



PMC Cell – MM

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Circular No. 02/2018

No: MAT/PMC/13(21)PP-Steel/2018

Dated: 18.01.2018

Sub: Policy for providing preference to domestically manufactured Iron & Steel products (DMI&SP) in Government procurement, notified vide Gazette of India No. 357 dated 09.05.2017.

1.0 Reference is invited to circular No. 20/2017 dated 02.06.2017, wherein Policy for providing preference to domestically manufactured Iron & Steel products (DMI&SP) in Government procurement, notified vide Gazette of India No. 357 dated 09.05.2017 was circulated. Reference is also invited to circular No. 33/2017 dated 17.07.2017 whereby clarifications of Ministry of Steel on certain provisions of the said policy were notified to all concerned. Subsequently, vide circular No.46/2017 dated 10.10.2017, Minutes of the Second Standing Committee on Steel Policy were circulated, wherein clarifications on allowing exemption to certain category of tubulars and LSTK projects from the Steel Policy has been provided.

2.0 EPC, in its meeting (01/2018) held on 03.01.2018 has approved the guidelines for implementation of said policy in ONGC's procurement of Iron and Steel goods covered under the policy. The policy shall be applicable for procurement of DMI&SP as provided in Appendix-A of the policy document of aggregated estimate value of INR 50 Crores and more forming part of the steel intensive project or overall project. The said policy shall be read with the clarifications furnished by the Ministry of Steel (MoS) and notified vide circular No. 33/2017 dated 17.07.2017 and circular 46/2017 dated 10.10.2017 and shall be applicable for all cases where price bids have not been opened.

3.0 In case of Onshore LSTK tenders valuing more than Rs 50 Crores, estimated value of domestically manufactured steel and iron component for the iron & steel products covered in the policy, shall be determined by the Indenting department and conveyed to MM department alongwith approval of Sanctioning Authority (L-1 full powers), for incorporating conditions of steel policy in that tender.

4.0 The said policy shall not be applicable in the following situations:

- a. where specific grades of steel are not manufactured in the country, or
- b. where the quantities as per the demand of the project cannot be met through domestic sources.

5.0 In accordance with the provisions of the aforesaid policy ONGC shall be required to fulfill following obligations:

- i. Annually, in the month of June, a declaration indicating the extent of compliance to the policy and reasons for non-compliance thereof, during the preceding financial year shall be required to be submitted to the Govt. For this purpose, necessary provisions shall be created in the SAP system so that

data in respect of PO/contracts placed for the goods covered under the policy can be captured in the system for reporting purpose. Whenever, any contract / PO shall be awarded for the goods covered under the policy, work center shall update the details of the same in the system.


- ii. Whether an item being procured is covered under the policy, would be referred to the Ministry of Steel for clarification. Hence, such queries, if any, shall be forwarded by the work center to the office of ED-Chief MM so that clarifications for the same may be obtained from the MoS.
- iii. Exemption from the Policy for procurement of any of the items covered under the Policy including for the reasons covered under Para 3 above is to be specifically sought from MoS. Hence, cases if any, seeking exemption are to be forwarded to Chief MM for taking up with MoS.

6.0 In line with the provisions of said policy, suitable tender conditions for incorporating in the tenders for procurement of Goods where said policy shall be applicable are enclosed at Annexure-I.

7.0 In the BECs of the tenders where provisions of above policy are applicable, following clause shall be incorporated:

"Policy for providing preference to domestically manufactured Iron & Steel products (DMI&SP), notified vide Gazette of India No. 357 dated 09.05.2017 read with clarifications issued by MoS on the Policy shall be applicable for this tender. Bidders are required to confirm acceptance to the conditions of the Policy. Offer of bidders who shall comply with all the provisions specified under clause No. ____ of ITB (work center to fill relevant clause No. of ITB) and submitting all the undertakings and documents applicable for this policy shall only be accepted."

Above guidelines should be meticulously followed by all concerned for all future and ongoing tender where Techno-Commercial bids or price bid are yet to be opened.


(Ashwini Nagia)
ED-Chief MM Services

Distribution: (Through ONGC's intranet website 'ongcreports.net').

All concerned may download the circular from the site. Hard copies are not distributed separately.

