases also the entire contract shall be awarded to the lowest techno-commercially qualified Class-I Local supplier, subject to matching with L1, if such bidders are available. However, in case of split services, the procedure for divisible goods shall apply.
- Only those LC manufacturers / services providers whose bids are within the margin of purchase preference would be allowed an opportunity to match L1 bid.

(d) Determination of LC

- **LC of Goods:** LC of goods shall be computed on the basis of the cost of domestic components in goods, compared to the whole cost of product. The criteria for determination of the local content cost in the goods shall be (a) in the case of direct component (material), based on country of origin; and (b) in the case of manpower, based on INR component. The calculation of LC of the combination of several kind of goods shall be based on the ratio of the sum of the multiplication of LC of each of the goods with the acquisition price of each goods to the acquisition price of the combination of goods.
- **LC of Services:** LC of service shall be calculated on the basis of the ratio of service cost of domestic components in service to the total cost of service. The total cost of service shall be constituted of the cost spent for rendering of service, covering (a) cost of component (material) which is used; (b) manpower and consultant cost, cost of working equipment/facility; and (c) general service cost. The criteria for determination of cost of local content shall be same as in case of goods i.e. component, material, equipment & facility, based on the country of origin and manpower & consultant, based on INR component.
- **LC of the EPC Contracts:** LC of EPC contracts shall be the ratio of the whole cost of domestic components in the combination of goods and services to the whole combined cost of goods and services, both calculated as per above.
- **Calculation of LC and Reporting:** LC shall be calculated on the basis of verifiable data. In the case of data used in the calculation of LC being not verifiable, the value of LC of the said component shall be treated as nil.
- Sample formats for calculation of local content in goods, in services and in EPC contracts are given as Appendix I, II & III to this Chapter.
- Additional formats prescribed for calculating the local content in petroleum products produced are given as Appendix-IV & V to this Chapter.

(e) Certification and Verification of local content:

- a. At the bidding state, the bidder shall provide the percentage of local content in the bid. The bidder shall submit an undertaking from the authorized signatory of bidder having the power of Attorney alongwith the bid stating the bidder meets the mandatory minimum LC requirement and such undertaking shall become a part of the contract. In cases of procurement of a value in excess of Rs.10 crore, the undertaking submitted by the bidder shall be supported by a certificate from the statutory auditor or cost auditor of the company (in the case of companies) or from a practicing cost accountant or practicing chartered accountant (in respect of suppliers other than companies) giving the percentage of local content.
 - b. In case of foreign bidder, the certificate from their statutory/cost auditor in India is acceptable; else it can be provided by practicing cost/chartered accountant.
 - c. Same procedure shall be followed after the award of contract.
 - d. Each supplier shall provide necessary LC documentation to the auditor (or practicing CMA/CA) who shall review & determine that LC requirements have been met and issue the certificate. He shall keep all necessary information obtained from the suppliers for measurement of LC confidential.
 - e. The LC certificate shall be submitted alongwith each invoice raised. However, the % of LC may vary with each invoice while maintaining the overall % of LC for the total work/purchase of the pro-rata LC requirement. In case, it is not satisfied cumulatively in the invoices raised upto that stage, the supplier shall indicate how the LC requirement would be met in the subsequent stages.
 - f. The Procuring Company shall also have the authority to audit as well as witness production processes to certify the achievement of the requisite local content.
- (f) **Sanctions:** The Procuring companies shall impose sanction on manufacturers/ service providers not fulfilling LC of goods/ services in accordance with the value mentioned in certificate of LC. The sanctions may

be in the form of written warning, financial penalty and blacklisting. The financial penalty shall be over and above the PBG value prescribed in the contract and shall not be more than an amount equal to 10% of the Contract Price.

(g) **Time Period:** The Policy shall be applicable for 5 years. Except for 2017-18, the Policy shall not be continued unless the Steering Committee by September 30th each year concludes a review as of the Policy and recommends continuation of the Purchase Preference.

For item-wise details of the target of Local Content (LC) in the oil and gas business activities as contained in Enclosure-I to the Policy, the readers are requested to refer to the documents available at Annexure-63 & 64.

Appendix-I to Chapter-7

CALCULATION OF LOCAL CONTENT - GOODS

Name of Manufacturer	Calculation by manufacturer Cost per one unit of product			
Cost Component	Cost (Domestic component) a	Cost (Imported component) b	Cost Total Rs/US\$ c=a+b	%Domestic Component d=a/c
I. Direct material cost				
II. Direct labour cost				
III. Factory overheads				
IV. Total production cost				

Note:

$$\% \text{ LC Goods} = \frac{\text{Total cost (IV.c)} - \text{Total Imported component cost (IV.b)}}{\text{Total Cost (IV.c)}} \times 100$$

$$\% \text{ LC Goods} = \frac{\text{Total domestic component cost (IV.a)}}{\text{Total Cost (IV.c)}} \times 100$$

Appendix-II to Chapter-7

CALCULATION OF LOCAL CONTENT – SERVICE

NAME OF SUPPLIER OF GOODS / PROVIDER OF SERVICE			Cost Summary				
			Domestic	Imported Rs/US\$	Total	LC	
						%	Rs/US\$
			b	c	D	E=b/d	F=d x e
A	Cost Component						
	I. Material used cost	Rs US\$					
	II. Personnel & Consultant cost	Rs US\$					
	III. Other services cost	Rs US\$					
	IV. Total cost (I to III)	Rs US\$					
B	Taxes and Duties	Rs US\$					
C	Total quoted price	Rs US\$					

Note:

$$\% \text{ LC Services} = \frac{\text{Total cost (IV. d)} - \text{Total Imported component cost (A. IV. c)}}{\text{Total Cost (A. IV. d)}} \times 100$$

$$\% \text{ LC Services} = \frac{\text{Total domestic component cost (A. IV. b)}}{\text{Total Cost (A. IV. d)}} \times 100$$

Appendix-III to Chapter-7

CALCULATION OF LOCAL CONTENT – EPC (GOODS AND SERVICE)

NAME OF SUPPLIER OF GOODS / PROVIDER OF SERVICE		Cost Summary				
		Domestic	Imported Rs/US\$	Total	LC	
					%	Rs/US\$
		b	c	d	E=b/d	F=d x e
A	Cost Component					
I	GOODS					
1	Material used cost					
2	Equipment cost					
3	Sub-Total I					
II	SERVICES					
1	Personnel & Consultant cost					
2	Equipment & Work Facility cost					
3	Construction/ Fabrication cost					
4	Other Services cost					
5	Sub-Total II					
III	Total Cost Goods + Services					
B	Non Cost Component					
C	Total quoted price					

Note:

$$\% \text{ LC Combination} = \frac{\text{Total domestic component cost of goods (A. I.3. b)} + \text{Total domestic component cost of services (A. II.5. b)} \times 100}{\text{Total Cost (A. III. d)}}$$

Appendix-IV to Chapter-7

For Products other than HSD and Petrol

Sno.	Cost Component (Rs/MT)	Local Content (A)	Foreign Content (B)	Total Cost (C=A+B)
1	Crude FOB			
2	Ocean Freight			
3	Insurance			
	CIF (total C1 to C3)			
4	Customs + NCC			
5	LC Charges			
6	Wharfage Disport			
7	Port Handling Charges			
8	Other Charges (Surveyor Charges)			
9	Demurrage			
	Landed Cost (total C1 to C9)			
10	Inland Crude Freight upto Refinery			
11	Natural Gas and other Inputs			
12	Refinery Processing Cost			
	Total Refining Cost (total C1 to C12)			
13	Purchases Landed Cost			
14	Primary Freight to Depot/ Terminal			
15	Marketing Cost			
16	Secondary Freight to Customers			
	Total Marketing Cost (total C13 to C16)			
17	Total Cost			

$$\text{Local Content (\%)} = (A17 - A1)/C17*100$$

Appendix-V to Chapter-7

For HSD and Petrol

Sno.	Cost Component (Rs/MT)	Local Content (A)	Foreign Content (B)	Total Cost (C=A+B)
1	Crude FOB			
2	Ocean Freight			
3	Insurance			
	CIF (total C1 to C3)			
4	Customs + NCC			
5	LC Charges			
6	Wharfage Disport			
7	Port Handling Charges			
8	Other Charges (Surveyor Charges)			
9	Demurrage			
	Landed Cost (total C1 to C9)			
10	Inland Crude Freight upto Refinery			
11	Natural Gas and other Inputs			
12	Refinery Processing Cost			
	Total Refining Cost (total C1 to C12)			
13	Primary Freight to Depot/ Terminal			
14	Marketing Cost			
15	Secondary Freight to Customers			
	Total Marketing Cost (total C13 to C15)			
16	Total Cost			

$$\text{Local Content (\%)} = (A_{16} - A_1) / C_{16} \times 100$$

CHAPTER –8

ACTIONS BY MINISTRY OF STEEL

POLICY FOR PROVIDING PREFERENCE TO DOMESTICALLY MANUFACTURED IRON & STEEL PRODUCTS IN GOVERNMENT PROCUREMENT – REVISED, 2019

Ministry of Steel vide Notification No. G.S.R. 451(E) dated 08.05.2017, issued a Policy for providing preference to domestically manufactured iron & steel products in Government procurement. This Policy was revised vide Notification No. G.S.R. 385(E) dated 29.05.2019. Copies of these notifications are placed at Annexure-79 & 80.

Pursuant to notification of aforesaid Policy, Ministry of Steel did not issue any separate orders in compliance with the provisions of Public Procurement (Preference to Make in India), Order 2017 issued by the Department of Promotion of Industry and Internal Trade, as its Policy is generally in line therewith, except that the self-certification is largely permitted and in case of capital goods given in Appendix B of the Notification, the certificate from the statutory auditor is only allowed. To that extent, there is variation and this needs to be resolved in line with the overall approach of permitting cost auditors and practicing cost accountants/ chartered accountants to certify the compliance with local content requirements.

Copies of the notifications dated 08.05.2017 and 29.05.2019 are placed at Annexure-79 & 80. For sake of quick reference, relevant paragraphs of the notification dated 29.05.2019 are reproduced below.

Definitions

Bidder may be a domestic/ foreign manufacturer of iron & steel or their selling agents/ authorized distributors/ authorized dealers/ authorized supply houses or any other company engaged in the bidding of projects funded by Government agencies.

Domestically Manufactured Iron & Steel Products (DMI&SP) are those iron and steel products which are manufactured by entities that are registered and established in India, including in Special Economic Zones (SEZs). In addition, such products shall meet the criteria of domestic minimum value addition as mentioned in Appendix-A.

Domestic Manufacturer is a manufacturer of iron and steel products conforming to guidelines in section 7 and confirming to the definition of 'manufacture' as per Central Excise Act.

Net Selling Price shall be the invoice price excluding net domestic taxes and duties.

L1 means the lowest tender or the lowest bid or the lowest quotation received in a tender, bidding process or other procurement solicitation as adjudged in the evaluation process as per the tender or other procurement solicitation.

Margin of purchase preference means the maximum extent to which the price quoted by a domestic supplier may be above L1 for the purpose of purchase preference. In case of DMI&SO policy, the margin of purchase preference shall be 20% for items in Appendix B.

Domestic value addition shall be the net selling price (invoiced price excluding net domestic taxes and duties) minus the landed cost of imported input materials at the manufacturing plant in India (including all customs duties) as a proportion of the net selling price, in percent. The 'domestic value addition' definition shall be in line with the DPIIT (formerly DIPP) guidelines, and shall be suitably amended in case of any changes by DPIIT in the future. For the purpose of this policy document, domestic value addition and local content have been used interchangeably.

Notifying Iron & Steel Products Procured by Government

The following guidelines may be used for identifying and notifying the aforementioned products under the policy:

- a) The policy is applicable to iron & steel products as provided in Appendix A which are to be exclusively domestically manufactured and cannot be imported without the approval of the Ministry of Steel.
- b) The policy is applicable to capital goods for manufacturing iron & steel products in Appendix B that contains a list (non-exhaustive) of capital goods for which purchase preference shall be provided to domestically manufactured capital goods. If their quoted price falls within 20% of the price quoted for corresponding imported capital good.

