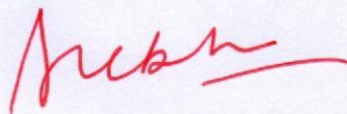


GOA SHIPYARD LIMITED

CMD/ 43 /2017 dated 18 Nov 2017

**Amendment to Purchase Preference Clause Applicable to Indian
Manufacturers Over Foreign Manufacturers**

1. The Board of Directors at its meeting 06/2017 BM held on 26 Sep 2017 approved the following amendment in the "**Purchase Preference Clause**" for indigenization in GSL tender enquiry for procurement under Buy Global category (Open as well as Limited tenders) in alignment with Public Procurement (Preference to Make in India) Order 2017 dated 15 Jun 2017 as advised by MoD vide letter no. 59011/08/2015-D(HAL-II)/EA dated 03 Aug 2017.
2. The approved procedure is placed at Enclosure to this memo. This memo supersedes CMD memo no. CMD/23/2017 dated 12 May 2017.
3. This amendment comes into force with immediate effect.



Chairman & Managing Director

Vasco da Gama

Encl : As above

Dist: CMC

<u>Existing Clause</u>			<u>Amended Clause</u>		
1(a) <u>Purchase Preference to Local Indian Manufacturers over Foreign Manufacturers.</u> To promote 'Make in India' policy of GSL in pursuance of Govt. of India initiative, the following purchase preference will be given to Indian manufacturers: <u>Modalities of Purchase Preference.</u> In a competitive bidding process, involving participation by Indian & Foreign bidders, the Indian Bidder (as defined in the company act) quoting in Indian Rupees, with minimum 40% indigenous content (Aggregate, over series of ships) and maximum upto 10% more (landed cost) than the foreign Bidder, will be counter-offered L1 price of foreign firm, if any, and based on written acceptance from Indian Bidder, GSL will consider to processing placement of order on Indian Bidder accordingly.			1(a) <u>Purchase Preference to Local Indian Manufacturers over Foreign Manufacturers.</u> The purchase preference shall be applicable for the tenders estimated to cost more than Rs. 50 lakh. In a competitive bidding process involving participation by Indian & Foreign bidders <u>under Buy Global category (Open as well as Limited tenders)</u> , the Indian Bidder quoting in Indian Rupees, with minimum 50% indigenous content (Aggregate, over series of ships) will be eligible for Purchase preference of upto 20% higher price (landed cost including custom duties but excluding net domestic indirect taxes, if any) over the Foreign bidder as per the following structure:-		
i)	10% Purchase Preference	For Proposal value Up to Rs. 1 Cr.	i)	10% Purchase Preference	For Proposal value Up to Rs. 5 Cr.
ii)	7% Purchase Preference	For Proposal value between Rs. 1 Cr to Rs. 5 Cr	ii)	15% Purchase Preference	For Proposal value above Rs.5 Cr. up to Rs. 20 Cr.
iii)	5% Purchase Preference	For Proposal value Above Rs. 5 Cr.	iii)	20% Purchase Preference	For Proposal value above Rs. 20 Cr.
Note: i) Necessary supporting documentary evidence to be provided by the vendors to GSL in support of indigenization percentage declared by them. ii) <u>Penalty in Case of Non Compliance of Indigenous Content.</u> In case the percentage of indigenization to be achieved, as declared by the vendors prior to placement of order, is not achieved at the time of supply, then 2.5% of the order value per 10% increase over and above the committed import content, or part thereof, shall be deducted as penalty while making final Payment, for non compliance towards indigenization.			ii) <u>Verification of Local Content.</u> a) The local supplier at the time of tender, bidding or solicitation shall be required to provide self certification that the item offered meets the minimum local content and shall give the details of the location (s) at which the local value addition is made.		

iii) **Bank Guarantee.** Firm eligible for purchase preference in accordance with this policy will be required to submit Bank Guarantee, within three weeks from the date of placement of order for an amount equivalent to the purchase preference given to the firm i.e. difference between firm's offer and L1 price of the foreign firm or 1% of the order value, whichever is more, valid till execution of the order plus three months encashing period. In case, the firm is not able to meet the percentage of Indigenization promised as per the Purchase Order terms, the penalty as elaborated in Note (ii) shall be adjusted by the firm in their Invoice, or else, same shall be adjusted by encashing the bank Guarantee.

b) In cases of procurement for value in excess of Rs 10 Crore, the local supplier shall be required to provide a certificate from the 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 as per the details specified Tender /Purchase Order.

