OIL INDIA LIMITED
CONTRACTS & PURCHASE DEPARTMENT
CORPORATE OFFICE
PLOT NO. 19, SECTOR- 16A
NOIDA 201301

Ref: OIL 62/C&P/01/2017 **27 th June'2017**

Sub: Purchase Preference Policy (linked with Local Content)(PP-LC)

1.0 Vide letter No. O-27011/44/2015-ONG-II/FP dated 25.04.2017, MoP&NG has notified Govt. policy for providing Purchase Preference (linked with Local Content) (PP – LC) in all PSUs under MoP&NG for awarding a specified percentage of the tendered quantity to the lowest techo-commercially qualified LC bidder, subject to meeting certain conditions as stipulated in the policy. A copy of said policy document is enclosed for reference **(Annexure-I).**

2.0 The said policy shall be applicable in tenders for procurement of Goods, Services and EPC contracts pertaining to Oil & Gas business activities as mentioned in Enclosure-I of the enclosed policy document which is placed at **Annexure-I.** However, the policy shall not be applicable for Deepwater/HP-HT operations for the time being. Further, in tenders for charter hiring of offshore vessels, where DG, Shipping guidelines are applicable this policy shall not be applied.

2.1 In accordance with the provisions of aforesaid policy, tenders for oil and gas services / EPC contracts shall normally not be split. Accordingly, provisions for splitting the contract shall not be kept in the tenders for EPC contracts. However, in case certain type of services can be split, in such cases, splitting shall be allowed and specified in tender document.

2.2 In case tendered goods / services are absolutely not splitable or non-dividable, provisions for splitting the quantity shall not be kept. For such procurement, the tender would specify that the entire contract would be awarded to the lowest techno-commercially qualified LC bidder, subject to the conditions of the policy.

2.2.1 The decision as to whether the tendered quantity can be divided/split in a tender or cannot be procured from multiple sources, should be carefully examined by the **Indenting department** considering the following facts :

(i) Based on number of tendered items.
(ii) Based on the need to have a standard product from operational and working view point i.e. Standardization of items.
(iii) Based on requirement to ensure interchangeability of items and their components manufactured by different manufacturers.
(iv) Based on the need to maintain minimal Inventory of spares because for items manufactured by different manufacturers, separate inventory of spares may have to be maintained.
(v) Compatibility of one make/model including components of that item with the other.
(vi) Uniformity of having one make / product.

Contd....2

(vii) Based on the convenience in having easier after sales service and maintenance in future.
(viii) Based on need to have one type of tooling for use with one type of item.
(ix) Based on what methodology was followed in the past.
(x) Any other working / operational constraint due to which if it is not feasible to split / divide the quantity between the vendors.

2.2.2 If based on above factors, it is felt by the Indenting department that it would not be in OIL's interest to divide the quantity being purchased, then in that case, Indenting department shall mention the same in the Purchase Requisition (PR) with justification that the quantity to be purchased in the tender is not to be divided amongst the vendors. However, the procurement of goods/services/EPC contracts which can be split should be mentioned in the Purchase Requisition (PR) as per para 5.1.4. of PP-LC policy.

2.2.3 As per para 5.1.6 of the above policy, the tender conditions would ensure that local content in oil & gas products is encouraged. However, the procuring company may incorporate such stipulations as may be considered necessary to satisfy themselves of the production capability and product quality of the manufacturer. Therefore, the Indenting department should confirm requirement of stipulation of any such clause in the PR.

2.3 In line with the provisions of said policy, suitable tender conditions for incorporating in tenders for procurement of Goods/Services/LSTK projects where said policy shall be applicable are enclosed vide **Annexure-II.**

2.4 In the BEC's of the tenders where provisions as per 2.3 are applicable following clause shall be mentioned.

> **"Purchase preference policy-linked with Local Content (PP - LC) notified vide letter no. O-27011/44/2015-ONG-II/FP dated 25.04.2017 of MoP&NG shall be applicable in this tender** (To enclose details of the policy as contained in Annexure- II in the tender depending upon type of procurement).
>
> Bidders seeking benefits, under Purchase Preference Policy (linked with Local Content) (PP-LC) shall have to comply with all the provisions specified at ___ (To fill the relevant clause Ref no. of ITB) and shall have to submit all undertakings / documents applicable for this policy".

2.5 Details of the policy as contained in **Annexure- II** will be uploaded in OIL's Website as a ready reference for vendors.

2.6 Consultancy service, Proprietary and Nomination cases may be excluded from the purview of the PP-LC policy.

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2.7 In case of participation of MSE and LC vendor against a same tender, MSE vendor will be given preference to match with L1 bidder as per Public Procurement Policy. MSE vendor will be evaluated with 15% PP and LC vendor will be evaluated with 10% PP as MSE vendor does not have Local Content conditions as per Public Procurement Policy and the PP-LC policy is not applicable for DMEP and MSME.

3.0 The Policy shall be applicable for 5 years. Except for 2017-18, the Policy shall not be continued unless, the Govt. by September 30th of each year, concludes a review and recommends continuation of the Purchase Preference.

Above guidelines shall be applicable in all future and ongoing tenders.

(Mobarak Ali)
General Manager (C&P)
Corporate Office.

27/6/17

Copy : CMD
: D(F)/D(O)/D(E&D)
: GM(C&P)(FHQ)/GM(C&P)(Corporate)
: File – Approved vide proposal no. CMM/FTPS/2287/MISC/17 dated 29.05.2017 by LMC (Copy enclosed)

- GM I/C (M&C), RHQ
- DGM, Dir(R)'s Sectt.
- ES to Dir(F)

ANNEXURE-I

No. O-27011/44/2015-ONG-II/FP
Government of India
Ministry of Petroleum & Natural Gas
....

Bhatia
26/4/2017

Shastri Bhawan, New Delhi
Dated 25th April, 2017

To

1. Chairman, IOCL
2. C&MD, BPCL/HPCL/ONGC/GAIL/EIL/OIL/ BLL/BLC
3. Managing Director, CPCL/NRL/MRPL/OVL
4. DG, DGH
5. DG, PPAC
6. Secretary, OIDB
7. ED, PCRA
8. ED, OISD
9. ED, CHT
10. Director, RGIPT
11. Member (BM), PNGRB
12. CEO & MD, ISPRL

Subject: Policy to provide Purchase Preference (linked with local content) (PP-LC) in all Public Sector Undertakings under the Ministry of Petroleum and Natural Gas - reg.

I am directed to refer to the subject mentioned above and convey that the Cabinet in its meeting held on 12th April 2017 has approved the "Policy to provide Purchase Preference (linked with local content) (PP-LC) in all Public Sector Undertakings under the Ministry of Petroleum and Natural Gas". One copy of the same is enclosed.

2. The Policy shall apply to all the Public Sector Undertakings and their wholly owned subsidiaries under the Ministry of Petroleum and Natural Gas; Joint Ventures that have 51% or more equity by one or more Public Sector Undertakings under the Ministry of Petroleum and Natural Gas; attached and subordinate offices of MoPNG.

3. It is requested that necessary suitable action may kindly be taken on priority basis under intimation to this Ministry.

4. The Policy will come into force with immediate effect.

26 APR 2017
कार्पोरेट समन्वय / Corporate Coordination

Yours Faithfully

(V. Tirkey)
Under Secretary (FP)
Tele: 23388602

Encl.: As above.

Copy to: 1) US (Admn), MoPNG
2) Ms. Neelam Naval, PR, System Analyst (NIC): with request to upload the Policy on website of MoPNG.

Subject: Policy to provide Purchase preference (linked with local content) (PP – LC) in all Public Sector Undertakings under Ministry of Petroleum and Natural Gas.

