

No: FP-20013/2/2017-FP-PNG-Part(1) (E-36682)
Government of India
Ministry of Petroleum and Natural Gas
(Flagship Programme Section)

Shastri Bhawan, New Delhi
Dated 3rd January, 2022

Subject: Minutes of 8th meeting of the Steering Committee constituted under Policy to provide Purchase Preference linked with Local Content (PP-LC)- regarding

The undersigned is directed to forward herewith minutes of 8th meeting of the Steering Committee constituted under Policy to Provide Purchase Preference linked with Local Content (PP-LC) held under Chairmanship of Additional Secretary & Financial Advisor, P&NG on 26.11.2021 at 11.30 AM in Shastri Bhawan for information and further necessary action.



(Santanu Dhar)

Under Secretary to the Govt. of India
Tel.: 011-23074369

Encl: as above

To,

- a. Joint Secretary (PF Central-II), DoE, Ministry of Finance
- b. Chairman, IOCL
- c. Chairman and Managing Director, ONGC
- d. Director General, PPAC
- e. Chairman and Managing Director, EIL
- f. Chairman and Managing Director, BHEL

Copy to.

- a. PPS to Additional Secretary & Financial Advisor, P&NG
- b. PPS to Joint Secretary (R), MoPNG
- c. PA to Deputy Secretary (FP), MoP&NG

Minutes of the 8th meeting of Steering Committee held on 26.11.2021 at 11.30 AM under the Chairmanship of Additional Secretary and Financial Advisor, MoPNG in Shastri Bhawan, New Delhi.

A meeting of Steering Committee was held under the Chairmanship of Additional Secretary and Financial Advisor, MoPNG on 26.11.2021 at 11.30 AM in Shastri Bhawan, New Delhi for annual review of the PP-LC Policy. The list of the participants is annexed.

2. At the outset, Additional Secretary & Financial Advisor, MoPNG welcomed the participants. Joint Secretary (R) informed that the meeting of the Steering Committee is held for annual review of the operation of the PP-LC Policy of the Ministry and to recommend the implementation of the Policy for another year after modifications, if any, required in the Policy.

3. All the agenda points were discussed in the meeting in details. The recommendations of the Committee are given below:

3.1.1 On the issue of clarity on concurrent application of PPP 2012 (MSE Policy 2012) and PP-LC of MOPNG, Director, PPD, Department of Expenditure explained that since MSE Policy 2012 was notified under MSME Development Act, 2006 and it has a statutory standing, therefore, MSE Policy 2012 shall prevail over the PP-LC Policy of MoPNG in case of a conflict. DoE is already taking up this issue with M/o MSME and DPIIT. However, in case Oil and Gas CPSE still need clarification in any particular case, they may refer the matter to Department of Expenditure.

3.1.2 The issue of eligibility of Non-Local Suppliers in tenders below 1 crore in the context of MSE Policy 2012 was discussed. Director, PPD, DoE opined that there does not seem to be any ambiguity with regard to Para 4.5 of the Policy which states that in National Competitive Bid procurements of all items not covered by para 4.4 (a) of DPIIT's Public Procurement (Preference to Make in India) Order, 2017 can be considered. When there is sufficient local capacity and local competition, only Class-I local supplier shall be eligible to bid irrespective of purchase value) and where the estimated value to be procured i.e. total value of enquiry/ tender, is less than Rs. 1 Crore, the items shall be exempted from this Policy.

Hence, the Committee clarified that for the tenders below 1 crore, PP-LC Policy shall not be applicable.

3.1.3 On the issue of clarification on para 7.2 of the Policy regarding document verification and issuing LC certificate, IOCL informed that in this clause the term "procuring company" puts the onus of verification on the Statutory Auditor of Buying company. The matter was discussed and the committee recommended that the term 'procuring company' may be amended with 'the bidder'.

3.1.4 Further on para 9.2 of the policy regarding sanctions in case of LC percentage variation by the bidders, the committee advised that in cases where the variation in LC percentage leads to downgrading from Class-I Local supplier to Class-II local supplier or from Class-II local supplier to Non Local Supplier, procuring entities may penalize the

bidders as per the policy provision. Further, in case the variation in LC percentage does not lead to any downgrading but the bidder habitually decreases the LC percentage remaining within the same class without any proper justification, then PSUs may also penalise such bidder.

The very essence of the Policy is to increase Local Content in the procurement by the procuring entities .

3.1.5 On the issue of Total Cost of Ownership (TCO) based procurement, IOCL informed that DPIIT has clarified that services such as transportation, insurance, installation, commissioning, training and after sales service support like AMC/CMC,etc. shall not be included by Bidders offering imported products for claiming themselves as Class-I/Class-II local suppliers. IOCL further informed Total cost of Ownership (TCO) based procurement includes cost of goods/ services including CAMC. Hence, for items which are procured on TCO basis should include cost of CAMC and all other items to arrive at total cost. Hence cost of CAMC should be an integral part of total cost of production.

