

POLICY FOR PROVIDING PREFERENCE TO DOMESTICALLY MANUFACTURED IRON & STEEL PRODUCTS IN GOVERNMENT PROCUREMENT

1. Background

- 1.1 This policy provides preference to Domestically Manufactured Iron and Steel Products (DMI&SP) in Government procurement.
- 1.2 The policy is applicable to iron & steel products as provided in Appendix A, produced in compliance to prescribed quality standards, as applicable.
- 1.3 The policy is applicable to every Ministry or Department of Government and all agencies/entities under their administrative control for purchase of iron & steel products for government projects and not with a view to commercial resale or with a view to use in the production of goods for commercial sale.

2. Definition

- i. **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 of projects funded by Government agencies.
- ii. "**Domestically Manufactured Iron & Steel Products (DMI&SP)**" are those iron and steel products which are manufactured by entities that are registered and established in India, including in Special Economic Zones (SEZs). In addition, such products shall meet the criteria of domestic minimum value-addition as mentioned in Appendix-A.
- iii. **Domestic Manufacturer** is a manufacturer of domestically manufactured iron & steel products (DMI&SP).
- iv. **Government** for the purpose of the Policy means Government of India.
- v. **Government agencies** include Government PSUs, Societies, Trusts and Statutory bodies set up by the Government.
- vi. **MoS** shall mean Ministry of Steel, Govt. of India.

- vii. **Net Selling Price** shall be the Ex-works/Ex-factory price comprising of the landed cost of imported steel at the plant and all other cost elements forming part of the conversion cost inclusive of nominal return on investment. This price is exclusive of any duties and taxes applicable ex-factory.
- viii. **Semi-Finished Steel** shall mean billet, blooms, slabs (cast products), which can be subsequently processed to finished steel.
- ix. **Finished Steel** shall mean Flat and Long products, which can be subsequently processed into manufactured items.
- x. **Iron & Steel Product(s)** shall mean such iron and steel product (s) which are mentioned in Appendix A.

3. Exclusions:

Waivers shall be granted to all such Government procurements subject to following conditions:

- 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

4. Standing Committee:

A Standing Committee under the Ministry of Steel (MoS) to be chaired by the Secretary (Steel), shall be constituted to oversee the implementation of the policy. The Committee shall comprise of experts drawn from Industry / Industry Association / Government Institution or Body / Ministry of Steel (MoS). The said Committee in MoS shall have the mandate for the following:

- a) Monitoring the implementation of the policy
- b) Review and notify the list of Iron & Steel products and the Minimum value addition criterion as mentioned at Appendix-A
- c) Issue necessary clarifications for implementation of the policy including grant of exclusions to procuring agencies as per para 3
- d) Constitute a separate committee to carry out Grievance redressal

- e) The Standing Committee shall submit its recommendations for approval to Ministry of Steel.

5. Notifying Iron & Steel Products Procured by Government

5.1 The following guidelines may be used for identifying and notifying the aforementioned products under the policy :-

- a) The objective of the policy is to notify all iron & steel products which are procured by Government Agencies for government projects and not with a view to commercial resale or with a view to use in the production of products for commercial sale.
- b) Only iron & steel products having aggregated estimate value of INR 50 Crores and more forming part of the steel intensive project or overall project, shall be covered under the policy.
- c) Analysis of the availability of various grades of domestic iron and steel products needs to precede for notification under the policy. Only those iron & steel products, in respect of which at least one domestic manufacturer exists, shall be notified. Consultation may be carried out by the Standing Committee.

5.2 The Ministry of Steel (MoS) would notify iron & steel products along with the minimum prescribed value addition, furnished at Appendix-A. The Appendix-A will be reviewed by the Standing Committee and amended, if required with the approval of competent authority.

5.3 Government agencies which are involved in procurement of iron and steel products in government projects and if such product is not mentioned in Appendix-A, they will provide description and technical specifications of the product along with prescribed standards to the Standing Committee. The Standing Committee will act as per the mandate at para 4.