- c) The objective of the policy is to notify all iron & steel products which are procured by Government Agencies for government projects and not with a view to commercially resale or with a view to use in the production of products for commercial sale.
- d) The policy is applicable to all projects funded by Ministry or Department of Government and all agencies/entities under their administrative control for purchase of iron & steel products.
- e) The policy shall be applicable to projects where the procurement value of iron and steel products is greater than Rs.25 crores. The policy shall also be applicable for other procurement (non-project), where annual procurement value of iron and steel products for that Government Organization is greater than Rs.25 crores.
- f) The policy is applicable to purchase of iron & steel products by private agencies for fulfilling an EPC contract and/or any other requirement of Ministry or Department of Government or their PSUs.
- g) The policy guidelines on capital goods for manufacturing iron & steel products shall be applicable to public sector steel manufacturers for all purchases of capital goods for manufacturing iron & steel products in Appendix B, irrespective of the project size.

Important Tender procedure requirements

- For iron and steel products in Appendix A, the procurement process shall be open only to the manufacturers/ suppliers having the capability of meeting/ exceeding the domestic value addition targets. Manufacturers/ suppliers not having the domestic value addition targets are not eligible to participate in the bidding.
- In case of Appendix B items, if in the opinion of the procuring company, the tender (procured quantity) cannot be divided in the prescribed ratio of 50:50, then they shall have the right to award contract to the eligible domestic manufacturer for quantity not less than 50%, as may be divisible.
- In continuation of above clause for Appendix B items, if the tendered item is not divisible, (to be included in the tender document by procuring company)

the contract can be awarded to the eligible domestic manufacturer for the entire quantity.

- In case of Appendix B items, if none of the eligible manufacturers meeting domestic value addition requirements match the L1 bid, the original bidder holding L1 bid shall secure the order for full value of procurement.

Domestic value addition requirements

- Minimum domestic value addition requirement to qualify the product as a domestically manufactured iron & steel product or a Capital good are mentioned in Appendix A and B.
- Domestic value addition shall be the net selling price (invoiced price excluding domestic taxes and duties) minus the landed cost of imported input materials at the manufacturing plant in India (including all customs duties) as a proportion of the net selling price, in percent.
 - In case the iron & steel products are made using domestic input steel (semi-finished/finished steel), invoices of purchases from the actual domestic producers along with quantities purchased and the other related documents must be furnished to the procuring Government agency.
 - In case the iron & steel products have imported input steel, the invoices of purchases from the actual producers along with quantities purchased and the other related documents must be furnished separately. To derive the extent of domestic value addition, the weighted average of both (imported & domestic) input steel shall be considered to ensure that the minimum stipulated domestic value addition requirement of the policy is complied with.
- It is recommended that each bidder participating in the tender process should calculate the domestic value addition using the below formula so as to ensure the domestic value addition claimed is consistent with the minimum stipulated domestic value addition requirement of the policy.

For Iron and Steel products - % Domestic value addition

$$= \frac{\text{Net selling price of final product} - \text{Landed cost of imported iron or steel at plant}}{\text{Net selling price of final product}} \times 100\%$$

For Capital Goods - % Domestic value addition

$$= \frac{\text{Net selling price of final product} - \text{Landed cost of imported input materials at plant}}{\text{Net selling price of final product}} \times 100\%$$

Certification and audit

- For products in Appendix A, each domestic manufacturer shall furnish the Affidavit of self-certification to the procuring Government agency declaring that the iron & steel products are domestically manufactured in terms of the domestic value addition prescribed.
- For capital goods in Appendix B, the bidder shall furnish the certificate issued by the statutory auditor to the domestic manufacturer declaring that the capital goods are domestically manufactured in terms of the domestic value addition prescribed.
- The bidders who are sole selling agents/ authorized distributors/ authorized dealers/ authorized supply houses of the domestic manufacturers of iron & steel products are eligible to bid on behalf of domestic manufacturers under the policy. The bidder shall furnish Affidavit of self-certification issued by the domestic manufacturers and the certification issued by the statutory auditors, to the procuring agency declaring that the iron & steel products are domestically manufactured in terms of the domestic value addition prescribed.
- The Affidavit of self-certification shall be furnished in **Form I** attached to these guidelines [*now attached as Appendix-I to this Chapter*].
- The procuring agency shall accept the Affidavit of self-certification regarding domestic value addition in a steel product submitted to a bidder. It shall not normally be the responsibility of procuring agency to verify the correctness of the claim. The onus of demonstrating the correctness of the same shall be on the bidder when asked to do so.

Appendix-I to Chapter-8

Form-I – Format for Affidavit of Self-Certification regarding Domestic Value Addition in Iron & Steel Products/ Capital Goods to be provided on Rs.100/- Stamp Paper

Date: _____

I _____ S/o, D/o, W/o, _____, Resident of _____ hereby solemnly affirm and declare as under:

That I agree to abide by the terms and conditions of the policy of Government of India issued vide Notification No. _____.

That the information furnished hereinafter is correct to best of my knowledge and belief and I undertake to produce relevant records before the procuring agency (ies) for the purpose of assessing the domestic value addition.

That the domestic value addition for all inputs which constitute the said iron & steel products has been verified by me and I am responsible for the correctness of the claims made therein.

That in the event of the domestic value addition of the product mentioned herein is found to be incorrect and not meeting the prescribed value addition criteria, based on the assessment of procuring agency (ies) for the purpose of assessing the domestic value addition. I will be disqualified from any Government tender for a period of 36 months. In addition, I will bear all costs of such an assessment.

That I have complied with all conditions referred to in the Notification No. _____ wherein preference to domestically manufactured iron & steel products in Government procurement is provided and that the procuring agency (ies) is hereby authorized to forfeit my EMD. I also undertake to pay the assessment cost and pay all penalties as specified in the tender document.

I agree to maintain all information in the Company's record for a period of 8 years and shall make this available for verification to any statutory authority.

- i. Name and details of the Bidder (Registered Office, Manufacturing unit location, nature of legal entity)

- ii. Date on which this certificate is issued
- iii. Iron & Steel Products for which the certificate is produced
- iv. Procuring agency to whom the certificate is furnished
- v. Percentage of domestic value addition claimed and whether it meets the threshold value of domestic value addition prescribed
- vi. Name and contact details of the unit of the manufacturer(s)
- vii. Net Selling Price of the iron & steel products
- viii. Freight, insurance and handling till plant
- ix. List and total cost of input steel (imported) used to for manufacture the iron & steel products
- x. List and total cost of input steel which are domestically sourced
- xi. Please attach domestic value addition certificates from suppliers, if the input is not in-house.
- xii. For imported input steel, landed cost at Indian port with break-up of CIF value, duties & taxes, port handling charges and inland freight cost.

For and on behalf of (Name of firm/entity)

Authorized signatory (To be duly authorized by the Board of Directors)

<Insert Name, Designation, and Contact No. >

CHAPTER –9

ACTIONS BY MINISTRY OF ELECTRONICS & IT

2012/2013 POLICY FOR PROVIDING PREFERENCE TO DOMESTICALLY MANUFACTURED ELECTRONIC PRODUCTS IN GOVERNMENT PROCUREMENT

Ministry of Communications and Information Technology, Department of Electronics and Information Technology, vide Notification No. 8(78)/2010-IPHW dated 10.02.2012 had issued a Policy for providing preference to domestically manufactured electronic goods in Government procurement. This Policy was revised vide Notification No. 33(3)/2013-IPHW dated 23.12.2013. To operationalize the policy, detailed guidelines were issued vide Notifications of even number as listed below:

1. Notification dated 22.05.2014 in respect of LED Products
2. Notification dated 22.05.2014 in respect of Tablet Personal Computers
3. Notification dated 01.10.2014 in respect of Biometric Iris Sensors
4. Notification dated 01.10.2014 in respect of Biometric Access Control/ Authentication Devices

Department, vide Notification No. 33(3)/2013-IPHW dated 22.05.2015 clarified that domestic manufacturers include contract manufacturers, but excludes traders who are primarily importers. However, the sole selling agents, authorised distributors, authorised dealers, and authorised supply houses of domestic manufacturers of electronic products are eligible to bid on behalf of the domestic manufacturer.

Department of Electronics and Information Technology, vide its Notification No. 33(7)/2015-IPHW dated 16.11.2015 issued detailed guidelines with respect to the Policy issued on 23.12.2013. Copies of all these notifications are placed at Annexure-21 to 27. Salient features of these guidelines are as under:

DEFINITIONS

(i) "Bill of Material": Bill of Material (BOM), for the purposes of the Policy will be sum of costs of all inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit / set-off can be taken) including parts, sub-parts, components, assemblies, manufacturing costs

including cost of design and development/ assembling / testing/ sourcing/ power/ finance/logistics/ insurance done in-house, and/or by external Electronic Manufacturing Service provider, royalties and licensee fee for IPR, and/or in-house R&D costs incurred/amortized to create IPR resident in India, embedded and other software integral to the device. Packing material, brochures and user manuals which are integral to the device shall also be considered as part of BOM. The "profit after tax" and warranty cost of the manufacturer is not part of the BOM. Similarly, Sales and Marketing expenses including distribution charges, dealer commission, Branding and promotion are also not part of the BOM.

(ii) "Ex-factory price" is the price declared by the manufacturer of the electronic product. All duties and taxes levied on the electronic product shall not be part of ex-factory price.

(iii) "Bill of Material sourced from domestic manufacturers": BOM sourced from domestic manufacturers would be the sum of the costs of all inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit / set-off can be taken) and which have not been imported. An imported material or service including royalty, IPR/technical fees, which is sold by a domestic trader or intermediary, shall not be considered as a domestically sourced BOM.

(iv) "Department of Electronics and Information Technology": Department of Electronics and Information Technology (DeitY) means the Department of Electronics and Information Technology, formerly called Department of Information Technology (DIT), Ministry of Communications and Information Technology, Government of India.

(v) "Department of Telecommunications": Department of Telecommunications (DOT) means the Department of Telecommunications, Ministry of Communications and Information Technology, Government of India.

(vi) "Domestically Manufactured Electronic Products (DMEPs)": Domestically Manufactured Electronic Products are those electronic products which are manufactured by entities that are registered and established in India, including in Special Economic Zones (SEZs), and engaged in manufacture of such electronic products in India and would include OEM and their Contract Manufacturers, but

not traders. In addition, such products shall meet the criteria of domestic value-addition as laid down in the Policy, for being classified as DMEP.

(vii) "Domestic Manufacturer": Domestic Manufacturer is a manufacturer of domestically manufactured electronic products (DMEPs).

(viii) "Generic Products": Generic Products in the context of this Policy are common electronic products which are extensively used across all sectors of economy and notified as such by DeitY or DOT.

(ix) "Government": Government for the purpose of the Policy means Government of India.

(x) "Government agencies": Government agencies are Constitutional bodies, Government PSUs, Societies, Trusts and Statutory bodies set up by the Government.

(xi) "Inputs to an electronic product" include parts, sub-parts, components, assemblies, manufacturing costs including cost of design and development/assembling/ testing/ sourcing/ power /finance /logistics/ insurance done in-house, and/or by external Electronic Manufacturing Service provider, royalties and licensee fee for IPR, and/or in-house R&D costs incurred/amortized to create IPR, embedded and other software integral to the specific product.

(xii) "Notification": Notification is an order issued under the Policy and Guidelines issued there under which specifies the preference to be provided to DMEP.

(xiii) "Policy": The policy notified by DeitY vide Reference No.33(3)/2013-IPHW dated 23.12.2013.

(xiv) "Profit after Tax" would mean the net profit earned by the company after deducting all expenses like interest, depreciation and income tax.

(xv) "Verticals": Verticals in the context of electronic products are the entire line of products used in various segments of Electronic Hardware sector, and *inter-al* include Telecom; Mobile and hand held devices; Broadcasting; IT and Office Automation; Consumer electronics and Mass communication products;

Automotive electronics; Industrial electronics; Electronic Test, Measuring and Analytical Instruments; LED products; Smart cards; Radio-frequency identification (RFID); Avionics; Strategic Electronics including Defense, Space and Atomic Energy; Medical electronics; Solar photovoltaics; power electronics. Segments are broad categorization of electronic products and verticals are more specific products / line of products under that segment. For example, in the Consumer electronics segment, products such as Televisions, Radios, DVD players, Music systems, etc. constitute the verticals.

