Purchase Preference as per ITB 28.1

Preference for

Procurement of goods/services/works from **'Class –I local suppliers'** under Public Procurement (Preference to Make in India) Order, 2017 issued by **Department for promotion of Industry and Internal Trade (DPIIT)**, Ministry of Commerce and Industry, Government of India vide order dated 15/06/2017, its revision dated **04/06/2020(PPP-MII Order)**,

'Public Procurement (Preference to Make in India) to provide for Purchase Preference (linked with local content) in respect of Power Sector' order dated 28/07/2020 and 17/09/2020 issued by Ministry of Power (MoP Order),

Procurement of Goods /Services from Micro and Small Enterprises (MSEs) under the Public Procurement Policy for Micro and Small Enterprises (MSEs) order 2012, Public Procurement Policy for Micro and Small Enterprises (MSEs) Amendment Order 2018 and any subsequent modifications/Amendments, if any

In line with the aforesaid orders, purchase preference shall be given to **'Class –I local suppliers'** and MSEs as follows:

For the purpose of purchase preference,

'Local Content' means the amount of value added in India which shall be the total value of the item procured (excluding net domestic indirect taxes) minus the value of imported content in the item (including all customs duties) as a proportion of the total value, in percent.

'MSE' means Micro and Small Enterprises (MSEs) as per Public Procurement Policy of GoI for MSEs, **Notification dated 01/06/2020 and 26/06/2020 read in conjunction with related notifications issued from time to time for such enterprises,** registered **Udyam Registration Portal as** specified by Ministry of Micro, Small and Medium Enterprises

'Class –I local supplier' means a supplier or service provider, whose goods , services or works offered for procurement, has Local Content equal to or more than 50%.

'Class-II local supplier' means a supplier or service provider, whose goods, services or works offered for procurement, has Local Content more than 20% but less than 50%.

The lowest evaluated bid before e-Reverse auction (e-RA) shall be denoted as X1, second lowest evaluated bid as X2, third Lowest evaluated bid as X3 and so on. The lowest evaluated bid after e-RA shall be denoted as L1, second lowest evaluated bid as L2, third Lowest evaluated bid as L3 and so on. In cases where e-RA is not conducted, L1=X1=lowest evaluated bid, L2=X2= second lowest evaluated bid, L3=X3=third lowest evaluated bid and so on.

'Margin of Purchase Preference' under PPP-MII order means the maximum extent to which the price quoted by a '**Class –I local supplier**' may be above the X3 for the purpose of purchase preference. Presently, this margin is 20%.

1.0 **Total package award value shall be divided amongst three bidders- L1, L2 and L3 (in the ratio 50%, 30% & 20%) with the condition that L2 and L3 shall match the price of L1.** In case L2/L3 does not match the price of L1, then the next lowest evaluated bidder shall be considered for award and so on so forth with the condition of matching the L1 bidder's price *{hereinafter referred to as L2 and L3 only}.* In case of non-allocation into three bidders, left over quantity shall be awarded to those bidder(s) who would be considered for award. However, the aforesaid allocation shall be further subject to preference to MSEs and Class-I Local Suppliers, if any in the manner as given below:

1.1 **Case-I *(wherein at least one of L1 or L2 or L3 is MSE)*:**

A. Any two of the L1, L2 or L3 bidder are Class-I Local Supplier, then total package award value shall be divided equally amongst L1, L2 and L3 bidders.

B. Only one of the L1, L2, L3 bidders is class-I Local Supplier, then

- The Class-I Local Supplier among L1, L2 and L3 will be allocated 50% of the package award value.
- Remaining two bidders among L1, L2 and L3 will get 25% each of the package award value

C. None of the L1, L2, L3 bidders is Class-I Local Supplier, then

- Purchase Preference under PPP-MII policy shall be extended to eligible Class-I Local Suppliers, if any, for 50% of package award value. Refer Note #1 below
- Balance 50% of the package award value after allocation to Class-I Local Supplier shall be distributed equally between the MSE Bidder (among L1, L2 and L3) and the lowest evaluated Bidder (among L1, L2, L3).

1.2 **Case-II *(wherein none of the L1, L2, L3 is MSE)*:**

Purchase Preference for 25% of the package award value shall be extended to eligible MSE bidder, is any, as per the Note# 2below. Further, Purchase Preference under PPP-MII shall be extended as below:

A. Any two of the L1, L2 or L3 bidder are Class-I Local Supplier, then,

- Balance of the package award value after allocation to MSE (minimum 75%) shall be distributed amongst L1, L2 and L3.

- In case of non-allocation of all 25% package award value to MSEs, left over package award value shall be distributed equally to those bidder(s) who would be considered for award.

B. Only one of the L1, L2, L3 bidders is class-I Local Supplier, then

- 50% of package award value shall be awarded to the Class-I Local Supplier amongst L1, L2 and L3.

- Balance of the package award value (minimum 25%) after allocation to Class-I Local Supplier and MSE shall be awarded to the lowest evaluated Bidder amongst the other two of L1, L2, L3.

- In case of non-allocation of all 25% package award value to MSEs, left over package award value shall be distributed equally to those bidder(s) who would be considered for award.

C. None of the L1, L2, L3 bidders is Class-I Local Supplier, then

- Purchase Preference under PPP-MII policy to extended to eligible Class-I Local Suppliers, if any, for 50% of package award value Refer Note #1 below

- Balance of the package award value after allocation to Class-I Local Supplier and MSE shall be awarded to lowest evaluated bidder L1.