1 **Preamble**

1.1 In tune with Make in India (MII) campaign in oil and gas sector, the Government has decided to incentivise the growth in local content in goods and services while implementing oil and gas projects in India, and

1.2 Whereas the Public procurement policy rests upon the core principles of competitiveness, adhering to sound procurement practices and execution of orders for supply of goods or services in accordance with a system which is fair, equitable, transparent, competitive and cost effective, and

1.3 Whereas, the 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 etc.

1.4 Whereas incentivising enhanced local content in the procurement of goods and/or services in oil and gas business activities would lead to increased local industry content;

1.5 Therefore, the Ministry of Petroleum and Natural Gas (MoPNG) has decided to stipulate the following policy for providing Purchase Preference to the manufacturers/ service providers having the capability of meeting/ exceeding the local content targets in oil and gas business activities;

1.6 This policy considers the Local Content (LC) as the added value brought to India through the activities of the oil and gas industry. This may be measured (by project, affiliate, and/or country aggregate) and undertaken through Workforce development and investments in supplier development through developing and procuring supplies and services locally.

2 **Definitions**

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

2.2 **Domestic products** shall be goods and/or service (including design and engineering), produced by companies, investing and producing in India.

2.3 **Local Content** hereinafter abbreviated to LC shall be the value of local components in goods, service and EPC contracts, indicated in percentage.

2.4 **Domestic Manufacturer** shall be business entity or individual having business activity established under Indian law and producing products domestically.

2.5 **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.

2.6 **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.

2.7 **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.

2.8 **Purchase preference**: Where the quoted price is within 10% of the lowest price, other things being equal, purchase preference may be granted to the bidder concerned, at the lowest valid price bid.

2.9 **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.

2.10 **Local Content (LC)** in Services shall be the use of services up to the final delivery by utilizing manpower (including specialist), working appliance (including software) and supporting facilities carried out within in the country.

2.11 **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 up to the final delivery, carried out within the country.

2.12 **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.

2.13 **Company overhead cost** shall be costs related to the marketing, administration and general affairs cost of the company.

2.14 **Indian Company** means a company formed and registered under the Companies Act, 2013.

2.15 **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.

2.16 **Target Purchase Preference** is the LC in percentage for the period in force, as set out in the **Enclosure-I**.

3. Scope

3.1 The regulation shall be intended to:

3.1.1 Support and boost the growth of domestic manufacturing sector so as to be able to support oil and natural gas business activities and contribute added value to economy, absorb manpower as well as have national, regional and international competitiveness;

3.1.2 Support and boost the growth of innovation/technology of domestic manufacturing sector.

3.2 This policy shall apply to all the Public Sector Undertakings and their wholly owned subsidiaries under the Ministry of Petroleum and Natural Gas; Joint Ventures that have 51% or more equity by one or more Public Sector Undertakings under the Ministry of Petroleum and Natural Gas; attached and subordinate offices of MoPNG.

3.3 This policy shall not include goods/ services falling under Micro Small and Medium Enterprises (MSME) or Domestically Manufactured Electronic Products (DMEP), as those products/ services are already covered under specific policy. However, an option would be given in the tender for the bidder to declare preference for seeking benefit under PP-LC/MSME or DMEP.

4. <u>Procurement</u>

4.1 The procuring companies shall follow their own procurement procedures. Aggregation of annual requirements and such other procurement practices, which facilitate the implementation of this policy, may be adopted by procuring companies.

4.2 The producers of goods and/or providers of services shall be obliged to fulfil the requirements of quality and delivery time in accordance with the provisions of the respective contracts of goods and services.

5. <u>Purchase Preference- Linked with Local Content (LC)</u>

5.1 The following provisions may be considered for LC linked Purchase Preference:

5.1.1 In supporting the growth of domestic products, the target of Local Content (LC) in the oil and gas business activities shall be set as contained in **<u>Enclosure-I.</u>** The manufacturers/ service providers having the capability of meeting/ exceeding the local content targets shall be eligible for 10% purchase preference under the policy, i.e. LC manufacturers/ LC service providers respectively as described below.

5.1.2 Wherever the goods/ services are procured under this policy, eligible (techno-commercially qualified) LC manufacturers / LC service providers may be granted a purchase preference of 10%, i.e. where the quoted price is within 10% of the lowest price, other things being equal, purchase preference may be granted to the eligible (techno-commercially qualified) LC manufacturers /service providers concerned, at the lowest valid price bid.

5.1.3 **Goods:** The tender for procuring goods would specify that the contract for 50% of the procured quantity would be awarded to the lowest techno-commercially qualified LC manufacturer/ supplier, subject to matching with L1, if such bidders are available. The remaining will be awarded to L1 (i.e. Non Local Content (NLC) manufacturer / supplier not meeting prescribed LC criteria).

5.1.3.1 However, if L1 bidder happens to be a LC manufacturer, the entire procurement value shall be awarded to such bidder;

5.1.3.2 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 LC manufacture for quantity not less than 50%, as may be divisible.

5.1.3.3 In continuation to 5.1.3.2 above, if the tendered item is non divisible, (to be included in the tender document by procuring company) the contact can be awarded to the eligible LC manufacturer for the entire quantity,

5.1.4 **Services/ EPC Contracts:** The tender for oil and gas services/ EPC contracts shall not normally be split. For such procurement the tender would specify that the entire contract would be awarded to the lowest techno-commercially qualified LC service provider, subject to matching with L1, if such bidders are available and L1 bidder is not a LC service provider. However, tender for certain oil & gas services can normally be split, in such cases, splitting shall be allowed and specified in tender document. Such services shall follow the procedure outlined for goods as described in para 5.1.3. The procuring company should clearly specify in the tender document whether the tender shall be split or not.

5.1.5 For para 5.1.3 and 5.1.4 above, only those LC manufacturers/ service providers whose bids are within 10% of the L1 bid would be allowed an opportunity to match L1 bid.

5.1.6 The tender conditions would ensure that local content in oil & gas products is encouraged. However, the procuring company may incorporate such stipulations as may be considered necessary to satisfy themselves of the production capability and product quality of the manufacturer.

5.1.7 The procedure for award under the policy along with some examples of typical procurement scenarios is at **Enclosure-V.**

6. Determination of LC

6.1 LC of goods

6.1.1 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 whole cost of product shall be constituted of the cost spent for the 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.

6.1.2 The criteria for determination of the local content cost in the goods shall be as follows:

a) in the case of direct component (material), based on country of origin;
b) in the case of manpower, based on INR component; and
c) in the case of working equipment/facility, based on the country of origin.

6.1.3 The calculation of LC of the combination of several kinds 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.

6.2 LC of service

6.2.1 LC of Service shall be calculated on the basis of the ratio of service cost of domestic component in service to the total cost of service.

6.2.2 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, excluding profit, company overhead cost, taxes and duties.

6.2.3 The criteria for determination of cost of local content in the service shall be as follows:

a) in the case of material being used to help the provision of service, based on country of origin;
b) in the case of manpower and consultant based on INR component of the services contract;
c) in the case of working equipment/facility, based on country of origin; and
d) in the case of general service cost, based on the criteria as mentioned in clauses a, b, and c above.
e) Indian flag vessels in operation as on date.

6.3 **Determination of Local Content:** The determination of local content of the working equipment/facility shall be based on the following provision: working equipment produced in the country is valued as 100% (one hundred percent) local content; working equipment produced abroad is valued as much as nil (0% percent) local content.

6.4 LC of the EPC Contracts:

6.4.1 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.

6.4.2 The whole combined cost of goods and services shall be the cost spent to produce the combination of goods and services, which is incurred on work site. LC of the combination of goods and services shall be counted in every activity of the combination work of goods and services.

6.4.3 The spent cost as mentioned in paragraph 6.4.2 shall include production cost in the calculation of LC of goods as mentioned in clause 6.1.1 and service cost in the calculation of LC of services as mentioned in clause 6.2.2.

6.5 Calculation of LC and Reporting

6.5.1 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.