(xvi) "Year 1": Year 1 in the context of this Policy means Financial Year (FY) in which the relevant notification providing for preference for a given electronic product comes into effect. The FY will be the year beginning on the 1st April and ending on the 31st March of the succeeding year. However, if a product is notified on or after 1st September of a year, the year '1' would extend to 31st March of the succeeding FY.

NOTIFYING ELECTRONIC PRODUCTS PROCURED BY GOVERNMENT

Each Ministry/Department shall identify the electronic products, under various verticals of electronic sector, which that Ministry/Department procures for Governmental purposes and not with a view to commercial resale or with a view to use in the production of goods for commercial sale.

The following guidelines may be used for identifying and notifying the electronic products under each vertical, under the Policy:

- a. The objective of the Policy is to eventually notify all electronic products which are procured by Government and Government agencies for Governmental purposes and not with a view to commercial resale or with a view to use in the production of products for commercial sale. Electronic products that are used as subsystems in a larger system/project procured by Government or Government Agency shall also be covered by the Policy. A "sub-system" is a part of a larger system/project. For example, control system of a power plant may constitute such a sub-system. The policy shall also be applicable to situations where the DMEPs notified under the policy are procured as part of the sub-system. In such cases the preference to DMEPs would be applicable

only for the value of notified DMEPs forming part of the sub-system/ project and not on the value of whole subsystem/project.

- b. An analysis of the domestic manufacturing base needs to precede the identification of an electronic product for notification under the Policy. Only those electronic products, in respect of which at least one domestic manufacturer exists, shall be notified. Consultation with industry, as necessary, may be carried out.
- c. The configuration/ specifications representative of the entire range of a product should be categorized in a single notification after taking into account the functionality/ features/ product complexity. For example, there may be a separate notification for Desktop PCs, Servers and Tablets, but all Desktop PCs, with different configurations, may be clubbed under a single notification.
- d. Since identification of all electronic products cannot be taken up simultaneously, the products having high value of procurement in Government and Government agencies may be identified for notification on priority.
- e. Ministries/ Departments shall publish their prospective annual demand for Government procurement of electronic products over the next 5 years, with the objective of encouraging development/ investment in manufacturing of such products. Such projections should be based on well considered and approved plans. To the extent possible, the Ministries/ Departments should also include an analysis of their total procurement to identify the electronic products having high value of procurement vs. the entire portfolio.

The percentage of total procurement value for which preference to DMEP is to be provided may be based on following guidelines:

- a. The minimum percentage of domestic procurement for any electronic product notified is 30%.
- b. The percentage of total procurement value for which preference is provided to DMEP should be so fixed that competition is maximized while at the same time domestic manufacturing is encouraged.

- c. The decision should be taken after an analysis of the domestic manufacturing base including the available production capacities with the indigenous manufacturers (including contract manufacturers) and their numbers as well as that of their suppliers of inputs, which should *inter-alia*, meet the value addition norms proposed to be notified.
- d. This would also depend on the availability of multiple domestic manufacturing units with sufficient capacities, so that the requirement of Government Ministries/ Departments and Government agencies can be fulfilled without compromising on timelines and quality. The after-sales service support network of domestic manufacturer/s also needs to be factored in. However, if there is only one domestic manufacturer, the percentage of procurement for which preference to DMEP is provided should normally be 30%.
- e. The percentage of procurement, especially for items being procured in small numbers, with generally high value, may be decided upon practical feasibilities.

VALUE ADDITION

Bill of Material sourced from domestic manufacturers (Dom-BOM) may be calculated based on one of the following depending on data available. Each of these calculations should provide consistent result.

- a. Sum of the costs of all inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit / set-off can be taken) and which have not been imported directly or through a domestic trader or an intermediary.
- b. Ex-Factory Price of product minus profit after tax minus sum of imported Bill of Material used (directly or indirectly) as inputs in producing the product (including duties and taxes levied on procurement of inputs except those for which credit / setoff can be taken) minus warranty costs.
- c. Market price minus post-production freight, insurance and other handling costs minus profit after tax minus warranty costs minus sum of Imported Bill of Material used as inputs in producing the product (including duties and

taxes levied on procurement of inputs except those for which credit / set-off can be taken) minus sales and marketing expenses.

Total Bill of Material (Total-BOM) may be calculated based on one of the following depending on data available. Each of these calculations should provide consistent result.

- a. Sum of the costs of all inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit / set-off can be taken).
- b. Ex-Factory Price of product minus profit after tax, minus warranty costs.
- c. Market price minus post-production freight, insurance and other handling costs minus profit after tax, minus warranty costs minus sales and marketing expenses.

The percentage of domestic value-addition may be calculated based on information furnished as per the following formula:

$$\text{Percentage of domestic value-addition} = (\text{Dom-BOM} / \text{Total-BOM}) \times 100$$

It is recommended that each agency assessing should calculate the domestic value addition using at least two of the above formulae so as to validate the assessments in this regard and ensure that the domestic value addition that is claimed is consistent.

SELF-CERTIFICATION

Each domestic manufacturer shall furnish the Affidavit of self-certification to the procuring agency declaring that the electronic product is domestically manufactured in terms of the domestic value addition prescribed. The bidders who are sole selling agents / authorized distributors / authorized dealers / authorized supply houses of the domestic manufacturers of electronic products are eligible to bid on behalf of domestic manufacturers under the policy. The bidder shall furnish the Affidavit of self-certification issued by the domestic manufacturer to the procuring agency declaring that the electronic product is domestically manufactured in terms of the domestic value addition prescribed.

The Affidavit of self-certification shall be furnished in **Form 1** attached to these guidelines.

It shall be the responsibility of the domestic manufacturer to ensure that the products so claimed are DMEP in terms of the domestic value addition prescribed for the product. The domestic manufacturer shall also be required to provide a value addition certificate on half-yearly basis (Sep 30 and Mar 31), duly certified by the Statutory Auditors of the domestic manufacturer, that the claims of value-addition made for the product during the preceding 6 months are in accordance with the Policy. Such certificate shall be filed within 60 days of commencement of each half year, to the concerned Ministry / Department.

The procuring agency shall accept the Affidavit of self-certification regarding domestic value addition in an electronic product submitted by a bidder. It shall not normally be the responsibility of procuring agency to verify the correctness of the claim. The responsibility to show the correctness of the same shall be that of the bidder when asked to do so.

Formats for self-certification of Domestic Value Addition in an Electronic Product and for certification by the Cost Accountant/ Chartered Accountant are placed at Appendix-I & II attached to this Chapter.

2017 POLICY FOR PROVIDING PREFERENCE TO DOMESTICALLY MANUFACTURED ELECTRONIC PRODUCTS IN GOVERNMENT PROCUREMENT

Consequent upon the issue of Public Procurement (Preference to Make in India) Order 2017 dated 15.06.2017 by the erstwhile Department of Industrial Policy and Promotion (DIPP), Ministry of Electronics and Information Technology, vide Notification No. 33(1)/2017-IPHW [S.O. 3586(E)] dated 14.08.2017 issued fresh policy. Para 2 of the said notification reads as under:

"In furtherance of the Public Procurement (Preference to Make in India) Order 2017 notified vide reference cited above, and in supersession of the policy for providing preference to domestically manufactured electronic products in Government procurement notified vide Notification No. 33(3)/2013-IPHW, dated 23.12.2013 and the Electronic Product Notifications issued thereunder, the Ministry of Electronics and Information Technology (MeitY) hereby notifies that preference

shall be provided by all procuring entities to domestically manufactured Electronic Products as per the aforesaid Order.”

In furtherance thereto, Ministry issued notification dated 02.07.2018 for procurement of Cyber Security Products. Procurement of Cellular Mobile Phones was mandated vide notification dated 01.08.2018 that was modified vide notification dated 29.04.2020. Copies of all these notifications are placed at Annexure-28 to 31.

Few salient features of the 2017 policy are reproduced hereunder. Similar features existed in the 2012 & 2013 policies as well.

PROCEDURE FOR CALCULATING LOCAL CONTENT/ DOMESTIC VALUE ADDITION

This procedure for calculating the local content/ domestic value addition is ditto same as provided in the 2012/2013 Policy reproduced under caption “Value Addition” above.

VERIFICATION OF LOCAL CONTENT/DOMESTIC VALUE ADDITION

- a) The local supplier at the time of tender, bidding or solicitation shall provide self-certification that the item offered meets the minimum local content and shall give details of the location(s) at which the local value addition is made.
- b) In cases of procurement for a value in excess of Rs. 10 crores, the local supplier shall provide a certificate from the statutory auditor or cost auditor of the company (in the case of companies) or from a practising cost accountant or practising chartered accountant (in respect of suppliers other than companies) giving the percentage of local content.
- c) In case a complaint is received by the procuring agency or the concerned Ministry/Department against the claim of a bidder regarding local content/domestic value addition in an electronic product, the same shall be referred to STQC.
- d) Any complaint referred to STQC shall be disposed of within 4 weeks. The bidder shall be required to furnish the necessary documentation in support of the domestic value addition claimed in an electronic product to STQC. If no

information is furnished by the bidder, such laboratories may take further necessary action, to establish the bonafides of the claim.

- e) A complaint fee of Rs.2 Lakh or 1% of the value of the domestically manufactured electronic products being procured (subject to a maximum of Rs. 5 Lakh), whichever was higher, to be paid by Demand Draft to be deposited with STQC. In case, the complaint is found to be incorrect, the complaint fee shall be forfeited. In case, the complaint is upheld and found to be substantially correct, deposited fee of the complainant would be refunded without any interest.
- f) False declarations will be in breach of the Code of Integrity under Rule 175(1)(i)(h) of the General Financial Rules for which a bidder or its successors can be debarred for up to two years as per Rule 151 (iii) of the General Financial Rules along with such other actions as may be permissible under law.

Ministry of Electronics and Information Technology (MeitY) shall be the Nodal Ministry to monitor the implementation of the Electronic Products Notification. In case of a question whether an item being procured is an electronic product to be covered under the Public Procurement (Preference to Make in India) Order 2017, the matter would be referred to the Ministry of Electronics and Information Technology for clarification.

Appendix-I to Chapter-9

**Format for Affidavit of Self Certification regarding Domestic Value Addition
in an Electronic Product to be provided on Rs.100/- Stamp paper.**

Date : _____

I, _____ S/o., D/o., W/o _____,
Resident of _____ do hereby solemnly affirm and declare as
under:

That I will agree to abide by the terms and conditions of the policy of Government
of India issued vide Notification No. 8(78)/2010-IPHW, dt: 10.02.2012.

That the information furnished hereinafter is correct to the best of my knowledge
and belief and I undertake to produce relevant records before the procuring
authority or any authority so nominated by the Department of Electronics and
Information Technology, Government of India for the purpose of assessing the
domestic value-addition.

That the domestic value addition for all inputs which constitute the said
electronic product has been verified by me and I am responsible for the
correctness of the claims made therein.

That in the event of the domestic value addition of the product mentioned herein
is found to be incorrect and not meeting the prescribed value addition norms,
based on the assessment of an authority so nominated by the Department of
Electronics and Information Technology, Govt. of India for the purpose of
assessing the domestic value addition. I will be disqualified from any Government
tender for a period of 36 months. In addition, I will bear all costs of such an
assessment.

That I have complied with all conditions referred to in the Notification No.,
wherein preference to domestically manufactured electronic products in
Government procurement is provided and the procuring authority is hereby
authorize to forfeit and adjust my EMD and other security amount towards such
assessment cost and I undertake to pay the balance, if any, forthwith.

I agree to maintain the following information in the Company's record for a period of 8 years and shall make this available for verification to any statutory authorities. Further I am submitting the following details -

- i. Name and details of the Domestic Manufacturer (Registered office, Manufacturing unit, location, nature of legal entity).
- ii. Date on which this certificate is issued.
- iii. Electronic Product for which the certificate is produced.
- iv. Procuring agency to whom the certificate is furnished.
- v. Percentage of domestic value addition claimed.
- vi. Name and contact details of the unit of the manufacturer.
- vii. Sale Price of the product.
- viii. Ex-Factory Price of the product.
- ix. Freight, Insurance and handling.
- x. Total Bill of Material.
- xi. List and total cost value of inputs used for manufacture of the electronic product.
- xii. List and total cost of inputs which are domestically sourced. Please attach certificates from suppliers, if the input is not in-house.
- xiii. List of cost of inputs which are imported, directly or indirectly.

