

SUBJECT:- AAI DRAFT POLICY FOR PUBLIC PROCUREMENT LINKED WITH LOCAL CONTENT.

Public procurement (preference to make in India policy 2017) (PP-LC) has been notified and effected vide order dated 15.06.2017 of Govt. of India to encourage and promote manufacturing and production of goods and services in India with a view to enhancing income and employment.

In order to implement 'Make in India' public procurement policy 2017 (PP-LC) in AAI a draft document for inclusions in tenders of AAI is prepared and put up for your comments/suggestions. Your suggestion/ comment may please be forwarded at gmpmq@aii.aero upto 23.10.2018. The comments/suggestion should be in brief and implementable and it should be in accordance with Govt. of India 'Make in India' programme.

Based on input draft policy shall be improved upon before its implementation in AAI.

[A.K. Sharma]
ED(PMQA/EMC/TECH)

SUBJECT: - PUBLIC PROCUREMENT LINKED WITH LOCAL CONTENT (PP-LC) ORDER 2017.

Public procurement (Preference to Make in India policy 2017) (PP-LC) has been notified and effected vide order dated 15-06-2017 of Govt. of India to encourage and promote manufacturing and production of goods and services in India with a view to enhancing income and employment.

In order to implement 'Make in India' public procurement policy 2017 (PP-LC) following shall be considered and applicable uniformly for procurement of goods and service, across all disciplines in Airports Authority of India (AAI).

1. LOCAL SUPPLIER:-

Local Supplier' means a supplier or service provider whose product or service offered for procurement meets the minimum local content i.e. 50 % of total value of the product or services.

2. LOCAL CONTENT:-

'Local content' means the amount of value added in India in 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.

FORMAT FOR CALCULATION OF LOCAL CONTENT IN GOODS:

Name of Local Supplier/ Bidder	Calculation by Supplier/ Bidder Cost per one unit of product			
	Cost (Domestic component) a	Cost (Imported component) b	Cost Total Rs./ Foreign Currency (To be specified by the Supplier/ Bidder) c=a+b	%Domestic Component d = a/c
1	2	3	4	5
I.Direct material cost				
II.Direct labour cost				
III.Factory overhead				
IV.Total production cost				

3. DEFINITION OF L1:-

'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.

4. MARGIN OF PURCHASE PREFERENCE:-

'Margin of purchase preference' means the maximum extent to which the price quoted by a local supplier above the L1 for the purpose of purchase preference, shall be 20 %. Which shall be firm during particular procurement transaction.

5. INCREASE OF LOCAL CONTENT:-

Local content can be increased through partnership, 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. The following conditions shall also be applicable.

(a) Consortium of firms should not comprise more than two firms.

(b) Joint venture firm as a single unit or each member of consortium should have Permanent Account Number (PAN).

(c) Both the members of consortium must meet fully, jointly or as a single unit of Joint Venture (JV) the required PQC.

(d) A detailed and valid agreement exists between the consortium members defining clear role, responsibility and scope of work of each member along with nomination of leader for the purpose of work under consideration commensurate with their experiences and capabilities and a confirmation that the members of the consortium assume joint and several responsibilities. It shall be mandatory for lead partner to attend all progress review meetings and shall be answerable to all issues relating to the project.

(e) In all procurements, the leader of the consortium of firm shall meet 80% of the qualification criteria of NIT and shall accept overall responsibilities of contractual obligations for the total scope of work during execution and up to defects liability period. Second local partner of the consortium shall meet 40% of the PQC (Pre-Qualification Criteria).

Note: - Percentage figures in clause no. 5(e) above are modifiable with the prior approval of ED/ Member concerned where ever needed or applicable. For example: -

- i. Procurements with imported superior technology seldom used earlier in India, local firm is interested to participate but does not have sufficient experience and low competition is anticipated.
- ii. Procurements with imported superior technology but never used before in India, local firm is interested to participate but does not have sufficient experience and low competition is anticipated.

There may be other situation also needing application of this measure.

(f) Both the consortium firm should jointly possess the required T & P, Machinery and manpower and should produce self-attested documentary proof of owning and possessing required machinery.

Note: - It can be struck off/ deleted where ever not needed or not applicable.

6. Manufacture under license/ technology collaboration agreements with phased indigenization:-

6.1 If the product developed abroad, is being manufactured in India with the stipulated percentage (50%) of local content, under license from foreign manufacturer who holds intellectual property right and having technology collaboration agreement/ transfer of technology agreement with Indigenous manufacturer, is acceptable under this policy. Nodal Ministry may also reduce the requirement of stipulated local content subject to clear phasing of increase of local content.

6.2 Local content being manufactured in India but supplied by overseas bidder who has venture and bona-fide agreement with Indian manufacturer under License /Technology Collaboration agreements with phased Indigenization, the payment can be made in foreign currency to non local bidder also subject to adjustment of taxes as applicable and prevailing regulation of RBI & Government of India. It can also be given in Indian National Rupees [INR] to local manufacturer through bona-fide bidder, subject to implementation of prevailing regulation of Government of India & RBI.