6.5.2 Formats for the calculation of LC of goods, services as well as EPC contracts may be seen at in **Enclosure-II**, **Enclosure-III** and **Enclosure-IV**.

7 Certification and Verification

7.1 Manufacturers of goods and/or providers of service, seeking Purchase Preference under the policy, shall be obliged to verify the LC of goods, service or EPC contracts with the provision as follows:

7.1.2 At bidding stage:

a) Price Break-up:

- The bidder shall provide break-up of "Local Component" and "Imported Component" in the price format
- Bidder must have LC in excess of the requirement specified in **Enclosure-I.**

b) Undertaking by the bidder:

- The bidder shall submit an undertaking along with the bid stating that the bidder meets the mandatory minimum LC requirement, and such undertaking shall become a part of the contract.
- Bidder shall also submit the list of items / services to be procured from Indian manufacturers / service providers.

c) Statutory Auditor's Certificate:

- The Undertaking submitted by the bidder shall be supported by a certificate from Statutory Auditor engaged by the bidder certifying that the bidder meets the mandatory local content requirements of the project.

7.1.3 After Contract Award:

a) In the case of procurement of goods and/or services with the value less than Rs. 5 Crore (Rupees Five Crore), the LC content may be calculated (self-assessment) by the supplier of goods and/or the provider of services and certified by the Director/Authorised representative of the company.

b) The verification of the procurement of goods, service or EPC contracts with the value Rupees Five Crore and above shall be carried out by a Statutory Auditor engaged by the bidder.

7.2 Each supplier shall provide the necessary local-content documentation to the statutory auditor, which shall review and determine that local content requirements have been met, and issue a local content certificate to that effect on behalf of procuring company, stating the percentage of local content in the good or service measured. The Auditor shall keep all necessary information obtained from suppliers for measurement of Local Content confidential.

7.3 The Local Content certificate shall be submitted along with each invoice raised. However, the % of local content may vary with each invoice while maintaining the overall % of local content for the total work/purchase of the pro-rata local content requirement. In case, it is not satisfied cumulatively in the invoices raised up to that stage, the supplier shall indicate how the local content requirement would be met in the subsequent stages.

7.4 As regards cases where currency quoted by the bidder is other than Indian Rupee, exchange rate prevailing on the date of notice inviting tender (NIT) shall be considered for the calculation of Local Content.

7.5 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

8 Governance and Supervision

8.1 A Steering Committee will be constituted by MoPNG to provide effective guidance and to oversee the effective implementation of the Policy including review and amendments required therein. The Steering Committee may consider representations on target Local Content in goods, services and EPC and modify the policy accordingly.

8.2 The Steering Committee shall annually conduct a review of the policy implementation which shall specifically cover the issue of whether there has been adequate competition, and whether the policy has resulted in any reduction in competition/ exclusion of non-local bidders or any cost increase to the purchasing PSU, particularly in respect of services & works contracts.

9 Sanctions

9.1 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.

9.2 The sanctions may be in the form of written warning, financial penalty and blacklisting.

9.3 In the event that a manufacturer or supplier of goods and/or provider of services does not fulfil his obligation after the expiration of the period specified in such warning, the procuring company can initiate action for blacklisting such manufacturer/supplier/service provider.

9.4 A manufacturer and/or supplier of goods and/or provider of services who has been awarded the contract after availing Purchase Preference is found to have violated the LC provision, in the execution of the procurement contract of goods and/or services shall be subject to financial penalty specified in clause 9.4.1.

9.4.1 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.

10. **Clarification on Goods/ Services**: Any issue regarding the coverage of a particular good/ service under the proposed policy would be referred to the Steering Committee for clarification.

11. **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 of each year, concludes a review as per para 8.2 of the Policy and recommends continuation of the Purchase Preference.

Enclosure -I

Table 1: TARGET OF LOCAL CONTENT OF GOODS/SERVICE IN UPSTREAM OIL AND GAS BUSINESS ACTIVITIES

Sl. No	Item	Local Content (%)		
		2017-2018	2018-2020	2020-2022
A.	Goods			
1	Tubular (Drilling Pipe, Drill Collar, Casing, Line Pipes, Tubing, etc.)	50	55	60
2	Drilling Mud/Chemicals/Oil Well Cement	40	45	50
3	Pumping Unit	30	35	40
4	Machinery & Equipment	20	25	30
5	Premium Bits	10	15	20
6	Wellhead & X-mass tree			
	a. Onshore	40	45	50
	b. Offshore	10	10	15
7	Down Hole Tools			
	a. Onshore	20	25	30
	b. Offshore	10	10	15
8	Well Completion / Artificial Lift Equipment			
	a. Onshore	20	25	30
	b. Offshore	10	10	15
9	Fuel Oil	5	10	10
10	Lubricant	5	10	10
11	Other Goods	30	35	40
B.	Services			
	Survey, Seismic and Geology Studies			
	a. Onshore	50	50	55
	b. Offshore	10	10	15
2	Logging Services			
	a. Onshore	20	25	30
	b. Offshore	10	10	15
3	Mud Logging	40	45	50
4	Chartering of Rigs			
	a. Onshore	50	60	70
	b. Offshore	20	25	30
5	Specialized Drilling and Completion Services*	10	15	20
6	Engineering Procurement Construction & Installation (EPCI)			
	a. Onshore	50	55	60
	b. Offshore	20	30	35
	(i) Pipeline Projects	20	30	35
	(ii) Well Platform Projects	20	30	35
	(iii) Process Platform Projects	20	30	35
	(iv) Revamp Projects	20	30	35
7	Logistics (including FPSO and Tankers)			
	a. Onshore	75	75	80
	b. Offshore	15	20	25

Sl. No	Item	Local Content (%)		
		2017-2018	2018-2020	2020-2022
8	Air Logistics	15	20	25
9	Dry-docking	50	55	60
10	Other Services	30	35	40
C.	Fabrications			
1	Drilling/Workover Rigs/WSS units Construction a. Onshore b. Offshore	 50 20	 60 25	 70 35
2	Offshore Vessels/Rigs Construction	20	25	35

a. * Specialised Drilling and Well completion services include Direction Drilling, Whipstock, Milling, Coring, Cementing Services, Drilling fluid services, Completion & Production Services, WSS, Well Intervention Services, Fracturing and ROV etc.

b. The policy is not applicable for Deep water/ HP-HT operations for the time being.

c. The Charter Hiring of offshore vessels shall continue to be governed by DG, Shipping Guidelines. Indian Flag Vessels shall be considered as having 100% LC.

Table 2: <u>TARGET OF LOCAL CONTENT OF GOODS/SERVICES IN MIDSTREAM AND DOWNSTREAM</u>

Items	Local Content (%)		
	2017-18	2018-20	2020-22
Service Contracts	20%	22%	25%
Supply Contracts	20%	22%	25%
EPC Contracts (others)	30%	35%	40%

<u>Note:</u>

1. The proposed policy is not applicable for DMEP and MSME, there being specific policies for those products/ services.
2. The prescribed local content in the above Tables (Table 1 & Table 2) shall be applicable on the date of Notice inviting Tender.