5.4 The value addition norm shall be so calibrated that it reflects the average/ above average manufacturing capability of the domestic industry for the iron & steel products at a point of time. This shall be suitably reviewed as per the policy.

6. Tender Procedure for Procurement by Government and Government Agencies

6.1 The procuring/ Government agencies shall follow standard procurement procedures, in accordance with instructions of Ministry of Finance and CVC while providing preference to DMI&SP. The policy shall come into effect from the date of its notification in all tenders where price bid have not been opened.

6.2 The tender document should explicitly outline the qualification criteria for adherence to minimum prescribed domestic value addition by the bidder (as indicated at Appendix-A), provided there is procurement of iron & steel products having estimated value of INR 50 Crores or more, forming part of the steel intensive project or overall project.

6.3 The bidders who are sole selling agents /authorized distributors /authorized dealers /authorized supply houses of the domestic manufacturers of iron & steel products are eligible to bid on behalf of the domestic manufacturers under the policy. However, this shall be subject to the following conditions:

- 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 domestic value addition prescribed.
- c) It shall be the responsibility of the bidder to furnish other requisite documents required to be issued by the domestic manufacturer to the procuring agency as per the policy.

7. Value addition

7.1 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.

7.2 In case, the iron & steel products are made –

- a) 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 to procuring Government agency.
- b) 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 minimum stipulated domestic value addition requirement of the policy is complied with.
- c) Using only imported input steel, the following formula shall apply to calculate the percentage of domestic value-addition:

$$\text{Domestic value addition (\%)} = \frac{(\text{Net selling price} - \text{Landed cost of imported input steel at the plant}) * 100}{(\text{Landed cost of imported input steel at the plant})}$$

It is recommended that each bidder participating in the tender process should calculate the domestic value- addition using the above formulae so as to ensure the domestic value addition claimed is consistent with the minimum stipulated domestic value addition requirement of the policy.

8. Self-Certification

8.1 Each domestic manufacturer shall furnish the Affidavit of self-certification to the procuring Government agency declaring that the iron & steel products are domestically manufactured in terms of the domestic value addition prescribed. The bidders who are sole selling agents / authorized distributors / authorized dealers / authorized supply houses of the domestic manufacturers of iron & steel products are eligible to bid on behalf of domestic manufacturers under the policy. The bidder shall furnish the Affidavit of self-certification issued by the domestic manufacturer to the procuring agency 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 these guidelines.

8.2 It shall be the responsibility of the domestic manufacturer 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, to the concerned Government agencies and shall continue to be filed till the completion of supply of the said products.

8.3 The procuring agency shall accept the Affidavit of self-certification regarding domestic value addition in a steel product submitted by a bidder. It shall not normally be the responsibility of procuring agency to verify the correctness of the claim. The onus of demonstrating the correctness of the same shall be on the bidder when asked to do so.

8.4 In case a complaint is received by the procuring agency or the concerned Government Agency against the claim of a bidder regarding domestic value

addition in iron & steel products, the procuring agency 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 with a request for technical assistance.

8.5 Any complaint referred to the Government Agency shall be disposed off within 4 weeks of the reference along with submission of all necessary documents. The bidder shall be required to furnish the necessary documentation in support of the domestic value addition claimed in iron & steel products to the Government Agency within 2 weeks of filing the complaint.

8.6 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 the Government Agency. 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 Government Agency to establish the bonafides of the claim.

8.7 The cost of assessing the prescribed extent of domestic value addition shall be borne by the procuring agency 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, the cost of assessment will be payable by the bidder who has furnished an incorrect certificate. The manner of enforcing the same shall be defined in the tender document.

8.8 Each Government Agency shall clearly define the penalties, in case of mis-declaration by the bidder of the prescribed domestic value addition, in the tender document. The penalties may include forfeiting of the EMD and such other

penalties, as may be prescribed by the concerned Government Agency in the tender document.