7. Verification of local content:-

a) The local supplier at the time of tender, bidding or solicitation shall be required to 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 case 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.

8. A local 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. Local supplier/ bidder shall mean those entities which meet any of these tests with respect to India.

9. PURCHASE PREFERENCE (LINKED WITH LOCAL CONTENT) (PP-LC) AND ITS IMPLEMENTATION:-

According to Make in India policy 2017, Purchase preference shall be given to local suppliers in all the procurement, in the manner as given in following clauses, if nothing otherwise notified by MOCA.

- 9.01** It is presumed that sufficient local capacity and local competition exist in country for procurement of goods where the estimated value of procurement is Rs.50 lacs or less but above Rs.5 lacs, & only local supplier shall be eligible.
- 9.02** In-procurement of goods, up-to and less than Rs. 5 lacs, shall be exempted from implementation of public procurement linked with local content policy to the bidder being small purchases. However, it shall be ensured by procuring entities that procurement is not split for purpose of avoiding the provisions of this policy.
- 9.03 In-procurement of goods where the estimated value of procurement is more than Rs. 50 lacs and which are divisible in nature, the following procedure shall be followed.**
- i. Among all qualified bids, the lowest bid will be termed as L1. If L1 is from a local supplier, the contract for full quantity will be awarded to L1.
 - ii. If L1 bid is not from a local supplier, 50% of the order quantity shall be awarded to L1. Thereafter, the lowest bidder among the local suppliers, will be invited to match the L1 price for the remaining 50% quantity subject to the local suppliers quoted price falling within the margin of purchase preference, and contract for that quantity shall be awarded to such local supplier subject to matching the L1 price. In case such lowest eligible local supplier fails to match the L1 price or accepts less than the offered quantity, the next higher 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 local supplier, then such balance quantity may also be ordered on the L1 bidder.
 - iii. Local suppliers/ bidders are further classified as Make in India (MII) bidder or MSME bidder if so, the purchase preference shall be considered for award as per illustrations given below in table 1.

Table-1

<p>Case-1 If bid participation trend is that - All the bids are from MII (local bidders) and no MSME (local bidder).</p>	<p>100 % order quantity will be awarded to L-1 bidder.</p>
<p>Case-2 If bid participation trend is that - (a) L-1: MII (local bidder). (b) Lowest MSME (local bidder) falling within price preference of 15%. (c) No Non - local bidder</p>	<p>80% of order quantity will be awarded to L-1 bidder and 20% of order quantity will be awarded to lowest MSME (local bidder), ready to match price of L-1.</p>
<p>Case-3 If bid participation trend is that - (a) L-1: Non-local bidder. (b) Lowest MII (local bidder). (c) No MSME (local bidder).</p>	<p>(i) 50 % of order quantity will be awarded to L-1. (ii) Remaining 50 % of order quantity to be awarded to lowest MII (local bidder) if falling within 20 % price preference, provided, ready to match price of L-1.</p>
<p>Case-4 Where lowest MSME (local bidder) quote is higher than the lowest MII (local bidder). And bid participation trend is that - (a) L-1: Non-local bidder. (b) Lowest MII (local bidder) falling within price preference of 20%. (c) Lowest MSME (local bidder) falling within price preference of 15%.</p>	<p>(i) 50 % quantity will be awarded to L-1. (ii) 40 % of order quantity will be awarded to lowest MII (local bidder) and 10 % of order quantity will be awarded to lowest MSME (local bidder) provided, ready to match the price of L-1.</p>
<p>Case-5 Where lowest MII (local bidder) quote is higher than the lowest MSME (local bidder). And bid participation trend is that - (a) L - 1: Non-local bidder. (b) Lowest MSME (local bidder) falling within price preference of 15%. (c) Lowest MII (local bidder) falling within price preference of 20%.</p>	<p>(i) 50 % of order quantity will be awarded to L-1. (ii) Remaining 50 % of order quantity will be awarded to lowest MSME (local bidder) provided, ready to match L-1 price.</p>

9.04 In-procurement of goods where the estimated value of procurement is more than Rs. 50 lacs and which are not divisible in nature, the following procedure shall be followed.

- a) Among all qualified bids, the lowest bid will be termed as L1, if L1 is from a local supplier, the contract for full quantity will be awarded to L1.

- b) If L1 is not from a local supplier, the lowest bidder among the local suppliers, will be invited to match the L1 price subject to local supplier's quoted price falling within the margin of purchase preference of 20 % of L-1 price, and the contract shall be awarded to such local supplier subject to matching the L1 price.
- c) In case such lowest eligible local supplier fails to match the L1 price, the 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 none of the local suppliers within the margin of purchase preference matches the L1 price then the contract may be awarded to the L1 bidder.

[A.K. Sharma]
ED(PMQA/EMC/TECH)