Copy to:

1. EO to CMD, ONGC, DDU Bhawan, VasantKunj, New Delhi.
2. CEA to Director (T&FS) / Director (Offshore) / Director (HR) / Director (Exploration)/Director (Onshore) / Director (Finance), ONGC, DDU Bhawan, VasantKunj, New Delhi.
3. CVO, ONGC,DDU Bhawan, VasantKunj, New Delhi.

Appendix-I

Provisions to be incorporated in the ITB of ICB/NCB tenders for procurement of domestically manufactured Iron & Steel products (DMI&SP) covered under policy for providing preference to DMI&SP in Government procurement, notified vide Gazette of India No. 357 dated 09.05.2017.

Policy for providing preference to domestically manufactured Iron & Steel products (DMI&SP)

| 1. | <p>Bidder may be a domestic/ foreign manufacturer of steel or their selling agents/authorized distributors/authorized dealers/authorized supply houses or any other company engaged in the bidding. The bidders who are sole selling agents /authorized distributors /authorized dealers /authorized supply houses of DMI&SP are also eligible to bid on behalf of the domestic manufacturers under the policy, subject to the following conditions:</p> <ul style="list-style-type: none">a. The bidder shall furnish the authorization certificate issued by the domestic manufacturer for selling domestically manufactured iron & steel products.b. The bidder shall furnish the Affidavit of self-certification issued by the domestic manufacturer to the procuring agency declaring that the iron & steel products is domestically manufactured in terms of the prescribed domestic value addition.c. Bidder shall furnish other requisite documents required to be issued by the domestic manufacturer to the procuring agency as per the policy. | | | | | | | | |
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| 2. | <p>Value addition</p> <ul style="list-style-type: none">a. Bidders shall meet the requirement of value addition, as under*: <table border="1" style="margin-left: 40px;"><thead><tr><th>Sl. No</th><th>Iron & Steel Products</th><th>Inputs (Imported or Domestic)</th><th>Minimum Value Addition</th></tr></thead><tbody><tr><td>1</td><td>Seamless tubes & pipes</td><td>All types of bloom/billet/rounds.</td><td>15%</td></tr></tbody></table> <p>* Above entries are illustrative only, work center to select relevant items from the Appendix-A of the policy document and fill the same.</p> <ul style="list-style-type: none">b. Value addition shall be the difference between the net selling price and the landed cost of imported input steel (of immediate prior process) at a manufacturing plant in India.c. In case, the iron & steel products are made -<ul style="list-style-type: none">i. Using domestic input steel (semi-finished/ finished steel), invoices of purchases from the actual domestic producers along with quantities purchased and the other related documents must be furnished by the bidder.ii. Using a mix of imported and domestic input steel, the invoices of purchases from the actual producers along with quantities purchased and the other related documents must be furnished separately. To derive the extent of domestic value addition, the weighted average of both (imported & domestic) input steel shall be considered to ensure that the | Sl. No | Iron & Steel Products | Inputs (Imported or Domestic) | Minimum Value Addition | 1 | Seamless tubes & pipes | All types of bloom/billet/rounds. | 15% |
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minimum stipulated domestic value addition requirement of the policy is complied with.

iii. Using only imported input steel,

the following formula shall be used by the bides to calculate the percentage of domestic value-addition (DVA):

*Domestic value addition (%) = (Net selling price-Landed cost of imported input steel at the plant) * 100/(Landed cost of imported input steel at the plant)*

Bidder(s) participating in the tender process should calculate the domestic value-addition using the above formulae so as to ensure domestic value addition claimed is consistent with the minimum stipulated domestic value addition requirement of the policy.

- d. Mother pipe shall not be considered as an input material. Hence, work like welding/ fixing of connectors on a finished product shall not be considered for claiming value addition. The value addition has to be shown in manufacturing of mother pipe.
- e. Green pipe shall not be considered as an input material. Hence, work like heat treatment and threading on a finished product shall not be considered for claiming value addition. Value addition has to be shown in manufacturing of green pipe.
- f. Welded pipes shall not be considered as an input material. Hence, work like fitting/welding Multistart Thread Connectors, which are considered as a highly specialized engineering output, cannot be considered for claiming value addition.
- g. If pipe is made from billets sourced from indigenous and/ or foreign manufacturer, the value addition from imported source must meet the prescribed criteria of minimum 15% and per provisions under 2(a) and 2c(ii) above.
- h. The imported steel will have all the taxes and duties included which are borne by the importer including freight and insurance to bring the material at the plant
- i. Fabrication using finished steel products shall not constitute value addition as per the para 2b above. Any project which has aggregate steel products of value Rs. 50 Cr or more, shall be eligible under this policy.

