

No.O-27011/44/2015-ONG-II
Ministry of Petroleum and Natural Gas
(Exploration Division)

...
Shastri Bhawan, New Delhi-110 001
Dated, the 27th January, 2016

Sub: Consultation paper to invite comments from stakeholders on Policy to provide Purchase preference (linked with local content) in all Public Sector Undertakings under Ministry of Petroleum and Natural Gas.

The Ministry of Petroleum and Natural Gas has taken several initiatives in tune with Make in India policy. All the Public Sector Undertakings under the Ministry have constituted INDEG group (Indigenisation Group) to promote the participation of indigenously produced goods and services in the oil and gas sector. Several vendor meets have been organised during the last year. The Public Sector Undertakings have also initiated many research projects with the premiere institutions such as IISc Banglore, Pan IIT forum, ISM Dhanbad etc to develop and promote indigenous technologies. The steering committee under the Additional Secretary is monitoring the progress at regular intervals.

2. In continuation of our efforts to promote Make in India in oil and gas sector, the Ministry of Petroleum and Natural Gas proposes to bring a policy to provide purchase preference linked with local content in all public sector undertakings under the Ministry. The said policy was discussed in the steering committee chaired by the Additional Secretary and many industry organisations such as FICCI/ CII/ AOGO were present in the meeting. However, for wider consultations and seeking inputs from all the stakeholders, the Ministry has decided to host the draft policy on its website and seek comments/inputs/observations from all the stakeholders.

3. The Ministry in consultation with PSU's under its administrative control is also examining the possibility of adopting National Competitive Bidding Route instead of International Competitive Bidding for certain items and services where sufficient capacity, quality and competition is available within the country.

4. Accordingly, the draft policy is hosted on the website of the Ministry of Petroleum and Natural Gas. The comments/inputs/observations may be sent to the following address:-

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On or before 19th February 2016.

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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 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 by making partnerships and cooperating with local companies, establish production units in India or Joint Ventures (JV) with India suppliers, increasing the participation of local employees in services and training them etc.
- 1.4. Whereas, by 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 regulation 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 defines 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. **"Common qualification system"** (CQS) means a system of pre-qualified service providers in oil & gas sector based on their capacities, capabilities and local content strength to enable ranking and categorisation of the service providers as well as tracking and monitoring their performance;
- 2.7. **Planning and Monitoring Committee** with Additional Secretary, MoPNG as Chairman shall be governing body for the policy.
- 2.8. **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.
- 2.9. **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.
- 2.10. **Local Content (LC)** in Goods shall be the use of raw materials, design and engineering towards manufacturing, fabrication, assembly and finishing of work resulting from and executed in the country.
- 2.11. **Local Content (LC)** in Service shall be the use of service up to the final delivery by utilizing manpower, including specialist, working appliance, including software and supporting facilities resulting from and executed in the country.

- 2.12. **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 service by utilizing manpower, including specialist, working appliance, including software, and supporting facility up to the final delivery resulting from and executed in the country.
- 2.13. **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.
- 2.14. **Company overhead cost** shall be costs related to the marketing, administration and general affairs cost of the company.
- 2.15. **Output Tax** shall be value added tax payable, which shall be collected by taxable entrepreneurs delivering taxable goods, providing taxable service, exporting tangible taxable goods, intangible taxable goods and/or exporting taxable service.
- 2.16. **Government Company** means any company in which not less than fifty one per cent. of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company;
- 2.17. **Indian Company** means a company formed and registered under the Companies Act, 1956.
- 2.18. **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.
- 2.19. **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 under the Ministry of Petroleum and Natural Gas.

3.3. However, this policy shall not include goods/ services falling under MSME or DMEP, as those products/ services are already covered under specific policy.

3.4. The MoPNG Steering Committee shall prepare the roadmap for implementation of Make in India campaign in oil and gas business activities under the MoPNG.