For and on behalf of _____ (Name of firm/entity)

Authorized signatory (To be duly authorized by the Board of Directors)

<Insert Name, Designation and Contact No.>

Appendix-II to Chapter-9

Certificate of Local Content for Availing “Make in India” Preference

Tender No.:

Opening Date:

Item Description:

I/We have examined the information, records and books of Accounts presented before me/us by our client(s) (Name and complete address of the company) and certify that the local content, which is the amount of value added in India (i.e. the total value of the item procured excluding net domestic indirect taxes, minus the value of the imported content, if any, of the above mentioned item including all custom duties), as a proportion of the total value, in percent is (percentage of local content).

We understand that this certificate is being produced by our client named above, for the purpose of availing purchase preference under Public Procurement (Preference to Make in India), Order 2017, in the above mentioned tender. We are aware that any false declarations in this respect will be in breach of the Code of integrity under Rule 175(1) (i) (h) of the General Financial Rule for which our client or its successors can be debarred for up to two years as per 151 (iii) of the General Financial Rules along with such other actions as may be permissible under law.

I/We are also aware that I/We am/are liable to be taken up under Section 22 of the Cost and Works Accountants Act, 1959 along with such other actions as may be permissible under the Company and other relevant laws, in case of any false/incorrect certification of local content mentioned as above, by us.

Date:

(Seal & Signature of the Cost Auditor/Cost Accountant)

CHAPTER –10 LOCAL CONTENT METHODOLOGY & FORMATS

BACKGROUND

Public Procurement (Preference to Make in India), Order 2017 issued by Department of Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry has defined "local content" as under:

"*Local content*" means the amount of value added in India which shall, unless otherwise prescribed by the Nodal Ministry, be the total value of the item procured (excluding net domestic indirect taxes) minus the value of imported content in the item (including all custom duties) as a proportion of the total value, in percent.

But DPIIT did not prescribe any format for the computation of local content in the manufacture/supply of goods and services.

Further, the Public Procurement Order has also prescribed that

- The 'Class-I local supplier'/'Class-II local supplier', at the time of tender, bidding or solicitation, shall be required to indicate percentage of local content and provide self-certification that the item offered meets the local content requirement for 'Class-I local supplier'/'Class-II local supplier', as the case may be. They shall also give details of the location(s) at which the local value addition is made.
- In case of procurement of value in excess of Rs.10 crore, the 'Class-I local supplier'/'Class-II local supplier' shall be required to provide a certificate from the statutory auditor or cost auditor of the company (in the case of companies) or from a practicing cost accountant or practicing chartered accountant (in respect of suppliers other than companies) giving the percentage of local content.

Here again, DPIIT did not prescribe any format for self-certification of local content by the manufacturer/producer or certification by the statutory auditor or cost auditor or by the practicing cost accountant or practicing chartered accountant, as the case may be.

FORMATS PRESCRIBED BY NODAL MINISTRIES/DEPARTMENTS

Therefore, few nodal/administrative Ministries/ Departments have prescribed their own formats for the calculation of local content. Few others have not given any formats for computation of LC or for certification thereof, but have prescribed a methodology for the calculation of local content. Still some have only given the draft format for providing Affidavit of Self-Certification. Wherever available, these have been reproduced in this Guidance Note, as per details below:

- Methodology and/or Formats prescribed by the Department of Heavy Industry, Department of Pharmaceuticals, Ministry of Textiles and Department of Telecommunications have been given at Appendix-II to V attached to Chapter 5.
- Methodology and/or Formats prescribed by Ministry of Defence, Ministry of Petroleum & Natural Gas, Ministry of Steel and Ministry of Electronics & Information Technology have been given in Chapter Nos. 6 to 9 respectively. Department of Chemicals & Petrochemicals has also given format for calculation of LC which is exactly same as given at Appendix-I to Chapter-7.

PROCEDURE FOR COMPUTATION OF LOCAL CONTENT

Procedure or the methodology/formula for computation of local content [or indigenous content or domestic value addition] as prescribed by DPIIT and few other Ministries/ Departments is reproduced below.

Methodology/formula for local content given in the DPIIT's Order

$$\text{Local Content} = \frac{\text{Total value of the item procured (excluding net domestic indirect taxes)} - \text{Value of imported content in the item (including all custom duties)}}{\text{Total value of the item procured}} \times 100$$

Formulae given in the Ministry of Petroleum & Natural Gas Policy

$$\% \text{ LC Goods} = \frac{\text{Total cost} - \text{Total Imported component cost}}{\text{Total Cost}} \times 100$$

$$\% \text{ LC Services} = \frac{\text{Total cost} - \text{Total Imported component cost}}{\text{Total Cost}} \times 100$$

$$\% \text{ LC Combination} = \frac{\text{Total domestic component cost of goods} + \text{Total domestic component cost of services}}{\text{Total Cost}} \times 100$$

Formulae given in the Ministry of Steel

For Iron and Steel products - % Domestic value addition =

$$\frac{\text{Net selling price of final product} - \text{Landed cost of imported iron or steel at plant}}{\text{Net selling price of final product}} \times 100\%$$

For Capital Goods - % Domestic value addition =

$$\frac{\text{Net selling price of final product} - \text{Landed cost of imported input materials}}{\text{Net selling price of final product}} \times 100\%$$

Ministry of Steel has further stated that the 'domestic value addition' definition shall be in line with the DPIIT (formerly DIPP) guidelines, and shall be suitably amended in case of any changes by DPIIT in the future. For the purpose of this policy document, domestic value addition and local content have been used interchangeably.

Procedure for calculating local content/domestic value addition given by the Department of Heavy Industry – similar methodology/formula has been adopted by the Ministry of Textiles, Department of Pharmaceuticals and Ministry of Electronics and Information Technology.

$$\text{Percentage of domestic value-addition} = \frac{\text{Domestic Bill of Materials (Dom-BOM)}}{\text{Total Bill of Materials (Total-BOM)}} \times 100$$

Dom-BOM may be calculated based on one of the following:

- Sum of the costs of all inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit/ set-off can be taken) and which have not been imported directly or through a domestic trader or an intermediary.
- Ex-Factory Price of product minus profit after tax minus sum of imported Bill of Material used (directly or indirectly) as inputs in producing the product (including duties and taxes levied on

procurement of inputs except those for which credit/ set-off can be taken) minus warranty costs.

- Market price minus post-production freight, insurance and other handling costs minus profit after tax, minus warranty costs, minus sum of imported Bill of Material used as inputs in producing the product (including duties and taxes levied on procurement of inputs except those for which credit/ set-off can be taken) minus sales and marketing expenses.

Total-BOM may be calculated based on one of the following:

- Sum of the costs of all inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit/ set-off can be taken).
- Ex-Factory Price of product minus profit after tax, minus warranty costs.
- Market price minus post-production freight, insurance and other handling costs minus profit after tax, minus warranty costs, minus sales and marketing expenses.

Methodology prescribed by the Ministry of Defence

Ministry of Defence in their DPP 2016 has given the following methodology:

Local Content = Total cost of the equipment/item less:-

- Direct costs (including freight/transportation and insurance) of all materials, components, sub-assemblies, assemblies and products imported into India.
- Direct and Indirect costs of all services obtained from non-Indian entities/citizens.
- All license fees, royalties, technical fees and other fees/payments of this nature paid out of India, by whatever term/phrase referred to in contracts/agreements made by vendors/ sub-vendors.

- Taxes, duties, cesses, octroi and any other statutory levies in India of this nature.

In the DAP 2020, methodology for computation of indigenous content is effectively same with minor modifications. Accordingly,

Indigenous Content (IC) = Base Contract Price i.e. the total contract price less taxes and duties of that equipment/item less:-

- a. Direct costs (including Custom Duties, Freight/transportation and insurance) of all materials, components, sub-assemblies, assemblies and products imported into India.
- b. Direct and Indirect costs of all services obtained from non-Indian entities/citizens.
- c. All license fees, royalties, technical fees and other fees/payments of this nature paid out of India, by whatever term/phrase referred to in contracts/agreements made by vendors/sub-vendors.

SUPPLY CHAIN LEVELS

Next issue is to decide that in the computation of local or imported content, upto what level the supply chain should be considered. DPIIT's Order 2017 is silent on this aspect. Orders/ Notifications issued by all other Ministries/ Departments including the policies notified by Ministry of Petroleum & Natural Gas and Ministry of Steel, except the DPP/DAP issued by Ministry of Defence, are also silent on this issue. Provisions contained in DPP/DAP issued by Ministry of Defence are as under.

DPP 2016 – Indigenous Content (IC) shall be mandatorily reported by all stages (tiers) of manufacturing/ production/assembly to their higher stages (tiers). All stages (tiers) are required to aggregate indigenous content based on certifications and inputs from lower tiers, as well as on the basis of their own procurement actions and manufacturing activities undertaken. The final aggregation of IC shall be undertaken by the prime (main) contractor with whom an acquisition contract is signed by the Ministry/SHQ.

Important: As per DPP 2016, for reporting of IC, there is no limit on the level of supply chain. In fact, all stages (tiers) are required to aggregate IC based on certifications and inputs from their lower tiers

DAP 2020 – Considering the vast set of vendors in multiple tiers involved in production of defence system/equipment/item, the requirement for reporting IC are framed such that maximum coverage is achieved with practical & reasonable efforts for ensuring compliance. IC should be mandatorily reported by the Prime Vendor and by all tier vendors, who meet either of the under-mentioned conditions:-

- Base Contract price of the Tier Vendor exceeds 10 Crores; or
- Base Contract price of the Tier Vendor is greater than 5% of the base contract price of the Prime Vendor.

Notes:

- For this computation, the base contract price of Tier Vendor should include the price of all contracts of the Tier Vendor relating to the main contract of the Prime Vendor.
- Contracts, sub-contracts, agreements and MoUs made by the Prime Vendor with their business partners/vendors, in so far as they relate to the main contract of the Prime Vendor, shall mandatorily incorporate the definition and reporting requirements for IC as above.
- Similarly, these business partners/ vendors shall sequentially incorporate these definitions and reporting requirements with their next levels of business partners/vendors and so on, covering lower tiers in the manufacturing/production/assembly chain, in respect of those tier vendors who meet the conditions mentioned above.
- The Prime Vendor should use the inputs received from all applicable Tier Vendors to compute IC.

Important: As per DAP 2020, for reporting of IC, there is no limit on the level of supply chain. All stages (tiers) are required to aggregate IC provided they meet with the following conditions:

- *Base Contract price of the Tier Vendor exceeds 10 Crores; or*
- *Base Contract price of the Tier Vendor is greater than 5% of the base contract price of the Prime Vendor.*

Except DAP 2020 of Ministry of Defence, Orders/ Notifications issued by DPIIT and all other Ministries/ Departments require reporting of LC/IC at all levels of supply chain i.e. at all stages/tiers. This may be practically difficult to collect duly certified requisite data/information from all tier vendors at each supply stage. Similarly, even though the Ministry of Defence has attached aforementioned conditions for considering a tier vendor but there is no end to the lower tiers so long as they meet any of these conditions.

CERTIFICATION FORMATS

DPIIT's Order 2017, as amended, does not contain any format for (a) self-certification by the vendor; and (b) certification by the statutory/cost auditor or by the cost/chartered accountant. Few Ministries/ Departments have prescribed their own formats, including form of Affidavit of Self-Certification to be given on Rs.100/- stamp paper. Many Ministries/ Departments have not prescribed any formats.

CHAPTER –11

OTHER KEY FEATURES OF LC FRAMEWORK

INDIAN ENTITY AND FOREIGN ENTITY

DPIIT's Public Procurement (Preference to Make in India), Order 2017 has following provisions for categorization of a supplier or bidder as Indian or Foreign entity:

- ☞ A supplier or bidder shall be considered to be from a country if
 - (i) the entity is incorporated in that country, or
 - (ii) a majority of its shareholding or effective control of the entity is exercised from that country; or
 - (iii) more than 50% of the value of the item being supplied has been added in that country.
- ☞ Indian suppliers shall mean those entities which meet any of these tests with respect to India.

The DPIIT Order issued on 16.09.2020 has said that "The term 'entity' of a country shall have the same meaning as under the FDI Policy of DPIIT as amended from time to time."