On this issue, Director (PPD), DoE informed that after sales services like Annual Maintenance Contract (AMC)/ Comprehensive Maintenance Contract (CMC) etc should be counted as local content and they have written to DPIIT on this matter.

In this regard it was recommended that insofar as MoPNG is concerned, the above guidelines issued by DPIIT may not be applicable on the procuring entities as they are guided by the PP-LC policy of the Ministry.

3.1.6 On the issue of applicability of PP-LC Policy on the oil and gas products as recorded by DPIIT in the standing committee meeting of PPP-MII Order issued on 20.7.2021, it was decided that since the PP-LC policy of MoPNG prevails over the provisions of PPP-MII Order, 2017 of DPIIT, PP-LC Policy should be applicable on the oil and gas Sector and just not on the oil and gas products. MoPNG has already replied to DPIIT on 31.8.2021 in this regard. The committee suggested that MoPNG may reiterate the same to DPIIT.

3.2 On the issue of annual review of the policy, the steering committee recommended continuation of the PP-LC Policy further.

The PP-LC Policy is applicable till March, 2022 and after that, this Policy shall not be applicable on the entities under this Ministry. In this regard, the Committee recommended extension of PP-LC Policy for at least three years as OPSUs invest huge amount of CAPEX.

Also, gestation period in projects of oil and gas sector is generally long and with the extension of at least 3 years OPSUs will be certain about the continuity of prevalent policy and this would help increase the local content value in the goods and services procured. The gestation period of the perspective vendor is also long for setting up of manufacturing bases in India for the niche and technology intensive areas of oil and gas sector.

Considering above, the Committee recommended that the PPLC Policy may be extended for 3 years beyond March, 2022.

3.3 On the issue of request of BHEL for reducing Local content criteria for Class-I Local Content from 50% to 30%, BHEL presented its case in the meeting wherein it informed that due to revision of specification in the rigs, their local content has decreased to 30% but with the help of Development Orders issued by Upstream companies, they are likely to increase it to 50% in the next 2 years. Further, these items are mainly manufactured in their Hyderabad plant and in case of absence of orders; capacity utilization of the plant will get affected because these items are capital items and procured by the upstream oil and gas PSUs approximately after 10- 12 years or more.

ONGC also supported the case of BHEL and informed that BHEL has earlier provided rigs to them in the past and is the only CPSE involved in the manufacturing and repair of the rigs.

Director (PPD), DoE stated as there is only one bidder having LC more than 50%, it may lead to the price escalation due to noncompetitive bids. DG, PPAC opined to seek the comments of DGH also in the matter.

In view of the above, the committee recommended that necessary approval under the clause 11.(a) of the PP-LC Policy may be taken as a policy directive, to reduce the Local Content for Class-I Local Supplier to 30% for rigs.

3.4 Further an issue of local content values for class II Local suppliers was also discussed. OPSUs informed that lower limit of LC value for Class-II Local supplier is not inclusive of 20% but it forms the higher limit of Non Local suppliers whereas in PPP-MII Order of DPIIT 20% LC value is inclusive of 'Class-II Local Supplier' category. Therefore, necessary amendments in policy may be done to make it align with PPPMII Order of DPIIT. The Committee recommended to revise the LC value for Class-II Local Supplier as "More than or equal to 20% but less than 50%."

The meeting ended with vote of thanks to the Chair and the Participants.

List of Participants

Ministry of Petroleum and Natural Gas

Shri G. Srinivas, AS& FA – in Chair
Shri Sunil Kumar, Joint Secretary (Refineries)
Ms Perin Devi, Joint Secretary (IFD)
Shri Kapil Verma, Deputy Secretary (FP)
Shri Kuldeep Kumar, Under Secretary (IFD)
Shri Santanu Dhar, Under Secretary (FP)

Department of Expenditure

Shri Kanwalpreet, Director (PPD)

PPAC

Shri Praveen M. Khanooja, Director General

ONGC

Shri Anurag Sharma, Director (Onshore)
Shri A.P. Tripathi, ED- Chief MM
Shri Pradeep Kumar Goel, GGM

IOCL

Shri S. Sekar, ED(M&C)
Shri Sameer Sahai, GM

EIL

Shri Vineet Agarwal, ED(SCM)
Shri Ashish Sengupta, GGM (SCM)

BHEL

Shri S.K. Grover (ED)
Shri Ranjan, Addl. General Manager (Industrial Product- Mech.)