4. Procurement

4.1 The procuring agencies 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 agencies.

5. Purchase Preference- Linked with Local Content (LC)

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 **Enclosure-I**. 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 oil & gas goods/ services are procured under this policy by a Government Ministry/Department or an agency thereof, 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 oil & gas goods would normally specify that specified percentage of the procurement value 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. NLC manufacturer/ supplier not meeting prescribed LC criteria). In order to boost the domestic manufacturing, it is proposed that specified percentage mentioned above may be fixed at 50% for the purchase of goods from the technically qualified LC manufacturer having lowest price amongst the LC manufacturer and within the 10% price of L1, subject to matching with L1, if such bidders are available.

- a) However, if L1 bidder happens to be a LC manufacturer, the entire procurement value shall be awarded to such bidder,
- b) In case percentage of procurement value is to be awarded to the eligible LC manufacturer, but in the opinion of the procuring agency, it 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.
- c) In continuation to b) above, if the tendered item is non divisible, 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 procurements the tender would normally 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 (viz. hiring of rigs, vessels, etc.) can 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 6.1.3.

5.1.5 For para 6.1.3 and 6.1.4 above, only those LC manufacturer/ 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, procuring Department/agency may incorporate such stipulations as may be considered necessary to

satisfy themselves of the production capability and products quality of the manufacturer.

5.1.7 The procedure for award under the policy along with some examples of typical procurement scenarios is placed 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 constitute cost spent for the production of goods, covering: direct component (material) cost; direct manpower cost; and factory overhead cost, including profit, company overhead cost etc., net of taxes and duties,

6.1.2 The determination of the local content cost in the goods shall be based on criteria:

- a) in the case of direct component (material), based on country of origin;
- b) in the case of manpower, based on domestic manpower; 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 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 constitute cost spent for rendering of service, covering:

- d) cost of component (material) which is used;
- e) manpower and consultant cost; cost of working equipment/facility; and
- f) general service cost, including profit, company overhead cost etc., net of taxes and duties.

6.2.3 The determination of cost of local content in the service shall be based on criteria:

- g) in the case of material being used to help the provision of service, based on country of origin;
- h) in the case of manpower and consultant, based on domestic manpower/ consultant ;

- i) in the case of working equipment/facility, based on country of origin;
and
- j) in the case of general service cost, based on the criteria as meant in letter a, letter b, and letter c.

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 0% (nil percent) local content.

6.4 LC of the EPC Contracts:

6.4.1 LC of EPC contracts shall constitute a ratio of the whole cost of domestic components in the combination of goods and service to the whole combined cost of goods and service.

6.4.2 The whole combined cost of goods and service shall constitute cost spent to produce the combination of goods and service, which is counted as far as location of work (on site). LC of the combination of goods and service shall be counted in every activity of the combination work of goods and service.

6.4.3 The spent cost as meant in paragraph (2) shall include production cost in the calculation of LC of goods as meant in Article 7.1 paragraph (1) and service cost in the calculation of LC of service as meant in Article 7.2 paragraph (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 nil.

6.5.2 Format of the calculation of LC of goods, service as well as EPC contracts shall be as contained in **Enclosure-II**, **Enclosure-III** and **Enclosure-IV**, which constitute an integral part of this Policy.

7. 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 requirement as per **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 an Undertaking shall become 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 bidder meets the mandatory local content requirements of the project.

7.1.3. After Contract Award:

- a) In the case of the procurement of goods and/or service with the value less than Rs. 5 Crore (Rupees Five Crore), the LC content may be calculated personally (self-assessment) by personnel of supplier of goods and/or provider of service and certified by highest level executive of the company.
 - b) The verification of the procurement of goods, service or EPC contracts with the value Rs. 5 Crore (Rupees Five Crore) to Rs. 50 Crore (Rupees Fifty Crore) shall be carried out by a Statutory Auditor engaged by the bidder having qualification to verify;
 - c) The verification of the procurement of goods, service or EPC contracts with the value Rs. 50 Crore (Rupees Fifty Crore) or more, shall be carried out by an independent surveyor having qualification to verify;
- 7.2. The qualified independent surveyor, as meant above, shall be empanelled by the procuring company.