Definition of Indian Vendor as per DAP 2020, Ministry of Defence - Unless specifically provided for in a clause/section/chapter or elsewhere of the DAP, an Indian Vendor by whatever nomenclature when referred to means -

- For defence products requiring industrial license, an Indian entity, which could include incorporation/ownership models as per Companies Act, Partnership Firm, Proprietorship and other types of ownership models including Societies as per relevant laws, complying with, besides other regulations in force, and the guidelines/licensing requirements stipulated by the Department for Promotion of Industry and Internal Trade (DPIIT) as applicable.
- For defence products not requiring industrial license, an Indian entity registered under the relevant Indian laws and complying with all

regulations in force applicable to that industry will be classified as an Indian Vendor.

The following two additional conditions will apply to the definition for Buy(Indian-IDDM), Make I, Make II, Development cum Production Partner (DcPP) in D & D acquisitions through DRDO/DPSUs/OFB and SP Model categories:-

(a) **Ownership by Resident Indian Citizen(s)**. Further, a company is considered as 'Owned' by resident Indian citizens if more than fifty percent (50%) of the capital in it is directly or beneficially owned by resident Indian citizens and / or Indian companies, which are ultimately owned and controlled by resident Indian citizens. This implies that the maximum permitted Foreign Direct Investment (FDI) shall be forty nine percent (49%). No pyramiding of FDI in Indian holding companies or in Indian entities subscribing to shares or securities of the Applicant Company or the Strategic Partner shall be permitted. Indirect foreign investment shall be accounted for in counting the forty-nine percent (49%) FDI.

(b) **Control by Resident Indian Citizens(s) (As defined in Companies Act 2013)**. 'Control' shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

Ministry of Petroleum & Natural Gas in its policy statement has included following definitions:

- **Indian Company** means a company formed and registered under the companies Act, 2013.
- **Foreign Company** means any company or body corporate incorporated outside India which (a) has a place of business in India whether by itself or through an agent, physically or through electronic mode; and (b) conducts any business activity in India in any other manner.

Ministry of Steel in its policy notification has not defined Indian or foreign entity. Instead, it defines 'Domestic Manufacturer', which is a manufacturer of

iron & steel products conforming to the domestic value addition guidelines and conforming to the definition of 'manufacturer' as per Central Excise Act.

PRODUCT-WISE MINIMUM LOCAL CONTENT

Existence of minimum local content in goods & services procured by Government Procuring Agencies is an important factor to promote 'Make in India' policy initiative and also to decide classification as 'Class-I or Class-II local supplier' or as 'Non-local supplier'. On this aspect, the DPIIT's Public Procurement (Preference to Make in India), Order 2017 contains the following provisions,

- The 'local content' requirement to categorize a supplier as 'Class-I local supplier' is minimum 50%. For 'Class-II local supplier', the 'local content' requirement is minimum 20%.
- Nodal Ministry/ Department may prescribe only a higher percentage of minimum local content requirement to categorize a supplier as 'Class-I local supplier' / 'Class-II local supplier'.
- For the items, for which Nodal Ministry/Department has not prescribed higher minimum local content notification under the Order, it shall be 50% and 20% for 'Class-I local supplier' / 'Class-II local supplier' respectively.
- The Nodal Ministry shall keep in view the domestic manufacturing / supply base and assess the available capacity and the extent of local competition while identifying items and prescribing minimum local content or the manner of its calculation, with a view to avoiding cost increase from the operation of this Order.
- The Nodal Ministry may annually review the local content requirements with a view to increasing them, subject to availability of sufficient local competition with adequate quality.
- While notifying the minimum local content, Nodal Ministries may make special provisions for exempting suppliers from meeting the stipulated local content if the product is being manufactured in India under a license from a foreign manufacturer who holds intellectual property rights and where there is technology collaboration agreement/ transfer of technology agreement for

indigenous manufacture of a product developed abroad with clear phasing of increase in local content.

- In procurement of all goods, services or works in respect of which there is substantial quantity of public procurement and for which the nodal ministry has not notified that there is sufficient local capacity and local competition, the concerned nodal ministry shall notify an upper threshold value of procurement beyond which foreign companies shall enter into a joint venture with an Indian company to participate in the tender. Procuring entities, while procuring such items beyond the notified threshold value, shall prescribe in their respective tenders that foreign companies may enter into a joint venture with an Indian company to participate in the tender. The procuring Ministries/ Departments shall also make special provisions for exempting such joint ventures from meeting the stipulated minimum local content requirement, which shall be increased in a phased manner.
- The administrative Department undertaking the procurement (including procurement by any entity under its administrative control), with the approval of their Minister-in-charge, may be written order, for reasons to be recorded in writing:
 - reduce the minimum local content below the prescribed level; or
 - reduce the margin of purchase preference below 20%; or
 - exempt any particular item or supplying entities from the operation of this Order or any part of the Order.

As empowered in the DPIIT's Public Procurement (Preference to Make in India), Order 2017, almost all the nodal/administrative Ministries/ Departments, as per the list given at Appendix-I attached to Chapter-5, have prescribed product/item-wise details with minimum local content. These have also been prescribed by those Ministries who have notified their own policies/procedures viz. Ministry of Defence, Ministry of Petroleum & Natural Gas and Ministry of Steel. Such details are necessary to know while providing certification to the local manufacturer/supplier with respect to the extent of local/indigenous content in the product(s) proposed to be procured by various Ministries/ Departments, CPSEs and other Government/ Public authorities/agencies.

Copies of all the Orders, Notifications, Circulars, Guidelines, etc. issued by the Nodal Ministries/ Departments have been enclosed with this Guidance Note as Annexure 6 to 81. Ministry/Department wise complete list of such annexure is given in the next Chapter.

CERTIFICATION BY COST AUDITOR/COST ACCOUNTANT

DPIIT's Public Procurement (Preference to Make in India), Order 2017 has prescribed that (i) in case of procurement of value upto Rs.10 crore, the 'Class-I local supplier'/'Class-II local supplier', at the time of tender, bidding or solicitation, shall provide self-certification that the item offered meets the local content requirement; and (ii) for procurement of value in excess of Rs.10 crore, the 'Class-I local supplier'/'Class-II local supplier' shall provide a certificate from the statutory auditor or cost auditor of the company (in the case of companies) or from a practicing cost accountant or practicing chartered accountant (in respect of suppliers other than companies) giving the percentage of local content. The DPIIT's Order has also prescribed that procurements where the estimated value to be procured is less than Rs.5 lakh shall be exempt from this Order.

In the aforementioned provisions made in the common Order, few Ministries/ Departments have made following modifications. All other Ministries/ Departments, while prescribing the item-wise minimum local content, have endorsed all other terms & conditions of the DPIIT's Order, including the minimum procurement values for certification either by the statutory/cost auditor or by the practicing cost/ chartered accountant. Even the Ministry of Petroleum & Natural Gas in its policy notification has provided for certifications similar to that provided in the DPIIT's Order.

- a) Ministry of Textiles has reduced the limit of procurement value for certification by cost auditor/statutory auditor or by the practicing cost accountant/ chartered accountant to Rs.1 (one) crore.
- b) Department of Telecommunications has prescribed only self-certification. No certificate from any independent professional [whether statutory/cost auditor or practicing cost/ chartered accountant] is prescribed.
- c) Defence Procurement Procedure (DPP), 2016 issued by Ministry of Defence has prescribed that all deliveries made under contract shall be accompanied

- by a certificate of IC issued by the Chief Financial Officer (CFO) of the prime/main contractor and by its Company Auditor's certificate. It may be noted that there is no minimum procurement value for certification. However, no certification by cost accountant/cost auditor is allowed.
- d) Defence Acquisition Procedure (DAP), 2020 issued by Ministry of Defence has prescribed that
- a. All relevant deliveries made under contract shall be accompanied by a certificate of IC issued by the 'Responsible Designated Official' i.e. the Contract Signing Authority, Authorised Signatory etc., of the Prime Vendor and certified by the Statutory Auditor or Cost Auditor of the Company (in case of companies) or by a practicing Cost Accountant or practicing Chartered Accountant (in respect of suppliers other than companies).
 - b. Further, the equipment offered for trial shall be accompanied with a certificate of IC issued similarly, in case the RFP mandates IC content during trials.
 - c. The format for certification of IC by the 'Responsible Designated Official' and Statutory Auditor/Cost Auditor/ certified or licensed Cost Accountant/Chartered Accountant shall be as per Appendix-II attached to Chapter-6.
- e) Ministry of Steel in its Policy notification has prescribed that
- a. for products in Appendix A, each domestic manufacturer shall furnish the Affidavit of self-certification; and
 - b. for capital goods in Appendix B, the bidder shall furnish the certificate issued by the statutory auditor to the domestic manufacturer declaring that the capital goods are domestically manufactured in terms of the domestic value addition prescribed.

In this policy, it may be noted that while there is no minimum procurement value for certification but the same from a cost accountant/cost auditor is not allowed.

In principle, it is desirable to straighten the above said aberrations and promote uniform policy/practice across Government of India and all the entities controlled/ administered by it. As the average value of a tender may widely vary from industry to industry, therefore, as a matter of principle, the minimum value for a third-party certification may differ. However, in order to avoid any misuse of the standing policy of purchase preference announced by the Government of India with an intent to promote 'Make in India', it is desirable to prescribe certification of local/indigenous content by an independent professional i.e. by statutory/cost auditor or by a practicing cost/ chartered accountant.

CERTIFICATION AT WHAT STAGE

With reference to the stage of certification of compliance with the local content requirements, DPIIT's Public Procurement (Preference to Make in India), Order 2017 has following provisions:

- Firstly, the minimum local content, the margin of purchase preference and the procedure for preference to Make in India shall be specified in the notice inviting tenders or other form of procurement solicitation and shall not be varied during a particular procurement transaction.
- At the time of tender, bidding or solicitation, the supplier shall indicate percentage of local content and provide self-certification that the item offered meets the local content requirement. They shall also give details of the location(s) at which the local value addition is made. In case of procurement of value in excess of Rs.10 crore, the supplier shall provide a certificate from the statutory/cost auditor or from the practicing cost/ chartered accountant, as applicable.
- Beyond this stage, and during various stages of actual supply till end, no further certification requirement has been prescribed, though a procedure for verification of self-declarations and auditor's/accountant's certificate on random basis and in case of complaints has been specified.

Ministry of Defence in its Defence Procurement Procedure (DPP), 2016 has prescribed that all relevant deliveries made under contract shall be accompanied by a certificate of IC issued by the Chief Financial Officer (CFO) of the prime/main

contractor and by its Company Auditor's certificate. In the Defence Acquisition Procedure (DAP), 2020, the provisions are:

- All relevant deliveries made under contract shall be accompanied by a certificate of IC issued by the 'Responsible Designated Official' i.e. the Contract Signing Authority, Authorised Signatory etc., of the Prime Vendor and certified by the Statutory Auditor or Cost Auditor of the Company (in case of companies) or by a practicing Cost Accountant or practicing Chartered Accountant (in respect of suppliers other than companies).
- Further, the equipment offered for trial shall be accompanied with a certificate of IC issued similarly, in case the RFP mandates IC content during trials.
- Performance cum Warranty Bank Guarantee (PWBG) shall be released only after the submission of a certificate (as per Appendix-II of Chapter-6) of meeting the overall IC at Contract level furnished by the 'Responsible Designated Official' of the Prime Vendor, after completion of all the contractual deliveries, in addition to any other requirements specified elsewhere in the contract.
- Deliveries by the final stage of contract must conform to IC requirements and categorisation relevant to that particular stage. The Performance cum Warranty Bank Guarantee (PWBG) shall not be released before completing and Verification of the IC in all relevant deliveries by the MoD or its nominated agency/institution/officer(s), if such an verification is notified and initiated by the MoD.
- A reading of these prescriptions indicate that certification is required at each delivery stage.

Ministry of Petroleum & Natural Gas in its policy statement has made following provisions:

- At the bidding state, the bidder shall provide the percentage of local content in the bid. The bidder shall submit an undertaking from the authorized signatory of bidder having the power of Attorney alongwith the bid stating the bidder meets the mandatory minimum LC requirement and such

undertaking shall become a part of the contract. In cases of procurement of a value in excess of Rs.10 crore, the undertaking submitted by the bidder shall be supported by a certificate from the statutory auditor or cost auditor of the company (in the case of companies) or from a practicing cost accountant or practicing chartered accountant (in respect of suppliers other than companies) giving the percentage of local content.