Enclosure-II

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 overhead IV. Total production cost				

Note:

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

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

Enclosure-III

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=dxe
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 IV)	Rs US$					
B	**Taxes and Duties**	Rs US$					
C	**Total quoted price**	Rs US$					

Note:

% LC Service = $\frac{\text{Total cost (A. IV. d) – Total imported component cost (A. IV. c)}}{\text{Total cost (A. IV. d)}}$ X 100

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

Enclosure –IV

CALCULATION OF LOCAL CONTENT – EPC (GOODS AND SERVICE)

A.	COST COMPONENT (Rs/US$)		Cost Summary			
		Domestic	Imported Rs/US$	Total	LC	
					%	Rs/US$
		b	c	d	e=b/d	f=d x e
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 etc					
5.	Sub Total II					
III	TOTAL COST GOODS + SERVICES					
B.	Non Cost Component					
C.	TOTAL QUOTED PRICE					

Note:

% LC Combination = Total domestic component cost of goods (A.I.3.b)+

<u>Total domestic component cost of service (A.II.5.b)</u> X 100

Total Cost (A.III.d)

PROCEDURE FOR AWARD AND SOME EXAMPLES OF TYPICAL PROCUREMENT SCENARIOS

1. **Procedure for award of contacts under this policy shall be as follows:**

1.1. **Goods:**

1.1.1. For oil and gas sector goods proposed to be procured, among all technically qualified bids, the lowest quoted price will be termed as L1 and the rest of the bids shall be ranked in ascending order of price quoted, as L2, L3, L4 and so on. If L1 bid meets prescribed LC as per **Enclosure- I**, the said bidder will be awarded full value of the order.

1.1.2. If L1 bid does not meet prescribed LC as per **Enclosure-I,** the value of the order awarded to L1 bidder will be the balance of procurement value after reserving specified percentage (50%) of the total value of the order for the eligible LC manufacturer. Thereafter, the lowest bidder among the eligible LC manufacturer, whether L2, L3, L4 or higher, will be invited to match the L1 bid in order to secure the procurement value of the order earmarked for the eligible LC manufacturer. In case first eligible LC manufacturer fails to match L1 bid, the next eligible LC manufacturer will be invited to match L1 bid and so on. However, the procuring company may choose to divide the order amongst more than one successful bidder as long as all such bidders match L1and the criteria for allocating the tender quantity amongst a number of successful bidders is clearly articulated in the tender document itself.

1.1.3. In case all eligible LC manufacturers fail to match the L1 bid, the actual bidder holding L1 bid will secure the order for full procurement value.

1.1.4. Only those LC manufacturers whose bids are within 10% of the L1 bid would be allowed an opportunity to match L1 bid.

1.1.5. **Example 1 - Procurement of 50,000 MT Casing Pipes**

It is intended to procure 50,000 MT casing pipes. The bid documents should specifically provide preference to LC manufacturers of casing pipes (having local content more than the prescribed level as per **Table 1**) in terms of 50% of procurement value subject to matching of L1 price and on satisfying technical specifications of the tender. Suppose there are five bids. Consider LC as the manufacturer meeting local content requirement (and within 10% of the L1 bidder) as per Table 1 (Attachment 1) and NLC as the manufacturer not meeting local content requirement.

Case 1: After opening of commercial bids, position is like L1: LC1, L2:NLC1, L3: NLC2, L4: NLC3 and L5: LC2, then work will be awarded to LC1 vendor.

Case 2A: After opening of commercial bids, position is like L1: NLC1, L2: NLC2, L3: NLC3, L4: LC1 and L5: LC2. NLC1 qualifies as L1, and LC1 is L4. Then LC1 shall have the option of providing 50% of the procurement value at L1 prices. NLC1 will get remaining 50% of the procurement value.

Case 2B: If LC1 refuses to undertake the tendered work at L1 prices, LC2 should be considered to supply at L1 prices.
Case 3: After opening of commercial bids, position is like L1: NLC1, L2: NLC2, L3: NLC3, L4: NLC4 and L5: NLC5. In this case, no vendor with prescribed local content is available, hence the full order will be awarded to NLC1.

1.2. Services/ EPC contracts:

1.2.1. For oil and gas services/ EPC contracts proposed to be procured, among all technically qualified bids, the lowest quoted price will be termed as L1 and the rest of the bids shall be ranked in ascending order of price quoted, as L2, L3, L4 and so on. If L1 bid meets prescribed LC as per **Enclosure- I**, the said bidder will be awarded full value of the order.

1.2.2. If L1 bid does not meet prescribed LC as per **Enclosure- I**, the lowest bidder among the eligible LC service provider, whether L2, L3, L4 or higher, will be invited to match the L1 bid. In case first eligible LC service provider fails to match L1 bid, the next eligible LC service provider will be invited to match L1 bid and so on. The entire contract would be awarded to the lowest eligible service provider, subject to matching L1 bid.

1.2.3. In case all eligible LC service providers fail to match the L1 bid, the actual bidder holding L1 bid will secure the order for full procurement value.

1.2.4 Only those LC service providers whose bids are within 10% of the L1 bid would be allowed an opportunity to match L1 bid.

1.2.5 Example 2:

If for a tender where minimum specified LC is 15%, four bidders have been shortlisted for price bid opening and the status of the bidders is as below:

Sl. No	Bidder	Price quoted in Million USD	% of LC quoted
1	L1	200	10
2	L2	206	16
3	L3	210	16
4	L4	215	19

In the above case, L1 bidder has quoted lower than the minimum specified LC. L2, L3 and L4 bidders are achieving/exceeding the minimum LC as per Tender and are within 10% of quoted price of L1 bidder. Hence entire quantity shall be awarded to bidder, to L2 (or if L2 refuses, then L3, L4 in that order). Subject to matching L1 price.

Annexure-II

Provisions to be incorporated in the ITB of tenders for procurement of <u>Goods</u> pertaining to Oil & Gas business activities covered under Purchase preference Policy (linked with Local Content) (PP-LC)

Purchase preference policy (linked with Local Content)(PP-LC) notified vide letter no.O-27011/44/2015-ONG-II/FP dated 25.04.2017 of MoPNG.

1. In case a bidder is eligible to seek benefits under PP-LC policy as well as Public Procurement Policy for MSEs-Order 2012, then the bidders should categorically seek benefits against only one of the two policies i.e. either PP-LC or MSE policy. If a bidder seeks free of cost tender document under the MSE policy, then it shall be considered that the bidder has sought benefit against the MSE policy and this option once exercised cannot be modified subsequently.

2. Bidders seeking Purchase preference (linked with Local Content)(PP-LC) shall be required to meet / exceed the target of Local Content (LC) of ____ %.
(To select and indicate the Local Contents (LC) from <u>Enclosure-I of policy documents</u>. The LC limits shall be linked with date of TBO (Technical Bid Opening) of tender. For a tender due to open between 01.04.18 and 31.03.20, LC limit mentioned for 2018-20 shall be applicable. Similarly for a tender opening between 01.04.2020 to 31.03.2022, LC limits mentioned therein shall be applicable).

2.1 Such bidders shall furnish following undertaking from the manufacturer on Manufacturer's letter head along with their techno-commercial bid. The undertaking shall become a part of the contract.

"We ___________ (Name of Manufacturer) undertake that we meet the mandatory minimum Local Content (LC) requirement i.e. ________ (to be filled as notified at Enclosure I of the policy) for claiming purchase preference linked with Local Contents under the Govt. policy against under tender no. _____________."

2.2 Above undertaking shall be supported by the following certificate from Statutory Auditor engaged by the bidder, on the letter head of such Statutory Auditor.

"We _________ the statutory auditor of M/s ________ (name of the bidder) hereby certify that M/s__________ (name of manufacturer) meet the mandatory Local Content requirements of the Goods and/or Services i.e. _____ (to be filled as notified at Enclosure I of the policy) quoted vide offer No.______ dated ______ against OIL's tender No._____ by M/s ________ (Name of the bidder).

Note :

a. In case of bidder(s) for whom Statutory Auditor is not required as per law required certificates shall be provided by a practicing Chartered Accountant.
b. In case the manufacturer himself is bidding then the certificate shall be submitted by the Statutory Auditors of the manufacturer who shall provide the break-up of the cost component as per Enclosure – II of the policy documents.
c. In case of bidder is a supplier quoting on behalf of manufacturer then the certificate shall be submitted by the Statutory Auditors of the supplier who shall provide the break-up of the cost component of the manufacturer as per Enclosure – II of the policy documents. The responsibility for the certificate provided by the statutory auditor of the supplier shall be that of the supplier.
d. In case the tender scope covers testing, installation and commissioning and any other services in respect of the supplied goods/equipments then such costs shall

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also be considered in LC for which the bidder shall provide certificate from the Statutory Auditors or the Chartered Accountants as the case may be.