- 7.3. Each supplier shall provide the necessary local-content documentation to the statutory auditor/ independent surveyor, which shall review and determining that local content requirements have been met, shall issues 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 surveyor shall keep all necessary information obtained from suppliers for measurement of Local Content confidential.
- 7.4. The Local content certificate shall be submitted along with each invoice raised.
- 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

Planning and Monitoring Committee with Additional Secretary, MoPNG as Chairman shall be the governing body for the policy. This body will be authorised to be authorized to modify the Local Content provisions in **Annexure-III (Enclosure-I to IV)** from time to time.

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 sanction and banning.
- 9.3. The administrative sanction in the form of written warning shall be given to the erring supplier.
- 9.4. In the event that domestic manufacturers or suppliers of goods and/or providers of services receiving the warning do not fulfil their obligation after the expiration of the written-warning period, the procuring company can initiate banning action.
- 9.5. Domestic manufacturers and/or suppliers of goods and/or providers of service winning the contract (after availing Purchase Preference) and violating the LC provision, following the execution of the procurement contract of goods and/or service shall be subject to financial sanction with the provision as follows:
 - 9.5.1. The sanction is shall be equal to the PBG value prescribed in the contract

10. **Clarification on Goods/ Services**: In case of any clarification regarding coverage of a particular good/ service under the proposed policy, may be referred to Planning and Monitoring Committee under Additional Secretary, MoPNG.

11. **Time Period**: The policy will be valid for 10 years from the date of its notification in official gazette, as amended from time to time.

A. TARGET OF LOCAL CONTENT OF GOODS/SERVICE IN UPSTREAM OIL AND GAS BUSINESS ACTIVITIES – As per Table 1

Table 1: TARGET OF LOCAL CONTENT OF GOODS/SERVICE IN UPSTREAM

Sl. No.	Item	Local Content (%)				
		2015-2017	2017-2019	2019-2021	2021-2023	2023-2025
A.	Goods					
1.	Tubular (Drilling Pipe, Drill Collar, Casing, line Pipes, Tubing etc.)	50	55	60	70	80
2.	Drilling Mud/ Chemicals / Oil Well Cement	40	45	50	60	70
3.	Pumping Unit	30	35	40	45	50
3.	Machinery & Equipment	20	25	30	35	40
4.	Premium Bits	10	15	20	30	40
5.	Wellhead & X-mas tree					
	a. Onshore	40	45	50	60	70
	b. Offshore	10	10	15	15	20
6.	Down hole Tools					
	a. Onshore	20	25	30	35	40
	b. Offshore	10	10	15	15	20
7.	Well Completion / Artificial Lift Equipment					
	a. Onshore	20	25	30	35	40
	b. Offshore	10	10	15	15	20
8.	Fuel Oil	20	25	30	35	40
9.	Lubricant	20	25	30	35	40
10.	Other Goods	30	35	40	45	50
B.	Services					
1,	Survey, Seismic and Geology studies	50	50	55	55	60
	a. Onshore	10	10	15	15	20
	b. Offshore					
2.	Logging Services					
	a. Onshore	20	25	30	35	40
	b. Offshore	10	10	15	17	20
3.	Mud Logging	40	45	50	60	70
4.	Chartering of Rigs					
	a. Onshore	50	60	70	80	90
	b. Offshore	20	25	30	35	40
5.	Specialized Drilling and Completion Services*	10	15	20	30	40
6.	Engineering Procurement					

	Construction & Installation (EPCI)	50	55	60	65	70
	a. Onshore					
	b. Offshore	20	20	25	25	30
	(i) Pipeline projects	15	15	20	20	25
	(ii) Well platform projects	10	10	15	15	20
	(iii) Process platform projects	20	25	25	30	30
	(iv) Revamp projects					
7.	Logistics (including FPSO and Tankers)	75	75	80	80	85
	a. Onshore	15	20	25	30	35
	b. Offshore					
8.	Air Logistics	15	20	25	30	35
9.	Dry-docking	50	55	60	65	70
10.	Other Services	30	35	40	45	50
C.	Fabrications					
1.	Drilling/Workover Rigs/ WSS units Construction					
	a. Onshore	50	60	70	75	85
	b. Offshore	20	25	35	40	50
2.	Offshore Vessels/ Rigs Construction	20	25	35	40	50

- 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.