- In case of foreign bidder, the certificate from their statutory/cost auditor in India is acceptable; else it can be provided by practicing cost/chartered accountant.
- Same procedure shall be followed after the award of contract.
- Each supplier shall provide necessary LC documentation to the auditor (or practicing CMA/CA) who shall review & determine that LC requirements have been met and issue the certificate. He shall keep all necessary information obtained from the suppliers for measurement of LC confidential.
- The LC certificate shall be submitted alongwith each invoice raised. However, the % of LC may vary with each invoice while maintaining the overall % of LC for the total work/purchase of the pro-rata LC requirement. In case, it is not satisfied cumulatively in the invoices raised upto that stage, the supplier shall indicate how the LC requirement would be met in the subsequent stages.

PENALTY FOR NON-COMPLIANCE

DPIIT's Public Procurement (Preference to Make in India), Order 2017 provides suitable framework for the Nodal Ministries to constitute committees, with internal & external experts, for independent verification of self-declarations and auditor's/accountant's certificate on random basis and in case of complaints. These Orders also contain adequate penal provisions in cases of (a) non-compliance by the procuring entities; or (b) false declarations by the manufacturers/suppliers. These Orders, however, are silent on penal provisions in cases of wrong/false certifications either by the statutory/cost auditor or by the practicing cost/ chartered accountant. Such cases of professional misconduct are, perhaps, left to be dealt with by the concerned Regulatory Institute/ Authority.

Non-compliance by the Procuring Entity

In case restrictive or discriminatory conditions against domestic suppliers are included in bid documents, an inquiry shall be conducted by the Administrative Department undertaking the procurement (including procurement by an entity under its administrative control) to fix responsibility for the same. Thereafter, appropriate action, administrative or otherwise, shall be taken against erring officials of procurement entities under relevant provisions. Intimation on all such actions shall be sent to the Standing Committee.

False Declarations by the Suppliers

DPIIT's Order has prescribed the detailed procedure for certification of local content, verification thereof, attending to the complaints, imposition of penalties for false declarations, and effect on such entities for future supplies. Salient points are enumerated below *[for full text, please refer to the order available at Appendix-I to Chapter-4 or at Annexure-4]*.

- The 'Class-I local supplier'/'Class-II local supplier', at the time of tender, bidding or solicitation, shall indicate percentage of local content and provide self-certification that the item offered meets the prescribed local content requirements. They shall also give details of the location(s) at which the local value addition is made.
- In case of procurement of value in excess of Rs.10 crore, the 'Class-I local supplier'/'Class-II local supplier' shall provide a certificate from the statutory auditor or cost auditor of the company (in the case of companies) or from a practicing cost accountant or practicing chartered accountant (in respect of suppliers other than companies) giving the percentage of local content.
- Nodal Ministries may constitute committees, with internal & external experts, for independent verification of self-declarations and auditor's/accountant's certificate on random basis and in case of complaints. Nodal Ministries and procuring entities may prescribe fees for such complaints. Decisions on complaints relating to implementation of this Order shall be taken by the competent authority which is empowered to look into procurement-related complaints relating to the procuring entity.

- False declarations will be in breach of the Code of Integrity under Rule 175(1)(i)(h) of the General Financial Rules for which a bidder or its successors can be debarred for up to two years as per Rule 151(iii) of the General Financial Rules along with such other actions as may be permissible under law.
- A supplier who has been debarred by any procuring entity for violation of this Order shall not be eligible for preference under this Order for procurement by any other procuring entity for the duration of the debarment.
- The debarment for such other procuring entities shall take effect prospectively from the date on which it comes to the notice of other procurement entities, in the manner prescribed below.

In the DAP 2020, Ministry of Defence has provided that

- In case the vendor fails to certify achieving mandatory IC for the project, 5% of contract value will be withheld till verification of IC as per contract. All such payments withheld above shall be forfeited upon failure to achieve required IC post verification. In addition, the PWBG shall also be forfeited upon failure to discharge IC obligations as per contract. In case of incentivisation/ reward for higher IC, the payment of incentivisation/ reward will be made only after verification of IC.
- In case mandatory IC is not achieved by a vendor and/or if a false certificate is furnished by a vendor/sub-vendor, other than the forfeiture of the Vendor's IPBG and PWBG, the Ministry can impose any other penalty.

Policy notified by the Ministry of Petroleum & Natural Gas also stated that the Procuring Company shall have the authority to audit as well as witness production processes to certify the achievement of the requisite local content; and the Procuring companies shall impose sanction on manufacturers/ service providers not fulfilling LC of goods/ services in accordance with the value mentioned in certificate of LC. The sanctions may be in the form of written warning, financial penalty and blacklisting. The financial penalty shall be over and above the PBG value prescribed in the contract and shall not be more than an amount equal to 10% of the Contract Price.

Ministry of Steel in its policy statement has provided that each Government Agency shall clearly define the penalties, in case of wrong declarations by the bidder of the prescribed domestic value addition, in the tender document. The penalties may include forfeiting of the EMD, other financial penalties and blacklisting of such manufacturer/ service provider. The policy has also prescribed fee for filing any complaint to Ministry of Steel.

Instructions issued by Department of Expenditure, Ministry of Finance

In addition to the penal provisions contained in the DPIIT's Order, the Department of Expenditure vide their Office Memorandum No. F.7/7/2018-PPD dated 05.06.2018 has issued following instructions to the Financial Advisers of all Central Government Ministries/ Departments to ensure,

- Effective and smooth operation of this process, so that the fact and duration of debarment for violation of this [DPIIT's] Order by any procuring entity are promptly brought to the notice of the Member-Convenor of the Standing Committee and the Department of Expenditure through the concerned Ministry/ Department or in some other manner;
- All such cases are consolidated on a periodical basis and a centralized list or decentralized lists of such suppliers with the period of debarment is maintained and displayed on website(s); and
- In respect of procuring entities other than the one which has carried out the debarment, the debarment takes effect prospectively from the date of uploading on the website(s) in the such a manner that ongoing procurements are not disrupted.

Instructions issued by Central Vigilance Commission

Further, the Central Vigilance Commission vide their Circular No. 018/VGL/022-377353 dated 20.04.2018 has directed all the

- Chief Vigilance Officers (CVOs) to exercise oversight on all contracts over an amount of Rs. five crore so as to ensure that restrictive and discriminative clauses against domestic suppliers are not included in the tender documents for procurement of goods and services and that the tender conditions are in

sync with the Public Procurement (Preference to Make in India), Order 2017 in their respective Departments/ Organisations; and

- Independent External Monitors (IEMs) appointed by the respective organizations to keep in view the provisions of Public Procurement (Preference to Make in India), Order 2017 while exercising their functions/ duties as IEM in respect of procurements/contracts which fall in their purview.

CHAPTER -12

SUMMARY OF RECOMMENDATIONS

BACKGROUND

Government of India, through the Department of Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, issued Public Procurement (Preference to Make in India), Order 2017 on June 15, 2017. It was last revised on September 16, 2020. The objectives of this Order are,

- to encourage 'Make in India';
- to promote manufacturing/production of goods and services in India;
- to provide purchase preference to local manufacturers/suppliers;
- to enhance income and employment in India;
- to increase local content through partnerships, cooperation with local companies, establishing production units in India or Joint Ventures (JVs) with Indian suppliers; and
- increasing the participation of local employees in services.

Pursuant to DPIIT's Order, nodal Ministries/ Departments issued various orders, notifications, guidelines, etc. reiterating its provisions and requirements. However, following Ministries issued independent policy statements.

- Ministry of Defence issued Defence Acquisition Procedure (DAP) 2020 on 30.09.2020.
- Ministry of Petroleum and Natural Gas issued Policy to provide Purchase Preference (linked with local content) (PP-LC) on 25.04.2017. This Policy was last revised on 17.11.2020.
- Ministry of Steel notified its Policy on 08.05.2017, for providing preference to domestically manufactured iron & steel products in Government procurement. This Policy was revised on 29.05.2019.
- Ministry of Electronics and Information Technology notified its Policy on 10.02.2012, for providing preference to domestically manufactured electronic goods in Government procurement. This Policy was first revised on 23.12.2013 and 14.08.2017.

A perusal of the Orders, Notifications, Policies, Procedures, etc. issued by DPIIT and various other Ministries/ Departments reveal a fact that neither there is any standard methodology/ formats for computation of local/indigenous content nor there are any uniform formats for self-certification by the vendors/suppliers and support certification by the statutory/cost auditor or practicing cost/ chartered accountant. To ensure uniformity, it is necessary to clearly provide methodology to calculate local/indigenous content. It is also necessary to give a uniform format for self-Certification and another format for Certification by the statutory/cost auditor or by the practicing cost/ chartered accountant.

RECOMMENDATIONS

After due examination of all the policies, orders, circulars, notifications, guidelines, etc. issued by various Ministries/Departments of Government of India, significant issues are summarized as under:

- (a) For the purpose of Public Procurement Policy, the phrases “Local Content (LC)” or “Indigenous Content (IC)” or “Domestic Value Addition” carry the same meaning. Therefore, different Ministries/ Departments have interchangeably used these phrases in their orders, notifications, etc. For sake of convenience, only Local Content (LC) has been used in this Chapter and the Appendices attached thereto. Readers may replace it with any other phrase as may be required as per the relevant order/notification or tender soliciting purchase of goods, services or works. Similarly, use of the term ‘Goods or Products’ may be replaced with ‘Services’ or ‘Works’ as the case may be.
- (b) Procedure or the methodology/formula for computation of Local Content (LC) or Indigenous Content (IC) or domestic value addition has been given in Appendix-I attached to this Chapter. The determination of local content cost shall be based on the country of origin in the case of direct components (materials); and based on INR component in the case of domestic manpower, working equipment/facility and general services.
- (c) Keeping in view the practical difficulties in collecting the required data/information and support certificates, the Institute recommends that the Prime Vendor alongwith all such tier vendors who fall upto three levels i.e. Tier-1 (T1), Tier-2 (T2) and Tier-3 (T3) and whose base contract price (i.e.

the total contract price less taxes and duties) of the Tier Vendor exceeds Rs.10 Crores; or is greater than 5% of the base contract price of the Prime Vendor, may be considered. A suitable example, explaining this principle, is given at Appendix-II attached to this Chapter.

(d) After examining the certification formats already prescribed by few Ministries/ Departments, the Institute recommends adoption of common Format for self-certification by the Manufacturer/Supplier placed at Appendix-III and Format for certification by auditor/accountant placed at Appendix-IV attached to this Chapter. Requirement of providing these certificates shall be as under:

- For procurement of value upto Rs.10 crore, the manufacturer/bidder/ supplier to provide self-certification in respect of local content requirement.
- For procurement of value in excess of Rs.10 crore, the manufacturer/bidder/ supplier shall also provide a certificate from the statutory auditor or cost auditor of the company (in the case of companies) or from a practicing cost accountant or practicing chartered accountant (in respect of suppliers other than companies) giving the percentage of local content.
- For procurement of value less than Rs.5 lakh, no certification is required.

(e) The Institute recommends that for the sake of uniformity, following definitions of Indian or foreign entity as given in the DPIIT's Order should be adopted. Definition of Indian Vendor as given in Defence Acquisition Procedure (DAP), 2020 or in the Orders/Notifications issued by other Ministries/ Departments supports this.

- ❖ A supplier or bidder shall be considered to be from a country if the entity is incorporated in that country; or a majority of its shareholding or effective control of the entity is exercised from that country; or more than 50% of the value of the item being supplied has been added in that country.