2.3 At the bidding stage the bidder shall provide Break-up of "Local Component" and "Imported Component" in the prescribed format enclosed as Enclosure-II of the policy document and submit / uploaded(in the e-procurement portal in case of e-tender) along with their price .

3. Eligible (techno-commercially qualified) LC bidder shall be granted a purchase preference of 10% i.e. where the evaluated price is within 10% of the evaluated lowest price of Non Local Content (NLC) bidder, other things being equal. Accordingly, purchase preference shall be granted to the eligible (techno-commercially qualified) LC bidder concerned, at the lowest valid i.e. NLC price bid.

3.1 Only those LC bidders whose bids are within 10% of the NLC L1 bid would be allowed an opportunity to match L1 bid. All the eligible LC bidder shall be asked to submit their confirmation to match their price in sealed envelopes. Envelopes of the bidders shall be opened and award shall be made to the lowest evaluated TA/CA (Techno-Commercially Acceptable) bidder among the eligible LC bidders. In case the lowest eligible LC bidder fails to match L1 price, the next eligible LC bidder will be awarded the prescribed quantity and so on. In case none of the eligible LC bidders matches the L1 bid, the actual bidder holding L1 price will secure the order.

4. Order for supply of 50% of the tendered quantity would be awarded to the lowest techno-commercially qualified LC bidder, subject to matching with valid NLC L1 price. The remaining quantity will be awarded to L1 (i.e. NLC bidder). Prescribed 50% tendered quantity for LC bidders shall not be further sub-divided among eligible LC bidders.

4.1 However, if L1 bidder happens to be a LC bidder, the entire procurement value shall be awarded to such bidder.

4.2 When the tendered goods/services cannot be divided in the exact ratio of 50% / 50% then OIL reserves the right to award on lowest eligible PP-LC bidder for quantity not less than 50% as may be dividable.

For example
In case tendered quantity is 3 (not divisible in the ratio of 50:50), PP-LC bidder shall get order for 2 nos. only and the rest will go to L-1 (NLC bidder).

OR

(Alternate clause applicable for cases where tendered quantity cannot be divided).

4. The tendered quantity is not splitable / non-dividable / cannot be procured from multiple sources. Hence, the entire procurement value shall be awarded to the lowest techno-commercially qualified LC bidder subject to matching with valid NLC L1 rates.

5. For the purpose of this policy, all terms used vide aforesaid policy shall be governed by the definitions specified at para 2 of the policy document notified by MoPNG vide letter No. O-27011/44/2015-ONG/II/FP dated 25.04.2017.

6. The successful bidder shall be obliged to fulfill the requirements of quality and delivery time in accordance with the provisions of the Purchase order/contract.

OIL shall have the right to satisfy itself of the production capability and product quality of the manufacturer.

7.0 Determination of LC

7.1 LC shall be computed on the basis of the cost of domestic components in goods compared to the whole cost of product. The whole cost of product shall be constituted of the cost spent for the 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.

7.2 The criteria for determination of the Local Content cost shall be as follows :

a) In the case of direct component (material), based on country of origin.
b) In the case of manpower based on INR component and
c) In the case of working equipment/facility, based on the country or origin.

7.3 The calculation of LC of the combination of several kinds 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.

8.0 Calculation of LC and Reporting

8.1 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.

8.2 Formats for the calculation of LC of goods is given in this document.

9.0 Certification and Verification

9.1 Bidder seeking Purchase Preference under the policy, shall be obliged to verify the LC of goods as follows :

9.1.2 At bidding stage :

a) Price Break-up
   (i) The bidder shall provide break-up of "Local Component" and "Imported Component" along with the price bid as per provisions under clause 2.3.
   (ii) Bidder must have LC in excess of the specified requirement.

b) Undertaking by the bidder
   i. The bidder shall submit undertaking along with the techno-commercial bid as per clause no.2.1, such undertaking shall become a part of the contract.
   ii. Bidder shall also submit the list of items / services to be procured from Indian manufacturers / service providers.

c) Statutory Auditor's Certificate

The Undertaking submitted by the bidder shall be support by a certificate from Statutory Auditor as per clause 2.2.

9.1.3 After Contract Award

a) In the case of procurement cases with the value less than Rs. 5 crore (Rupees Five Crore), the LC content may be calculated (self-assessment) by the supplier of goods and/or the provider of services and certified by the Director/Authorized Representative of the Company.
b) The verification of the procurement cases with the value Rupees Five Crore and above shall be carried out by a Statutory Auditor engaged by the bidder.

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9.2 Each supplier shall provide the necessary Local Content documentation to the statutory auditor, which shall review and determine the local content requirements have been met and issue of local content certificate to that effect on behalf of OIL, stating the percentage of local content in the good or service measured. The Auditor shall keep all necessary information obtained from suppliers for measurement of Local Content confidential.

9.3 The Local Content certificate shall be submitted along with each invoice raised. However, the % of local content may vary with invoice while maintaining the overall % of local content for the total purchase of the pro-rata local content requirement. In case, it is not satisfied cumulatively in the invoices raised up to that stage, the supplier shall indicate how the local content requirement would be met in the subsequent stages.

9.4 Where currency quoted by the bidder is other than Indian Rupee then the bidder claiming benefits under PP-LC shall consider exchange rate prevailing on the date of notice inviting tender (NIT) for the calculation of Local Content.

9.5 OIL shall have the authority to audit as well as witness production processes to certify the achievement of the requisite local content.

10 Sanctions

10.1 OIL shall impose sanction on bidder/manufacturers/service providers for not fulfilling LC of goods/services in accordance with the value mentioned in certificate of LC.

10.2 The sanctions may be in the form of written warning, financial penalty and blacklisting.

10.3 If the bidder does not fulfill his obligation after the expiration of the period specified in such warning. OIL shall initiate action for blacklisting such bidder/ successful bidder.

10.4 A bidder who has been awarded the contract after availing Purchase Preference is found to have violated the LC provision, in the execution of the procurement contract of goods and/or services shall be subject to financial penalty 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.

10.5 In pursuance of the clause No.10.4 above, towards fulfillment of conditions pertaining to Local Contents in accordance with the value mentioned in the certificate of LC, the bidder shall have to submit additional Bank Guarantee (format attached at Enclosure B) equivalent to the amount of PBG.

11. Bidders should note that PP – LC shall not be available in case of procurement of goods / services falling under the list of items reserved for exclusive purchase from Micro and Small Enterprise (MSEs) or Domestically Manufactured Electronic Products (DMEP).

Provisions to be incorporate in the ITB of tenders for procurement of <u>Services</u> pertaining to Oil & Gas business activities covered under Purchase preference Policy (linked with Local Content) (PP-LC).

Purchase preference policy (linked with Local Content) (PP-LC) notified vide letter no.O-27011/44/2015-ONG-II/FP dated 25.04.2017 of MoPNG

1. In case a bidder is eligible to seek benefits under PP-LC policy as well as Public Procurement Policy for MSEs - Order 2012, then the bidders should categorically seek benefits against only one of the two policies i.e. either PP-LC or MSE policy. If a bidder seeks free of cost tender document under the MSE policy, then it shall be considered that the bidder has sought benefit against the MSE policy and this option once exercised cannot be modified subsequently.

2. Bidders seeking Purchase preference (linked with local content) (PP-LC) shall be required to meet / exceed the target of Local Content (LC) of _____%
(To select and indicate the Local Contents (LC) from <u>Enclosure-I of policy documents</u>. The LC limits shall be linked with date of TBO (Technical Bid Opening) of tender. For a tender due to open between 01.04.18 and 31.03.20, LC limit mentioned for 2018-20 shall be applicable. Similarly for a tender opening between 01.04.2020 to 31.03.2022, LC limits mentioned therein shall be applicable).