B. TARGET OF LOCAL CONTENT OF GOODS/SERVICE IN MIDSTREAM AND DOWNSTREAM OIL AND GAS BUSINESS ACTIVITIES – As per Table 2

1. The downstream sector in India emerged since the early 1900's (Digboi refinery was started in 1901). A majority of the equipment in those days was of imported origin. However, EIL has helped to do handholding of various manufacturers and over a period of time the Local Content has increased to around 80%.
2. The Midstream (LNG Sector) developed only in the last 10-15 years and the Local Content in this sector remains low.
3. Since the downstream sector is already mature in term of Local Content, it is therefore a target to provide a thrust to those equipment which have low Local Content as of now. The categories which have already attained a high level of maturity in terms of indigenization shall not need to be covered by Purchase Preference Policy automatically.
4. Equipment such as Cryogenic equipment, Large Compressors, Modular and skid mounted equipment, Cold Boxes, Catalyst/ Chemicals, Additives etc. which may currently have comparatively no or lesser Local Content are therefore covered under the Purchase Preference Policy.
5. Hence, it is proposed that Purchase Preference Policy with 20% Local content will be applied to all categories of supplies or work in midstream and downstream sectors to begin with. This will be applicable mainly for those items which have low domestic (almost Zero) Local Content presently (e.g. Items listed above).
6. Accordingly the Table-2 contains a lower threshold limit of 20% upward for supply and 30% upwards for EPC contracts. Cases where the Local Content is already more, the requirement of Make in India is inherently addressed.
7. The rationale behind keeping the Local Content at lower (20%) level, to begin with, is not to deter foreign companies from participation in the bidding process, which would be possible only with a Local Content target that would be achievable by them and which can be progressively raised to increase indigenous content in a gradual manner.

8. The Local Content requirements shall be reviewed for enhancement based on achievements in two year bands.

Table 2: TARGET OF LOCAL CONTENT OF GOODS/SERVICE IN MIDSTREAM AND DOWNSTREAM

Items	Local Content (%)				
	2015-17	2017-19	2019-21	2021-23	2023-25
Services Contracts	20%	22%	25%	27%	30%
Supply Contracts	20%	22%	25%	27%	30%
EPC Contracts (Others)	30%	33%	35%	40%	45%

Note:

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 Letter of Award/ Notice of Award.

Enclosure-II

CALCULATION OF LOCAL CONTENT-GOODS

NAME OF MANUFACTURE	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.				
II.				
III.				
IV. TOTAL COST (Net of taxes and duties)				

Note:

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

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

CALCULATION OF LOCAL CONTENT – SERVICE

NAME OF SUPPLIER OF GOODS/PROVIDER OF SERVICE							
A.	COST COMPONENT		Cost Summary				
			Domestic	Imported Rs / US\$	Total	LC	
	a		b	c	d	% e=b/d	Rs / US\$ f=d x e
I.	Material used cost	Rs US\$					
II.	Personnel & Consultant cost	Rs US\$					
III.	Equipment & Work Facility Cost	Rs US\$					
IV.	Other service cost	Rs US\$					
V.	Total cost (I to IV)	Rs US\$					
B.	Taxes and Duties	Rs US\$					
C.	Total quoted price	Rs US\$					

Note:

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

Total cost (A. V. d)

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

Total cost (A. V. d)

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\$
	a	b	c	d	e=b/d	f=d x e
I.	GOODS					
1.					
2.					
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.	Taxes and Duties					
C.	TOTAL QUOTED PRICE					

Note:

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

**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 agency may choose to divide the order amongst more than one successful bidder as long as all such bidders match L1 and 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.