8.9 In case of reference of any complaint to MoS by the concerned bidder, there would be a complaint 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.

9. Monitoring

9.1 MoS shall be the nodal ministry to monitor the implementation of the policy.

9.2 Every Government Agency shall ensure implementation of the policy and shall annually, in the month of June, send a declaration indicating the extent of compliance to the policy and reasons for non-compliance thereof, during the preceding financial year.

10. Reference to Ministry of Steel

In case of a question whether an item being procured is a DMI&SP to be covered under the policy, the matter would be referred to the Ministry of Steel for clarification.

Appendix-A**List of Iron & Steel Products**

(Refer Para 7.2)

Sl. No	Iron & Steel Products	Inputs (Imported or Domestic)	Minimum Value Addition
1	Ductile Iron Pipe	Pig Iron / Liquid Iron	15%
2	Wire rod & TMT bar	Billet	15%
3	Structural / sections	Bloom	15%
4	HR Coils, strips, sheets & plates	Slab	15%
5	HR universal/Quarto Plates	Slab	15%
6	CR coils / strips	HR coils	15%
7	Coated flat steel products/ GP/GC sheets/ Al-Zn coated	Slab/ HR Coil/ Cold rolled coils/strips	15%
8	Color coated, painted sheets	Slab/ HR Coil/ Cold rolled coils/strips	15%
9	All kinds of steel pipes & tubes	Slabs/ Plates/ HR coils	15%
10	Seamless tubes & pipes	Bloom	15%
11	Rails	Bloom	15%

Format for Affidavit of Self Certification regarding Domestic Value Addition in Iron & Steel Products to be provided on Rs.100/- Stamp Paper

Date:

I _____ S/o, D/o, W/o, _____ Resident
of _____ hereby
solemnly affirm and declare as under:

That I will agree to abide by the terms and conditions of the policy of Government of India issued vide Notification No: _____.

That the information furnished hereinafter is correct to the best of my knowledge and belief and I undertake to produce relevant records before the procuring agency (ies) for the purpose of assessing the domestic value addition.

That the domestic value addition for all inputs which constitute the said iron & steel products has been verified by me and I am responsible for the correctness of the claims made therein.

That in the event of the domestic value addition of the product mentioned herein is found to be incorrect and not meeting the prescribed value-addition criteria, based on the assessment of procuring agency (ies) for the purpose of assessing the domestic value-addition, I will be disqualified from any Government tender for a period of 36 months. In addition, I will bear all costs of such an assessment.

That I have complied with all conditions referred to in the Notification No. _____ wherein preference to domestically manufactured iron & steel products in Government procurement is provided and that the procuring agency (ies) is hereby authorized to forfeit and my EMD. I also undertake to pay the assessment cost and pay all penalties as specified in the tender document.

I agree to maintain the following information in the Company's record for a period of 8 years and shall make this available for verification to any statutory authority.

- i Name and details of the Bidder
(Registered Office, Manufacturing unit location, nature of legal entity)
- ii. Date on which this certificate is issued
- iii. Iron & Steel Products for which the certificate is produced
- iv. Procuring agency to whom the certificate is furnished
- v. Percentage of domestic value addition claimed and whether it meets the threshold value of domestic value addition prescribed
- vi. Name and contact details of the unit of the manufacturer (s)
- vii. Net Selling Price of the iron & steel products
- viii. Freight, insurance and handling till plant
- ix. List and total cost value of input steel (imported) used to manufacture the iron & steel products
- x. List and total cost of input steel which are domestically sourced.
- xi. Please attach value addition certificates from suppliers, if the input is not in-house.
- xii. For imported input steel, landed cost at Indian port with break-up of CIF value, duties & taxes, port handling charges and inland freight cost.

For and on behalf of _____(Name of firm / entity)

Authorized signatory (To be duly authorized by the Board of Directors)

<Insert Name, Designation and Contact No.>