2.1 Such bidders shall furnish following undertaking on its letter head along with their techno-commercial bid. The undertaking shall become a part of the contract.

"We __________ (Name of the bidder) undertake that we meet the mandatory minimum Local Content (LC) requirement i.e. ________ (to be filled as notified at Enclosure I of the policy) for claiming purchase preference linked with Local Contents under the Govt. policy against under tender no. ____________."

2.2 Above undertaking shall be supported by the following certificate from Statutory Auditor engaged by the bidder, on the letter head of such Statutory Auditor.

"We ________ the statutory auditor of M/s _______ (name of the bidder) hereby certify that M/s_________ (name of the bidder) meet the mandatory Local Content requirements of the Services i.e. _____ (to be filled as notified at Enclosure I of the policy) quoted vide offer No.______ dated______ against OIL tender No._____ by M/s _______ (Name of the bidder).

Note : In case of bidder(s) for whom Statutory Auditor is not required as per law required certificates shall be provided by a practicing Chartered Accountant.

2.3 At the bidding stage the bidder shall provide Break-up of "Local Component" and "Imported Component" in the prescribed format enclosed as Enclosure – III of the policy document of the policy and shall be uploaded by the bidders along with their price bid in the e-procurement portal.

3. Eligible (techno-commercially qualified) LC bidder shall be granted a purchase preference to 10% i.e. where the evaluated price is within 10% of the evaluated lowest price of Non Local Content (NLC) bidder, other things being equal. Accordingly, purchase preference shall be granted to the eligible (techno-commercially qualified) LC bidder concerned, at the lowest valid i.e. NLC price bid.

3.1 Only those LC bidders whose bids are within 10% of the NLC L1 bid would be allowed an opportunity to match L1 bid. All the eligible LC bidders shall be asked to submit their confirmation to match their price in sealed envelopes. Envelopes of the bidders shall be opened and award for the prescribed quantity shall be made to the lowest

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evaluated TA/CA (Techno- Commercial Acceptable) bidder among the eligible LC bidders. In case the lowest eligible LC bidder fails to match L1 price, the next eligible LC bidder will be awarded the prescribed quantity and so on. In case none of the eligible LC bidders matches the L1 bid, the actual bidder holding L1 price will secure the order.

4. Order for supply of 50% of the tendered quantity would be awarded to the lowest techno-commercially qualified LC bidder, subject to matching with valid NLC L1 price. The remaining will be awarded to L1 (i.e. NLC bidder). Prescribed 50% tendered quantity for LC bidders shall not be further sub-divided among eligible LC bidders.

4.1 However, if L1 bidder happens to be a LC bidder, the entire procurement value shall be awarded to such bidder.

4.2 When the tendered goods/services cannot be divided in the exact ratio of 50% / 50% then OIL reserve the right to award on lowest eligible PP-LC bidder for quantity not less than 50%, as may be dividable.

For example
In case tendered quantity is 3 (not divisible in the ratio of 50:50), PP-LC bidder shall get order for 2 nos. only and the rest will go to L-1 (NLC bidder).

OR

(Alternate clause applicable for cases where tendered quantity cannot be divided).

4. The tendered quantity is not splitable / non-dividable / cannot be procured from multiple sources. Hence, the entire procurement value shall be awarded to the lowest techno-commercially qualified LC bidder subject to matching with valid NLC L1 rates.

5. For the purpose of this policy, all terms used vide aforesaid policy shall be governed by the definitions specified at para 2 of the policy document notified by MoPNG vide letter No. O-27011/44/2015-ONG-II/FP dated 25.04.2017.

6. The successful bidder shall be obliged to fulfill the requirements of quality and delivery time in accordance with the provisions of the Purchase order/contract.

7. OIL shall have the right to satisfy itself of the production capability and product quality of the manufacturer.

8.0 Determination of LC

8.1 LC of Services shall be calculated on the basis of the ratio of service cost of domestic component in service to the total cost of services.

8.2 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, excluding profit, company overhead cost, taxes and duties.

8.3 The criteria for determination of cost of local content in the service shall be as under :

a) In the case of material being used to help the provision of service, based on country of origin.
b) In the case of manpower and consultant based on INR component of the services contract.
c) In the case of working equipment/facility, based on country of origin and

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d) In the case of general service cost, based on the criteria as mentioned in clauses a, b and c above.
e) Indian flag vessels in operation as on date.

8.4 Determination of Local Content : The determination of local content of the working equipment/facility shall be based on the following provision.

Working equipment produced in the country is valued as 100% (one hundred percent) local content, working equipment produced abroad is valued as much as nil (0% percent) local contend.

9.0 Calculation of LC and Reporting

9.1 LC shall be calculated on the basis of verifiable data. In the case of data used in the calculation of LC verifiable, the value of LC of the said component shall be treated as nil.

9.2 Formats for the calculation of LC of services may be seen at Enclosure-III of the policy document.

10.0 Certification and Verification

10.1 Bidder seeking Purchase Preference under the policy, shall be obliged to verify the LC of goods as follows :

10.1.2 At bidding stage :

a) Price Break-up
   (i) The bidder shall provide break-up of "Local Component" and "Imported Component" along with the price bid as per provisions under clause 2.3.

   (ii) Bidder must have LC in excess of the specified requirement.

b) Undertaking by the bidder
   i. The bidder shall submit undertaking along with the techno-commercial bid as per clause no.2.1, such undertaking shall become a part of the contract.
   ii. Bidder shall also submit the list of items / services to be procured from Indian manufacturers / service providers.

c) Statutory Auditor's Certificate

The Undertaking submitted by the bidder shall be supported by a certificate from Statutory Auditor as per clause 2.2.

10.1.3 After Contract Award

a) In the case of procurement cases with the value less than Rs. 5 crore (Rupees Five Crore), the LC content may be calculated (self-assessment) by the contractor and certified by the Director/Authorized Representative of the Company.

b) The verification of the procurement cases with the value Rupees Five Crore and above shall be carried out by a Statutory Auditor engaged by the bidder.

10.2 Each supplier shall provide the necessary local content documentation to the statutory auditor, which shall review and determine the local content requirements have been met and issue of local content certificate to that effect on behalf of OIL, stating the percentage of local content in the good or service measured. The Auditor shall keep all necessary information obtained from suppliers for measurement of Local Content confidential.

10.3 The Local Content certificate shall be submitted along with each invoice raised. However, the % of local content may vary with invoice while maintaining the overall % of Local Content for the total work/purchase of the pro-rata Local Content requirement. In case, it is not satisfied cumulatively in the invoices raised up to that stage, the supplier shall indicate how the local content requirement would be met in the subsequent stages.

10.4 Where currency quoted by the bidder is other than Indian Rupee then the bidder claiming benefits under PP-LC shall consider exchange rate prevailing on the date of notice inviting tender (NIT) for the calculation of Local Content.

10.5 OIL shall have the authority to audit as well as witness production processes to certify the achievement of the requisite local content.

11 Sanctions

11.1 OIL shall impose sanction on bidder not fulfilling LC of goods/services in accordance with the value mentioned in certificate of LC.

11.2 The sanctions may be in the form of written warning, financial penalty and blacklisting.

11.3 If the bidder does not fulfill his obligation after the expiration of the period specified in such warning. OIL shall initiate action for blacklisting such bidder/ successful bidder.

11.4 A bidder who has been awarded the contract after availing Purchase Preference is found to have violated the LC provision, in the execution of the procurement contract of goods and/or services shall be subject to financial penalty 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.