Criteria For Goods of Divisible nature.

c) Among the qualified bidders, if L1 is from a local supplier, the contract for full quantity will be awarded to L1.

d) If L1 bid is not from a local supplier 50 % of the order quantity shall be awarded to L1. Thereafter, the lowest bidder among the local suppliers will be invited to match L1 price for the remaining 50 % quantity subject to the local supplier's quoted price falling within the margin of purchase preference and the contract for that quantity shall be awarded to such local supplier subject to matching L1 price. In case such lowest eligible local supplier fails to match the L1 price or accepts less than offered quantity then the local supplier who has quoted the next higher price within the margin of purchase preference shall be invited to match the L1 price for remaining quantity and so on, and the contract shall be awarded accordingly. In case some quantity is still left uncovered on local suppliers, then such balance quantity may also be ordered on the L1 bidder.

iii) Criteria For Services & Goods of Indivisible Nature.

a) Among the qualified bidders, if L1 is from a local supplier, the contract for full quantity will be awarded to L1.

b) If L1 is not from a local supplier, the lowest bidder among the local suppliers, will be invited to match the L1 price subject to local supplier's quoted price failing within the margin of purchase preference and the contract shall be awarded to such local supplier subject to matching the L1 price.

c) In case such lowest eligible supplier fails to match the L1 price the local supplier who has quoted the next higher price within the margin of purchase preference shall be invited to match the L1 price and so on and the contract shall be awarded accordingly. In case none of the local suppliers within the margin of purchase preference matches the L1 price then the contract is awarded to L1 bidder.

Penalty in Case of Non Compliance of Indigenous Content: In case the percentage of indigenization to be achieved, as declared by the vendors prior to placement of order, is not achieved at the time of supply, then 2.5% of the order value per 10% increase over and above the committed import content, or part thereof, shall be deducted as penalty while making final payment for non compliance towards indigenization.

Bank Guarantee: Firm eligible for purchase preference in accordance with this policy will be required to submit Bank Guarantee, within three weeks from the date of placement of order for an amount equivalent to the purchase preference given to the firm i.e. difference between firm's offer and L1 price of the foreign firm or 1% of the order value, whichever is more, valid till execution of the order plus three months encashing period. In case, the firm is not able to meet the percentage of Indigenization promised as per the Purchase Order terms, the penalty as elaborated in Note (ii) shall be adjusted by the firm in their Invoice, or else, same shall be adjusted by encashing the bank Guarantee.

<p>2 a) <u>Assurance of Orders for Items Indigenized Successfully for Import Substitution.</u></p> <p>The purchase order(s) will be placed on the same Indian firm, who has executed the original import substitution order, for similar requirements arising in GSL in next 5 yrs, in case the Indian firm develops the Import substitute successfully, meeting all the specifications and project time lines. The pricing will be suitably adjusted for annual inflation based on indices for labour, material and services as applicable at that point of time as per the mutual agreement.</p>	<p><u>Debarment of bidders for false declaration.</u></p> <p>a) The penal provision stipulates debarring bidder or its successors for a period two years in case of false declaration of local content.</p> <p>b) A supplier who has been debarred by any procuring entity for violation of Order shall not be eligible for Purchase Preference.</p> <p>c) The list of debarred suppliers along with period of debarment will be maintained and displayed in websites.</p> <p>4. <u>Assurance of Orders for Items Indigenized Successfully for Import Substitution.</u> No change</p>
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