- ❖ Indian suppliers shall mean those entities which meet any of the above tests with respect to India.
 - ❖ The term 'entity' of a country shall have the same meaning as under the FDI Policy of DPIIT as amended from time to time.
- (f) In order to find the prescribed minimum local content in goods & services procured by Government Procuring Agencies, all users are recommended to refer to the relevant annexure for product/item-wise details. Copies of all the Orders, Notifications, Circulars, Guidelines, etc. issued by the Nodal Ministries/ Departments have been enclosed with this Guidance Note as Annexure 6 to 81.
- (g) Based on the provisions contained in the Orders/Notifications issued by various Ministries/ Departments of Government of India, and to ensure smooth & uniform application, it is recommended that the self-certification and that by the auditor/accountant, depending upon the size of minimum procurement values, should be provided as under:
- Firstly, at the time of tender, bidding or solicitation stage;
 - Then at every stage of delivery or alongwith each invoice; and
 - Finally, at the stage of completion of supplies as per contract.
- (h) **Important:** Before providing any certificate, all manufacturers, producers, suppliers, auditors, practicing professionals and other users are advised to first refer to the concerned Nodal Ministry/ Department's website for any update or modification of the previous orders/ notifications, issued after the date of publication of this Guidance Note.
- (i) Except for product-wise minimum local content, all Ministries/ Departments are recommended to follow uniform policy in respect of the following:
- Procedure for computation of Local Content (LC);
 - Level of tier vendors who are required to provide LC certificates;
 - Format for self-certification by Prime Vendor and Tier Vendors;
 - Format for certification by auditor/accountant; and
 - Stages at which LC certificates are required to be filed.

Appendix-I to Chapter-12

PROCEDURE FOR CALCULATING THE LOCAL CONTENT (LC) OR INDIGENOUS CONTENT (IC) OR DOMESTIC VALUE ADDITION

In this Appendix, two approaches to calculate Local Content (LC), as prescribed by various nodal Ministries/Departments have been cited.

Approach 'A'

Local Content (LC) = Base Contract Price i.e. the total contract price less taxes and duties of that equipment/item less:-

- a. Direct costs (including Custom Duties, Freight/transportation and insurance) of all materials, components, sub-assemblies, assemblies and products imported into India.
- b. Direct and Indirect costs of all services obtained from non-Indian entities/citizens.
- c. All license fees, royalties, technical fees and other fees/payments of this nature paid out of India, by whatever term/phrase referred to in contracts/agreements made by vendors/sub-vendors.

$$\text{\%age of Local Content} = \frac{\text{Total Contract (Invoiced) Price excluding domestic taxes and duties} - \text{Total cost of Imported Goods \& Services} \times 100}{\text{Total Contract Price excl. domestic taxes and duties}}$$

Approach 'B'

Local Content (LC) shall be computed on the basis of the cost of domestic components (Dom-BOM) in goods as compared to the total cost (Total-BOM) of the product.

Dom-BOM: Bill of Material sourced from domestic manufacturers may be calculated based on one of the following depending on data available. Each of these calculations should provide consistent result.

- a. Sum of the costs of all inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit / set-off

can be taken) and which have not been imported directly or through a domestic trader or an intermediary.

- b. Ex-Factory Price of product minus profit after tax minus sum of imported Bill of Material used (directly or indirectly) as inputs in producing the product (including duties and taxes levied on procurement of inputs except those for which credit / setoff can be taken) minus warranty costs.
- c. Market price minus post-production freight, insurance and other handling costs minus profit after tax minus warranty costs minus sum of Imported Bill of Material used as inputs in producing the product (including duties and taxes levied on procurement of inputs except those for which credit / set-off can be taken) minus sales and marketing expenses.

Total-BOM: Total Bill of Material may be calculated based on one of the following depending on data available. Each of these calculations should provide consistent result.

- a. Sum of the costs of all inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit / set-off can be taken).
- b. Ex-Factory Price of product minus profit after tax, minus warranty costs.
- c. Market price minus post-production freight, insurance and other handling costs minus profit after tax, minus warranty costs minus sales and marketing expenses.

The percentage of local content may be calculated based on information furnished as per the following formula:

$$\text{Percentage of local content} = \frac{\text{Domestic Bill of Materials (Dom-BOM)} \times 100}{\text{Total Bill of Materials (Total-BOM)}}$$

Notes:

- (i) It is recommended that each agency assessing should calculate the local content using at least two of the above formulae so as to validate the assessments in this regard and ensure that the local content that is claimed is consistent.

- (ii) The calculation of local content of the combination of several kinds of goods shall be based on the ratio of the sum of multiplication of local content of each goods with the acquisition price of each goods to the acquisition price of combination of goods.
- (iii) In case of tenders, the manufacturers/suppliers may calculate the local content percentage based on best drawn estimates of domestic and imported BOM for goods, services and overheads as per past records. These estimates should be supported with relevant technical as well as cost details. If the product is new, the basis & source of technical and cost estimates must be duly recorded and supported with relevant documents.
- (iv) Same principles and methodology, as given above for supply of goods, shall apply in case of calculation of local content in case of supply of Services or Works/ EPC contracts that is a combination of materials, components, and services.
- (v) Following cost components may be included in computing the cost of imported content of goods. Foreign currency and the exchange rate used for each cost component must be recorded.
 - Materials, Equipment, Components, Assemblies, Sub-Assemblies, Products, etc.
 - Ocean Freight, Insurance, & Inland Freight/Transportation
 - Port Handling Charges, Clearing & Forwarding Charges, LC Charges, Wharfage, & Other Charges, etc.
 - Customs & Other Duties/Taxes, not available as Input Credit/Setoff
- (vi) Similarly, following cost components may be included in computing the cost of imported content of services. Foreign currency and the exchange rate used for each cost component must be recorded.
 - Personnel & Consultant cost, & Manpower Hire Charges
 - Equipment/Works Facility cost
 - Construction/ Fabrication cost
 - Royalty, License Fee, Technical Know-how Fee, Consultation Fee, etc.
 - Outsource Services & Other Services cost and Other Fees/Charges

- Taxes & Duties on Services, not available as Input Credit/Setoff

Sample proforma to calculate local content is given as under.

PROFORMA TO CALCULATE LOCAL CONTENT

Computation of Local Content Percentage			
1	Total Contract Price	XXX	
2	Less : Taxes & Duties	XXX	
3 = 1-2	Base Contract Price	XXX	XXX
	Less:		
4	Direct Costs of Products Imported into India	XXX	
5	Direct & Indirect Costs of All Services Obtained From Non-Indian Entities / Citizens	XXX	
6	All License Fee & Other Fee / Payment of this Nature Paid Out of India	XXX	
7 = 4+5+6	Sub-Total	XXX	XXX
8 = 3-7	Local Content		XXX
8/3*100	Local Content as a Percentage of Base Contract Price		%

Notes:

- (1) The units of measurement used for the data/values given in the above calculations may be indicated.
- (2) The aforesaid calculation may be made by using either the absolute values or by taking per unit costs.

For and on behalf of _____ (Name of the firm/entity)
Authorized signatory (To be duly authorized by the Board of Directors)
<Insert Name, Designation and Contact No.>

Appendix-II to Chapter-12

EXAMPLE SHOWING LEVEL-WISE PRIME / TIER VENDOR DETAILS

Vendor Level	Higher Vendor	Name	Own Inputs			Bought-outs			Total			% of IC	% of PV	Yes/No
			IC	LC	TOT	IC	LC	TOT	IC	LC	TOT			
Prime Vendor		PV	30	120	150	170	180	350	200	300	500	40.0%		
	PV	T1A	40	60	100	70	10	80	110	70	180	61.1%	36.0%	Yes
	PV	T1B	10	40	50	20	30	50	30	70	100	30.0%	20.0%	Yes
	PV	T1C	10	20	30	20	20	40	30	40	70	42.9%	14.0%	Yes
	Sub-Total		60	120	180	110	60	170	170	180	350	48.6%	70.0%	
Level-2 Vendor	T1A	T2AA	-	-	-	55	5	60	55	5	60	91.7%	12.0%	Yes
		T2AB	2	3	5	13	2	15	15	5	20	75.0%	4.0%	Yes
	Sub-Total		2	3	5	68	7	75	70	10	80	87.5%	16.0%	
	T1B	T2BA	10	15	25	-	5	5	10	20	30	33.3%	6.0%	Yes
		T2BB	-	10	10	5	5	10	5	15	20	25.0%	4.0%	Yes
Level-3 Vendor	Sub-Total		10	25	35	5	10	15	15	35	50	30.0%	10.0%	
	T1C	T2CA	10	10	20	-	-	-	10	10	20	50.0%	4.0%	Yes
		T2CB	5	10	15	5	0	5	10	10	20	50.0%	4.0%	Yes
	Sub-Total		15	20	35	5	0	5	20	20	40	50.0%	8.0%	
	T2AA	T3AAA	35	3	38	12	1	13	47	4	51	92.2%	10.2%	Yes
		T3AAB	8	1	9	-	-	-	8	1	9	88.9%	1.8%	No
	Sub-Total		43	4	47	12	1	13	55	5	60	91.7%	12.0%	
	T2AB	T3ABA	5	1	6	-	-	-	5	1	6	83.3%	1.2%	No
		T3ABB	8	1	9	-	-	-	8	1	9	88.9%	1.8%	No
	Sub-Total		13	2	15	-	-	-	13	2	15	86.7%	3.0%	
	T2BA	T3BAA	-	5	5	-	-	-	-	5	5	0.0%	1.0%	No
	T2BB	T3BBA	5	3	8	-	2	2	5	5	10	50.0%	2.0%	Yes
	T2CB	T3CBA	0	0	0	4	1	5	4	1	5	80.0%	1.0%	No

Appendix-III to Chapter-12

**FORMAT FOR SELF CERTIFICATION BY THE MANUFACTURER/ SUPPLIER
FOR LOCAL CONTENT (LC) – TO BE EXECUTED ON RS.100 STAMP PAPER**

Date: _____

I, _____ S/o., D/o., W/o _____, Resident
of _____ do hereby solemnly affirm and declare as under:

That I agree to abide by the terms and conditions of the policy of
_____ [name of the Ministry/Department] Government of
India issued vide Notification No. _____ dated _____.

That the information furnished hereinafter is correct to the best of my knowledge
and belief and I undertake to produce relevant records before the procuring
authority or any authority so nominated by the _____
[name of the Ministry/Department], Government of India for the purpose of
assessing the local content.

That the local content for all inputs which constitute the _____
products has been verified by me and I am responsible for the correctness of the
claims made therein.

That in the event of the local content of the product mentioned herein is found to
be incorrect and not meeting the prescribed local content norms, based on the
assessment of an authority so nominated by the _____ [name of the
Ministry/Department], Government of India for the purpose of assessing the local
content. _____ [name of the firm/entity] will be disqualified from any
Government tender for a period upto two years. In addition, _____ [name of
the firm/entity] will bear all costs of such an assessment.

That I have complied with all conditions referred to in the Notification No.
_____ dated _____, wherein preference to domestically
manufactured _____ products in Government procurement is
provided and the procuring authority is hereby authorized to forfeit and adjust
our EMD and other security amount towards such assessment cost and
_____ [name of the firm/entity] undertake to pay the balance, if any,
forthwith.

_____ [name of the firm/entity] agree to maintain the following information in its record for a period of 8 years and shall make this available for verification to any statutory authorities. Further I am submitting the following details -

- i. Name and details of the Domestic Manufacturer/Bidder/Local Supplier (Registered office, Manufacturing unit, location, nature of legal entity).
- ii. Date on which this certificate is issued.
- iii. _____ product for which the certificate is produced.
- iv. Procuring agency to whom the certificate is furnished.
- v. Percentage of local content claimed and whether it meets the threshold value of local content prescribed.
- vi. Name and contact details of the unit of the manufacturer(s).
- vii. Net Selling Price of the product.
- viii. Ex-Factory Price of the product.
- ix. Freight, Insurance and handling.
- x. Total Bill of Materials.
- xi. List and total cost value of inputs used for manufacture of the _____ product.
- xii. List and total cost of inputs which are locally sourced. Please attach local content certificates from suppliers, if the input is not in-house.
- xiii. List of cost of inputs which are imported, directly or indirectly. Please give landed cost at Indian port with break-up of CIF value, duties & taxes, port handling charges and inland freight cost.