11.4.1 In pursuance of the clause No.11.4 above, towards fulfillment of conditions pertaining to Local Contents in accordance with the value mentioned in the certificate of LC, the bidder shall have to submit additional Bank Guarantee (format attached at Enclosure B) equivalent to the amount of PBG.

Provisions to be incorporate in the ITB of tenders for <u>LSTK/EPC Contracts</u> pertaining to Oil & Gas business activities covered under Purchase preference Policy (linked with Local Content) (PP-LC).

(To re-number the clause Nos. (cross reference clause numbers) to match the sequent of the existing tender clauses)

Purchase preference policy (linked with Local Content) (PP-LC) notified vide letter no.O-27011/44/2015-ONG/II/FP dated 25.04.2017 of MoPNG

1. Bidders seeking Purchase preference (linked with local content) (PP-LC) shall be required to meet / exceed the target of Local Content (LC) of _____%
(To select and indicate the Local Contents (LC) from <u>Enclosure-I of policy documents</u>. The LC limits shall be linked with date of TBO (Technical Bid Opening) of tender. For a tender due to open between 01.04.18 and 31.03.20, LC limit mentioned for 2018-20 shall be applicable. Similarly for a tender opening between 01.04.2020 to 31.03.2022, LC limits mentioned therein shall be applicable).

1.1 Such bidders shall furnish following certificate on its letter head along with their techno-commercial bid. The undertaking shall become a part of the contract.

"We M/s __________ (Name of bidder) hereby certify that we meet the mandatory minimum Local Content requirements of the LSTK contract i.e. _______ (to be filled as notified at Enclosure I of the policy) quoted vide offer no._______ dated _____________ against OIL tender no._____ by us."

1.2 Above undertaking shall be supported by the following certificate from Statutory Auditor engaged by the bidder, on the letter head of such Statutory Auditor.

"We ________ the statutory auditor of M/s _______ (name of the bidder) hereby certify that M/s_________ (name of bidder) meet the mandatory Local Content requirements of the LSTK contract i.e. _____ (to be filled by the work center) quoted vide offer No.______ dated ______ against OIL tender No._____ by M/s _______ (Name of the bidder).

Note : In case of bidder(s) for whom Statutory Auditor is not required as per law required certificates shall be provided by a practicing Chartered Accountant.

1.3 At the bidding stage the bidder shall provide Break-up of "Local Component" and "Imported Component" in the prescribed format as enclosed Enclosure – IV of the policy document) and shall be uploaded by the bidders along with their price bid in the e-procurement portal.

2. Eligible (techno-commercially qualified) LC bidder shall be granted a purchase preference to 10% i.e. where the evaluated price is within 10% of the evaluated lowest price of Non Local Content (NLC) bidder, other things being equal. Accordingly, purchase preference shall be granted to the eligible (techno-commercially qualified) LC bidder concerned, at the lowest valid i.e. NLC price bid.

3 Only those LC bidders whose bids are within 10% of the NLC L1 bid would be allowed an opportunity to match L1 bid. All the eligible LC bidders shall be asked to submit their confirmation to match their price in sealed envelopes. Envelopes of the bidders shall be opened and award for the prescribed quantity shall be made to the lowest evaluated TA/CA(Techno- Commercial Acceptable) bidder among the eligible LC bidders. In case the lowest eligible LC bidder fails to match L1 price, the next eligible LC bidder will be awarded the prescribed quantity and so on. In case none of the eligible LC bidders matches the L1 bid, the actual bidder holding L1 price will secure the order.

3.1 Entire contract shall be awarded to the lowest techno-commercially qualified LC bidder subject to matching with valid NLC L1 rates. In case LC bidder fails to match rates with valid NLC L1 rates then entire contract shall be awarded to valid NLC L1 bidder.

4. For the purpose of this policy, all terms used vide aforesaid policy shall be governed by the definitions specified at para 2 of the policy document notified by MoPNG vide letter No. O-27011/44/2015-ONG/II/FP dated 25.04.2017.

5. The successful bidder shall be obliged to fulfill the requirements of quality and delivery time in accordance with the provisions of the Purchase order/contract.

6. OIL shall have the right to satisfy itself of the production capability and product quality of the manufacturer.

7.0 Determination of LC

7.1 LC of EPC contracts shall be the ratio of the whole cost of domestic component in the combination of goods and service to the whole combined cost of goods and services.

7.2 The whole combined cost of goods and services shall be the cost spent to produce the combination of goods and services, which is incurred on work site. LC of the combination of goods and services shall be counted in every activity of the combination work of goods and services.

7.3 The spent cost as mentioned in paragraph 8.2 shall include production cost in the calculation of LC of goods as at clause 8.3.1 and service cost in the calculation of LC of services as mentioned in clause 8.3.2.

7.3.1 Calculation of LC of goods : LC shall be computed on the basis of the cost of domestic components in goods, compared to the whole cost of product. The whole cost of product shall be constituted of the cost spent for the 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.

7.3.2 Calculation of LC of Services : LC of Service shall be calculated on the basis of the ratio of service cost of domestic component in service total cost of service.

7.3.2.1 The total cost of service shall be constituted of the cost spent for rendering 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, excluding profit, company overhead cost, taxes and duties.

7.3.2.2 Determination of Local Content : The determination of local content of the working equipment/facility shall be based on the following provision :

Working equipment produced in the country is valued as 100% (one hundred percent) local content, working equipment produced abroad is valued as much as nil (0% percent) local content.

8.0 Calculation of LC and Reporting

8.1 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.

8.2 Formats for the calculation of LC of goods may be seen at Enclosure-IV of the policy document.

9.0 Certification and Verification

9.1 Bidder seeking Purchase Preference under the policy, shall be obliged to verify the LC of goods as follows :

9.1.2 At bidding stage :

a) Price Break-up
   (i) The bidder shall provide break-up of "Local Component" and "Imported Component" along with the price bid as per provisions under clause 1.3.

   (ii) Bidder must have LC in excess of the specified requirement.

b) Undertaking by the bidder
   iii. The bidder shall submit undertaking along with the techno-commercial bid as per clause no.1.1, such undertaking shall become a part of the contract.
   iv. Bidder shall also submit the list of items / services to be procured from Indian manufacturers / service providers.

9.1.3 After Contract Award

a) In the case of procurement cases with the value less than Rs. 5 crore (Rupees Five Crore), the LC content may be calculated (self-assessment) by the contractor and certified by the Director/Authorized Representative of the Company.

b) The verification of the procurement cases with the value Rupees Five Crore and above shall be carried out by a Statutory Auditor engaged by the bidder.

9.2 Each supplier shall provide the necessary local content documentation to the statutory auditor, which shall review and determine the local content requirements have been met and issue of local content certificate to that effect on behalf of OIL, stating the percentage of local content in the good or service measured. The Auditor shall keep all necessary information obtained from suppliers for measurement of Local Content confidential.

9.3 The Local Content certificate shall be submitted along with each invoice raised. However, the % of local content may vary with invoice while maintaining the overall % of Local Content for the total work/purchase of the pro-rata Local Content requirement. In case, it is not satisfied cumulatively in the invoices raised up to that stage, the supplier shall indicate how the local content requirement would be met in the subsequent stages.

9.4 Where currency quoted by the bidder is other than Indian Rupee, exchange rate prevailing on the date of notice inviting tender (NIT) shall be considered for the calculation of Local Content.

9.5 OIL shall have the authority to audit as well as witness production processes to certify the achievement of the requisite local content.

10 Sanctions

10.1 OIL shall impose sanction on bidder / successful bidder for not fulfilling LC in accordance with the value mentioned in certificate of LC.

10.2 The sanctions may be in the form of written warning, financial penalty and blacklisting.

10.3 If the bidder does not fulfill his obligation after the expiration of the period specified in such warning. OIL shall initiate action for blacklisting such bidder/ successful bidder.

