



Revision to the Public Procurement (Preference to Make in India) Order

June 9, 2020

Dear Readers,

The Department for Promotion of Industry and Internal Trade (DPIT) has revised its Public Procurement (Preference to Make in India), Order 2017 which deals with procurement of goods by the various departments of the Government. Upon perusal of the revised Public Procurement Order dated June 4, 2020, we observe that the following amendments have been made:

- **Classification of Suppliers** – The local suppliers under the Public Procurement Order have now been classified into 3 categories, namely, 'Class-I local supplier', 'Class-II local supplier' and 'Non-local supplier'. The same have been defined as follows:
 - Class-I local supplier – A supplier or service provider, whose goods, services or works offered for procurement, has local content equal to or more than 50%, as defined under this Order.
 - Class-II local supplier – A supplier or service provider, whose goods, services or works offered for procurement, has local content more than 20% but less than 50%, as defined under this Order.
 - Non-local supplier – A supplier or service provider, whose goods, services or works offered for procurement has local content less than or equal to 20%, as defined under this Order
- **Eligibility of different classes of suppliers** – Different classes of suppliers shall be eligible to bid for supply of goods or services depending on whether there is sufficient local capacity and local competition. Preference is first given to Class-I and Class-II local suppliers, and only when the procuring agency agrees to issue a Global tender enquiry shall Non-local suppliers be eligible to make a bid.
- **Purchase Preference** – The Class-I local supplier shall be given purchase preference over the Class-II local suppliers as well as the Non-local suppliers.
 - In the procurement of goods or works which are divisible in nature, if L1 bid is not a Class-I local supplier, 50% of the order quantity shall be awarded to L1. Thereafter, the lowest bidder among the Class-I local suppliers will be invited to match the L1 price for the remaining 50% quantity, subject to the Class-I local suppliers quoted price falling within the margin of purchase preference.
 - In the procurement of goods or works which are not divisible in nature, if L1 bid is not a Class-I local supplier, the lowest bidder among the Class-I local suppliers will be invited to match the L1 price subject to the Class-I local suppliers quoted price falling within the margin of purchase preference. In case such lowest eligible Class-I local supplier fails to match the L1 price, the Class-I 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.
- **Verification of Local Content** – The Class-I and Class-II local suppliers shall, at the time of tender, bidding or solicitation, be required to indicate percentage of local content and provide self-certification that the item offered meets the local content requirements. In cases of procurement for a value in excess of INR 10 crores, the Class-I and Class-II local suppliers shall be required to provide a certificate from the statutory auditors of the company giving the percentage of local content.

ELP Comments

The DPIT has vide this Order, redefined the meaning of 'Local Supplier' to include 3 different classes of suppliers. This has been done to give more impetus to the Governments 'Make in India' scheme whereby suppliers are encouraged to have higher percentage of local content in order to be given preference over the Class-II and Non-local suppliers. The DPIT has provided that even though a Class-II or Non-local supplier bids higher than a Class-I local supplier, preference will still be given to such Class-I local supplier on account of having 50% or more local content (subject to the L1 price being matched). The minimum local content and margin of preference are being made binding and any change is only permissible with the approval of the nodal Minister. This revised Order aims to promote the manufacture and production of goods and services in India with a view to enhance income and employment

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