- In case of non-allocation of all 25% package award value to MSEs, left over package award value shall be distributed equally to those bidder(s) who would be considered for award.

1.3 In case the status of a bidder is of MSE as well as of Class-I Local Supplier, then any allocation to such bidder shall be considered as allocation under Purchase Preference to MSEs as well as PPP-MII. Further, allocation of any quantity/left over quantity due to non-allocation of any quantity due to different combinations of bids, shall be carried out by the Employer keeping in view the guidelines as stipulated hereinabove and the Employer shall be sole judge in this regard.

Note #1 Purchase preference to Class-I Local suppliers

(i) The lowest evaluated bidder among the 'Class –I local suppliers' based on the price after e-RA# will be invited to match the L1 price subject to 'Class –I local supplier's' Evaluated Bid Price before e-RA falling within the Margin of Purchase Preference i.e. +20% of X3 and the contract shall be awarded to such 'Class –I local supplier' subject to matching the L1 price.

(ii) In case such lowest eligible 'Class –I local supplier' fails to match the L1 price, the eligible 'Class –I local supplier' with the next higher bid within the Margin of Purchase Preference as brought above, shall be invited to match the L1 price, and so on, and the contract shall be awarded accordingly.

For the purpose of i and ii above, the order in which the 'Class –I local supplier' shall be given an opportunity to match L1 price will be in the order of their rank (lowest evaluated price first) determined as follows:

- Price after e-RA in case of eligible 'Class –I local supplier' shortlisted for e-RA
- Price before e-RA in case of eligible 'Class –I local supplier' not shortlisted for e-RA

Note #2 Purchase preference to MSE

(i) In case of MSE bidder(s) not meeting the MAAT and LA requirements of the financial position criteria of QR *[i.e.1.0(b) and 1.0(c) of Annexure-A (BDS)], the lowest MSE bidder shall be considered for award of contract upto 25% of package value under the MSE category at its own evaluated price, provided its price is lower than the L1 bidder's price and subject to allocation of earmarked quantities to SC/ST and /or women owned MSEs. If 25% of package value cannot be awarded to such MSE bidder due to manufacturing capacity constraint, then next lowest MSE bidder, whose price is below the L1 bidder's price, shall be considered for award and so on until the 25% of the package value is awarded on such MSE bidders whose prices are lower than the L1 bidder's price. Such MSE bidders shall not be considered for participation in e-RA.

ii) In case total 25% package award value cannot be awarded on such MSE(s) bidders, then the remaining package value out of 25% package value shall be considered for award to those MSE bidders whose prices are within (+) 15% of X3 bidder's price subject to matching L1 price as per the procedure in para (iii) below:

iii) a) All MSE bidder(s), whose Evaluated Bid Price as per ITB Sub Clause 27.6 prior to eRA is within the range of +15% of the X3 shall be eligible for an opportunity to match L1 Price. If more than one MSE bidders agree to match the L1 price, they will be

considered for award of upto 25% (collectively) of the package award value and, for the purpose of award of contract, the same shall be equally divided amongst the MSE bidders who have agreed to match the L1 bidder. In case any one or more MSE bidders has/have manufacturing capacity constraint for award as per above equal division, they shall be considered for award value limited to their manufacturing capacity.

b) Further, if any of the eligible MSE bidder is owned by Scheduled Caste/Scheduled Tribe or women and agrees to match the L1 bidder, then 4% and 3% of the package award value shall be earmarked for such MSE bidders owned by SC/ST and women respectively, subject to manufacturing capacity. If there are no eligible MSE bidder owned by SC/ST and/or women agreeing to match the L1 bidder, the percentage earmarked for these categories shall be awarded on other eligible MSE bidders.

2.0 'Class-II Local supplier' will not get purchase preference.

3.0 The '**Class –I local supplier'/'Class-II Local supplier**' shall give a self-certification in his bid in the given format, **indicating the percentage of Local Content** and certifying that the item offered meets the Local Content requirement for '**Class –I local supplier'/'Class-II Local supplier**', as the case may be and shall give details of the location(s) at which value addition is made. Further, in case of packages above Rs. 10 Cr, the **'Class –I local supplier'/'Class-II Local supplier'** shall provide a certificate from 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. False declaration regarding Local Content by the bidder shall be a transgression of Integrity Pact and action shall be taken in line with provisions of the Integrity pact and in line with the provisions of the subject Order. Further, in case of price reduction during e-RA or while agreeing to match L1 price pursuant to the purchase preference extended, the revised prices shall be quoted ensuring that classification of the bidder ('Class –I local supplier'/'Class-II Local supplier', as the case may be) remains unchanged.

4.0 The firms, who are under the category of Micro and Small Enterprises (MSEs) as per Public Procurement Policy of GoI for MSEs, **Notification dated 01/06/2020 and 26/06/2020 read in conjunction with related notifications issued from time to time for such enterprises**, shall submit **'Udyam Registration certificate' with regard to registration on Udyam Registration Portal as** specified by Ministry of Micro, Small and Medium Enterprises. Further, firms, who are under the category of MSEs owned by SC/ST or MSEs owned by women, shall submit documentary evidence in support of the same.

--- End of Annexure-C(BDS) ---