10.4 A bidder who has been awarded the contract after availing Purchase Preference is found to have violated the LC provision, in the execution of the procurement contract of goods and/or services shall be subject to financial penalty 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.

10.5 In pursuance of the clause No.10.4 above, towards fulfillment of conditions pertaining to Local Contents in accordance with the value mentioned in the certificate of LC, the bidder shall have to submit additional Bank Guarantee (format attached at Enclosure B) equivalent to the amount of PBG.

Enclosure-B

Proforma of Bank Guarantee towards Purchase Preference – Local Content

Ref. No.______________________ Bank Guarantee No. ______________
Dated ___________________________

To
Oil India Limited
____
____
India

Dear Sirs,

1. In consideration of ____ (hereinafter referred to as OIL, which expression shall, unless repugnant to the context or meaning thereof, include all its successors, administrators, executors and assignees) having entered into a CONTRACT No.____________________ dated ________________ (hereinafter called 'the CONTRACT' which expression shall include all the amendments thereto) with M/s _____________________ having its registered/head office at ___________________(hereinafter referred to as the 'CONTRACTOR') which expression shall, unless repugnant to the context or meaning thereof include all its successors, administrators, executors and assignees) and OIL having agreed that the CONTRACTOR shall furnish to OIL a Bank guarantee for India Rupees/US$ ____________ for the faithful fulfillment of conditions pertaining to Local Content in accordance with the value mentioned in the certificate of Local Content submitted by the contractor for claiming purchase preference under the Purchase Preference Policy (linked with Local Content).

2. We (name of the bank) ___________________________ registered under the laws of _________ having head/registered office at ________________________ (hereinafter referred to as "the Bank", which expression shall, unless repugnant to the context or meaning thereof, include all its successors, administrators, executors and permitted assignees) do hereby guarantee and undertake to pay to OIL immediately on first demand in writing any / all money to the extent of Indian Rs./US$ (in figures) ______________________ (Indian Rupees/US Dollars (in words) ________________________) without any demur, reservation, contest or protest and/or without any reference to the CONTRACTOR. Any such demand made by OIL on the Bank by serving a written notice shall be conclusive and binding, without any proof, on the bank as regards the amount due and payable, notwithstanding any dispute(s) pending before any Court, Tribunal, Arbitrator or any other authority and/or any other matter or thin whatsoever, as liability under these presents being absolute and unequivocal. We agree that the guarantee herein contained shall be irrevocable and shall continue to be enforceable until it is discharged by OIL in writing. This guarantee shall not be determined, discharged or affected by the liquidation, winding up, dissolution or insolvency of the CONTRACTOR and shall remain valid, binding and operating against the bank.

3. The Bank also agrees that OIL at its option shall be entitled to enforce this Guarantee against the Bank as a principal debtor, in the first instance, without proceeding against the CONTRACTOR and notwithstanding any security or other guarantee that OIL may have in relation to the CONTRACTOR's liabilities.

4. The Bank further agrees the OIL shall have the fullest liberty without our consent and without affecting in any manner our obligations hereunder to vary any of the terms and conditions of the said CONTRACT or to extend time of performance by the said CONTRACTOR(s) from time to time or to postpone for any time or from time to time exercise of any of the powers vested in OIL against the said CONTRACTOR(s) and to

forbear or enforce any of the terms and conditions relating to the said agreement and we shall not be relived from our liability by reason of any such variation, or extension being granted to the said CONTRACTOR(s) or for any forbearance, act or omission on the part of OIL or any indulgence by OIL to the said CONTRACTOR(s) or any such matter or thing whatsoever which under the law relating to sureties would, but for this provision, have effect of so relieving us.

5. The Bank further agrees that the Guarantee herein contained shall remain in full force during the period that is taken for the performance of the CONTRACT and all dues of OIL under or by virtue of this CONTRACT have been fully paid and its claim satisfied or discharged or till OIL discharges this guarantee in writing, whichever is earlier.

6. This Guarantee shall not be discharged by any change in our constitution, in the constitution of OIL or that of the CONTRACTOR.

7. The Bank confirms that this guarantee has been issued with observance of appropriate laws of the country of issue.

8. The Bank also agrees that this guarantee shall be governed and construed in accordance with Indian Laws and subject to the exclusive jurisdiction of Indian Courts of the place from where the purchase CONTRACT has been placed.

9. Notwithstanding anything contained herein above, out liability under this Guarantee is limited to Indian Rs./US$(in figures) __________ (Indian Rupees/US Dollars (in words) ______________________) and our guarantee shall remain in force until _____________________(indicate the date of expiry of bank guarantee).

Any claim under this Guarantee must be received by us before the expiry of this Bank Guarantee. If no such claim has been received by us by the said date, the rights of OIL under this Guarantee will cease. However, if such a claim has been received by us within the said date, all the rights of OIL under this Guarantee shall be valid and shall not cease until we have satisfied that claim.

In witness whereof, the Bank through its authorized officer has set its hand and stamp on this __________ date of _______ 20___ at ____________________

WITNESS NO.1

____
(Signature)
Full name and official address
(in legible letters)
Stamp

____
(Signature)
Full name, designation and address
(in legible letters)
With Bank

WITNESS NO.2

Attorney as per power of
Attorney No.____________
Dated _________________

____
(Signature)
Full name and official address
(in legible letters)
Stamp

Alaki

Formats for calculation of Local Content in Goods/Services/EPC Contracts:

A. **GOODS: (As per Enclosure II of PP-LC Policy)**

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./Foreign Currency (To be specified by the manufacturer) c = a+b	%Domestic Component d = a/c
I. Direct material cost				
II. Direct labour cost				
III. Factory overhead				
IV. Total production cost				

Note:

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

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

As regards cases where currency quoted by the bidder is other than Indian Rupee, exchange rate prevailing on the date of notice inviting tender (NIT) shall be considered for the calculation of Local Content. *(Applicable for Foreign Purchase / Global Tenders)*

B. <u>SERVICE</u>: : (As per Enclosure III of PP-LC Policy)

CALCULATION OF LOCAL CONTENT- SERVICE

NAME OF SUPPLIER OF GOODS/PROVIDER OF SERVICE							
			Cost Summary				
			Domestic	Imported Rs./Foreign Currency (To be specified by the service provider)	Total	LC	
						%	Rs./Foreign Currency (To be specified by the service provider)
			a	b	c = a+b	d = a/c	e = cxd
A	Cost component I. Material used cost	Rs./Foreign Currency					
	II. Personnel & Consultant cost	Rs./Foreign Currency					
	III. Other services cost	Rs./Foreign Currency					
	IV. Total cost (I to IV)	Rs./Foreign Currency					
B	Taxes and Duties	Rs./Foreign Currency					
C	Total quoted price	Rs./Foreign Currency					

Note:

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

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

As regards cases where currency quoted by the bidder is other than Indian Rupee, exchange rate prevailing on the date of notice inviting tender (NIT) shall be considered for the calculation of Local Content. *(Applicable only for Foreign Purchase / Global Tenders)*

C. EPC (GOODS AND SERVICE) : (As per Enclosure IV of PP-LC Policy)

CALCULATION OF LOCAL CONTENT- EPC (GOODS AND SERVICE)

A.	COST COMPONENT Rs./Foreign Currency (To be specified)	Cost Summary				
		Domestic	Imported Rs./Foreign Currency (To be specified)	Total	LC	
					%	Rs./Foreign Currency (To be specified)
		a	b	c = a+b	d = a/c	e = cxd
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 etc					
5	Sub Total II					
III	TOTAL COST GOODS + SERVICES					
B.	Non Cost Component					
C.	TOTAL QUOTED PRICE					

Note:

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

As regards cases where currency quoted by the bidder is other than Indian Rupee, exchange rate prevailing on the date of notice inviting tender (NIT) shall be considered for the calculation of Local Content. *(Applicable only for Foreign Purchase / Global Tenders)*

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