3.

Self-Certification

- a. Each domestic manufacturer shall furnish the Affidavit of self-certification to the procuring agency declaring that the iron & steel products are domestically manufactured in terms of the domestic value addition prescribed.
- b. The bidders who are sole selling agents/authorized distributors/authorized dealers/authorized supply houses shall furnish the Affidavit of self-certification issued by the domestic manufacturer declaring that the iron & steel products are domestically manufactured in terms of the domestic value addition prescribed.

The Affidavit of self-certification shall be furnished in **Form 1** attached to tender document as Annexure-..... (copy of the Form 1 is enclosed for attaching with the tender document prescribing suitable Annexure No)

- c. Domestic manufacturer shall be responsible to ensure that the products so claimed are DMI&SP in terms of the domestic value addition prescribed for the product. The bidder shall also be required to provide a value- addition certificate on half-yearly basis (Sep 30 and Mar 31), duly certified by the Statutory Auditors of the domestic manufacturer, that the claims of value-addition made for the product during the preceding 6 months are in accordance with the Policy. Such certificate shall be filed within 60 days of commencement of each half year and shall continue to be filed till the completion of supply of the said products.
- d. The onus of demonstrating the correctness of Affidavit of self-certification regarding domestic value addition in a steel product submitted by a bidder shall be on the bidder when asked to do so.
- e. In case a complaint is received by ONGC against the claim of a bidder regarding domestic value addition, ONGC shall have full rights to inspect and examine all the related documents and take a decision. In case any clarification is needed, matter may be referred to MoS for technical assistance.
- f. Any complaint referred to the Government Agency/ ONGC shall be disposed off within 4 weeks of the reference along with submission of all necessary documents. Bidder shall be required to furnish the necessary documentation in support of the domestic value addition claimed in iron & steel products within 2 weeks of filing the complaint.
- g. In case, the matter is referred to the Ministry of Steel, the grievance redressal committee setup under the MoS shall dispose off the complaint within 4 weeks of its reference and receipt of all documents from the bidder after taking in consideration, the view of ONGC. The bidder shall be required to furnish the necessary documentation in support of the domestic value addition claimed in iron & steel products to the grievance redressal committee under MoS within 2 weeks of the reference of the matter. If no information is furnished by the bidder, the grievance redressal committee may take further necessary action, in consultation with ONGC to establish the bonafides of the claim.
- h. The cost of assessing the prescribed extent of domestic value addition shall be borne by ONGC if the domestic value addition is found to be correct as per the certificate. However, if it is found that the domestic value addition as claimed is incorrect, in accordance with the provisions of Affidavit of Self Certification submitted by the bidder in Form-1, ONGC shall recover the cost of assessment from the bidder who has furnished an incorrect certificate
- i. In case of mis-declaration by the bidder of the prescribed domestic value addition, in the tender document, in addition to the rejection of the offer, EMD submitted by the bidder shall be forfeited. In the post award scenario, in case claim of the bidder for meeting domestic value addition is established to be incorrect, in addition to forfeiture of the SD submitted by the bidder, PO/contract shall also be cancelled/ terminated besides initiating action for banning of business dealings with such firms, as a consequence of termination in line with existing policy.

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| | <p>j. For any complaint to MoS by the concerned bidder, there would be a fee of Rs. 10 Lakh or 0.2 % of the value of the DMI&SP being procured (subject to a maximum of Rs. 20 Lakh), whichever is higher, to be paid by Demand Draft deposited with the grievance redressal committee under MoS along with the complaint by the complainant. In case, the complaint is found to be incorrect, the Government Agency reserves the right to forfeit the said amount. In case, the complaint is found to be substantially correct, deposited fee of the complainant would be refunded without any interest.</p> |
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