For and on behalf of _____ (Name of the firm/entity)
Authorized signatory (To be duly authorized by the Board of Directors)
<Insert Name, Designation and Contact No.>

Note: *In case of tenders, suitable changes may be made in the affidavit.*

Appendix-IV to Chapter-12

AUDITOR / ACCOUNTANT'S CERTIFICATE FOR LOCAL CONTENT

The Board of Directors

_____ Limited

I/We _____ (*name of the Auditor/Accountant's Firm*), having
Registration Number _____ and Registered Address at _____
(*Full address*) represented for signature of this Certificate by _____
(*Name and designation of Authorised Representative*), hereby certify that:-

1. This report is issued in accordance with the terms of our engagement letter dated _____ with _____ (*name of the company*).
2. The company has provided self-certification affidavit certifying that the local content percentage ____ % (*in numbers and words*) reflected in the certificate furnished & enclosed by _____ (*name of the company*) during the manufacture/supply of _____ (*name of the product*) has been/would be [*strike words not applicable*] achieved.
3. The statement on calculation of local content percentage (Form-A/B) has been prepared by the Company's management. The management is responsible for the preparation and maintenance of all accounting and other relevant supporting records and documents.
4. I/We understand that this certificate is being produced by _____ (*name of the company*) for the purpose of availing purchase preference under the policy of _____ [*name of the Ministry/Department*] Government of India issued vide Notification No. _____ dated _____, as amended.
5. I/We understand that this certificate is being submitted as part the company's Offer no. _____ against the tender enquiry Doc. No. _____ issued by _____ (*name of the tender issuing entity*) in respect of supply of _____ (*name of the products*) to _____ (*name of procuring entity*). OR

I/We understand that this certificate is being submitted as part the company's supply of _____ (name of the products) to _____ (name of procuring entity) vide Invoice no. _____ dated _____ against the Contract No. _____ dated _____.

6. I/We have examined the information, records and books of Accounts presented before me/us by _____ (Name and complete address of the company) and provide a limited assurance that nothing has come to our attention that causes us to believe that the company has not complied/would not comply [*strike words not applicable*] with the mandatory minimum local content requirements as stated in the Purchase Preference Policy or that the calculations given in Form-A/B are arithmetically inaccurate. As per these calculations, the local content as a proportion of the total value, in percent is _____ (percentage of local content) as reflected in the certificate furnished & enclosed by _____ (name of the company) for the manufacture/ supply of _____ (name of the product).
7. I/We conducted our examination of the *Form-A/B** in accordance with the *Auditing/Cost Auditing** Standards and *Guidance Manual for Audit Quality** issued by the Quality Review Board of the Institute of *Cost/Chartered** Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of *Cost/Chartered** Accountants of India.
- * *Strike-off whichever not applicable*
8. For identification purposes, I/We have initialed the self-certification affidavit as also Form-A/B prepared & signed by the company enclosed.
9. The report is addressed to the company solely for the purpose of enabling it to comply with the requirements of the Tender Document/Supply Contract [*strike words not applicable*] and should not be used, referred to or distributed for any other purpose or to any other party without our prior written consent.

Authorized Auditor/ Accountant
(Name /Name of Firm)
Membership Number / Registration Number
UDIN Number:

Seal of the Firm
Date:

Form-A

UNDERTAKING BY THE SUPPLIER FOR LOCAL CONTENT

DURING OR END OF THE SUPPLY PERIOD

This is to certify that we, _____ (Name of Prime Vendor/Tier Vendor) have achieved/are offering the following Local Content (LC) in the accompanying delivery as defined & required under the RFP/Contract (tick whichever is applicable) No. _____ dated _____.

[**Note:** Make suitable modifications after completion of the contracted supply.]

Name of the Procuring Agency:

Contract No. & Date:

Brief details of the Contract:

Total Value of the Contract:

Percentage of Local/Indigenous Content as per Contract:

(Rupees in _____)

Sno.	Supply Date	Value of each Supply			Cumulative Value of Supply			% of Total Contract	
		LC	Import	LC %	LC	Import	LC %	Supply	LC
1									
2									
3									
4									
	& so on								

For and on behalf of _____ (Name of the firm/entity)

Authorized signatory (To be duly authorized by the Board of Directors)

<Insert Name, Designation and Contact No.>

Form-B

UNDERTAKING BY THE BIDDER FOR LOCAL CONTENT

TO BE USED FOR SUBMITTING BID IN TENDERS

We, _____ have submitted Bid No. _____ against Tender No. _____ dated _____ for the supply of _____ products.

We hereby confirm that we are eligible for benefit under Purchase Preference and undertake that we meet the mandatory minimum local content requirement as mandated by Ministry of _____, Government of India vide Notification No. _____ dated _____, as amended (the 'Purchase Preference Policy'). We undertake to achieve local content of ____ percent as per details given below.

Name of the Procuring Agency:

Tender No. & Date:

Brief details of the Product:

PROFORMA TO CALCULATE LOCAL CONTENT

Name of Company	%age to the Total Cost of Production		
Cost Component	Domestic component	Imported component	Total
	A	B	c = a + b
Cost of Goods used			
Cost of Services used			
Factory Overheads			
Total Production Cost			

For and on behalf of _____ (Name of the firm/entity)

Authorized signatory (To be duly authorized by the Board of Directors)

<Insert Name, Designation and Contact No.>

LIST OF ANNEXURES

Annex No.	Name of Ministry / Department and Document No. & Date
	Department of Promotion of Industry and Internal Trade
1	Order No. P-45021/2/2017-B.E.-II dated 15.06.2017
2	Order No. P-45021/2/2017-B.E.-II dated 28.05.2018
3	Order No. P-45021/2/2017-B.E.-II dated 29.05.2019
4	Order No. P-45021/2/2017-PP (BE-II) dated 04.06.2020
5	Order No. P-45021/2/2017-PP (BE-II) dated 16.09.2020
	Department of Chemicals & Petrochemicals
6	Order No. C.I-43012/52/2017-Chem-1(B) dated 25.05.2018
7	Order No. C.I-43012/52/2017-Chem-1(B) dated 23.10.2018
8	Order No. C.I-43012/52/2017-Chem-1(B) dated 01.06.2020
	Department of Fertilizer
9	Office Memorandum No. 14023/4/2018-FP dated 27.07.2018
10	Order No. 14023/4/2018-FP (Vol. 1) dated 20.08.2020
	Department of Pharmaceuticals
11	Guidelines No. 31026/36/2016-MD dated 18.05.2018
12	Order No. 31026/4/2018-Policy dated 01.01.2019
	Ministry of Civil Aviation
13	Notification No. AV-31020/47/2017-CNW-MOCA/[Com. No. E-122603] dated 26.02.2019
	Department of Industrial Policy and Promotion
14	Order No. P-31032/16/2018-CEMENT dated 21.05.2018
15	Order No. P-27025/44/2018-Lather dated 19.06.2018
16	Order No. P-20028/19/2018-PAPER dated 31.07.2018
17	Order No. P-20028/19/2018-PAPER dated 13.05.2020 (DPIIT)
18	Order No. P-31032/7/2020-Cement dated 13.05.2020 (DPIIT)

Annex No.	Name of Ministry / Department and Document No. & Date
	Department of Telecommunications
19	Notification No. 18-07/2010-IP dated 11.01.2017
20	Notification No. 18-10/2017-IP dated 29.08.2018
	Ministry of Electronics and Information Technology
21	Notification No. 33(3)/2013-IPHW dated 23.12.2013
22	Notification No. 33(3)/2013-IPHW dated 22.05.2014 (1)
23	Notification No. 33(3)/2013-IPHW dated 22.05.2014 (2)
24	Notification No. 33(3)/2013-IPHW dated 01.10.2014 (1)
25	Notification No. 33(3)/2013-IPHW dated 01.10.2014 (2)
26	Notification No. 33(3)/2013-IPHW dated 22.05.2015
27	Notification No. 33(7)/2015-IPHW dated 16.11.2015
28	Notification No. S.O. 3586(E) [33(1)/2017-IPHW] dated 14.09.2017
29	Notification No. 1(10)/2017-CLES dated 02.07.2018
30	Notification No. 33(5)/2017-IPHW dated 01.08.2018
31	Notification No. W-43/1/2020-IPHW-Meity dated 29.04.2020
	Ministry of Health & Family Welfare
32	Office Memorandum No. Z.28018/67/2010-EPW(Part) dated 14.01.2018
	Department of Heavy Industry
33	Notification No. 12(39)/2018-AEI(15446) dated 18.05.2018
34	Notification No. 9/45/2017-HE&MT dated 08.06.2018
35	Office Memorandum No. 9/45/2017-HE&MT (E 13365) dated 10.08.2018
36	Order dated 20.10.2020
	Ministry of Housing & Urban Affairs
37	Office Memorandum No. K-14011/09/2014/UT-II/MRTS-Coord dated 14.11.2017
38	Letter No. K-14011/08/2017/MRTS-Coord dated 24.05.2018
39	Letter No. K-14011/09/2014/UT-II/MRTS-Coord dated 11.04.2018
40	Letter No. K-14011/10/2019-UT-V dated 05.05.2020

Annex No.	Name of Ministry / Department and Document No. & Date
41	Letter No. K-14011/08/2017/MRTS-Coord dated 14.10.2020
42	Letter No. K-14011/10/2019-UT-V dated 01.01.2021
	Ministry of Mines
43	Order No. 7/49/2014-M.IV dated 16.10.2018
	Ministry of New and Renewable Energy
44	Office Memorandum No. 146/57/2018-P&C dated 11.12.2018
45	Order No. 283/22/2019-GRID SOLAR dated 23.09.2020
	Ministry of Petroleum and Natural Gas
46	Order No. FP-20013/22/2017-FP-PNG dated 06.08.2018
47	Order No. FP-20013/12/2018-FP-PNG dated 25.06.2019
48	Notification No. O-27011/44/2015-ONG-II/FP dated 25.04.2017
49	Notification No. FP-20013/2/2017-FP-PNG dated 07.10.2019
50	Notification No. FP-20013/2/2017-FP-PNG dated 17.11.2020
	Ministry of Power
51	Order No. 11/05/2018-Coord dated 20.12.2018
52	Order No. 11/05/2018-Coord dated 28.12.2018
53	Order No. 11/05/2018-Coord dated 04.04.2020
54	Office Memorandum No. 10/1/2019-St.Th.(part-II) dated 20.03.2020
55	Order No. 11/05/2018-Coord dated 28.07.2020
56	Order No. 11/05/2018-Coord dated 17.09.2020
	Ministry of Railways (Railway Board)
57	Letter No. 2015/RS(G)/779/5 dated 03.08.2017
58	Letter No. 2015/RS(G)/779/5 dated 01.02.2018
59	Letter No. 2015/RS(G)/779/5 (Vol.III) dated 22.06.2020
60	Letter No. 2015/RS(G)/779/5 (Vol.III) dated 12.07.2020
61	Letter No. 2015/RS(G)/779/5 (Vol.III) dated 18.09.2020
	Ministry of Shipping

Annex No.	Name of Ministry / Department and Document No. & Date
62	Notification No. SY-24015/2/2018-SBR (332405) dated 31.08.2018
	Ministry of Textile
63	Notification No. D-42011/4/2018-Genl. dated 01.02.2019
64	Order No. D-42011/4/2018-Genl. dated 23.10.2019
	Department of Expenditure
65	Office Memorandum No. F.7/7/2018-PPD dated 05.06.2018
	Central Vigilance Commission
66	Circular No. 018/VGL/022-377353 dated 20.04.2018
	Department of Defence Production
67	Notification No. 59011/8/2015-D(HAL-II) dated 29.06.2018
68	Notification No. 59011/8/2015-D(HAL-II) dated 26.07.2018
69	Notification No. 59011/8/2015-D(HAL-II) dated 27.08.2018
70	Notification No. 59011/8/2015-D(HAL-II) dated 17.09.2018
71	Notification No. 59011/8/2015-D(HAL-II) dated 16.11.2018
72	Notification No. 59011/8/2015-D(HAL-II) dated 01.05.2019
73	Notification No. 18(2)/19/PPO-Notification/DP(Plg-MS) dated 20.02.2020
74	Notification No. 18(2)/19/PPO-Notification/DP(Plg-MS) dated 21.05.2020
75	Notification No. 18(2)/19/PPO-Notification/DP(Plg-MS)-I dated 31.07.2020
76	Notification No. 18(2)/19/PPO-Notification/DP(Plg-MS)-II dated 31.07.2020
77	Notification No. 18(2)/19/PPO-Notification/DP(Plg-MS)-III dated 31.07.2020
78	Notification No. 18(2)/19/PPO-Notification/DP(Plg-MS) dated 25.08.2020
	Ministry of Steel
79	Notification No. G.S.R. 451(E) dated 08.05.2017
80	Notification No. G.S.R. 385(E) dated 29.05.2019
	Ministry of Defence
81	DAP 2020 No. 1(8)/D(Acq)/19 [Chapter-1] dated 30.09.2020