

No.31026/4/2018-Policy  
Government of India  
Ministry of Chemicals & Fertilizers  
Department of Pharmaceuticals

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Shastri Bhawan, New Delhi  
Dated the 1<sup>st</sup> January, 2019

**ORDER**

**Subject:-** Public Procurement (Preference to Make in India), Order, 2017 (revised) -Notifying provisions about Pharmaceutical Formulations in furtherance to the Order.

**Reference:-** Department of Industrial Policy & Promotion (DIPP) Order No. P-45021/2/2017-PP (BE-II) dated 28.05.2018.

The Government has issued revised Public Procurement (Preference to Make in India), Order 2017 vide the Department of Industrial Policy & Promotion (DIPP) Order No. P-45021/2/2017-PP(BE-II) dated 28.05.2018 to encourage 'Make in India' and to promote manufacturing and production of goods and services in India with a view to enhancing income and employment.

2. DIPP has identified Department of Pharmaceuticals as the nodal Department for implementing the provisions related to goods, services or works related to Pharmaceutical sector.

3. In furtherance of the above mentioned order of DIPP, the Department of Pharmaceuticals (DoP) hereby notifies that purchase preference shall be provided by all Government Procuring Entities to local suppliers of Pharmaceutical Formulations in various dosage forms, as per the minimum local content prescribed in this order.

4. This Order comes into effect immediately and shall remain valid till revised.

5. Minimum local content and Phased Manufacturing Programme (PMP).

5.1 For formulations which are manufactured in India, the minimum local content for all Pharma products shall be as per the table below:-

Pharma Products	Minimum Local Content (%)			
	2018-19	2019-21	2021-23	2023-25
All Pharmaceutical formulations in different dosage forms and strengths	75	80	85	90



5.2 For formulations which are not manufactured in India, the minimum local content for all Pharma products shall be as per the table below:-

Pharma Products	Minimum Local Content (%)			
	2018-19	2019-21	2021-23	2023-25
All Pharmaceutical formulations in different dosage forms and strengths	10	15	20	30

6. Procedure for calculating local content for Pharmaceutical Formulations.

6.1 Bill of Material sourced from domestic manufacturers (Dom-BOM) may be calculated based on one of the following depending on data available. Each of these calculations should provide consistent result:-

- (a) Sum of the costs of all inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit/ set-off can be taken) and which have not been imported directly or through a domestic trader or an intermediary.
- (b) Ex-Factory Price of product minus profit after tax minus sum of imported Bill of material used (directly or indirectly) as inputs in producing the product (including duties and taxes levied on procurement of inputs except those for which credit/ set-off can be availed).
- (c) Market price minus post-production freight, insurance and other handling costs minus profit after tax minus warranty costs minus sum of Imported Bill of material used as inputs in producing the product (including duties and taxes levied on procurement of inputs except those for which credit / set-off can be taken) minus sales and marketing expenses.

6.2 Total bill of Material (Total-BOM) may be calculated based on one of the following depending on data available. Each of these calculations should provide consistent result:-

- (a) Sum of the costs of all inputs which go into the product (including duties and taxes levied on procurement of inputs except those for which credit / set-off can be availed).
- (b) Ex-factory Price of product minus profit after tax.





(c) Market price minus post-production freight, insurance and other handling costs minus profit after tax, minus sales and marketing expenses.

6.3 The percentage of local content value-addition may be calculated as per the following formula:-

$$\text{Percentage of local content} = (\text{Dom-BOM} / \text{Total-BOM}) \times 100$$

It is recommended that each assessing agency should calculate the domestic local content/value addition using at least two of the above formulae so as to validate the assessments in this regard and ensure that the local content that is claimed is consistent.

7. It is clarified that this order shall also be applicable to procurement of medicines made by State Governments or PSUs under State Governments or local bodies under Centrally Sponsored schemes that are fully or partially funded by Government of India.

8. Every procuring entity shall constitute a Committee with internal and external experts for independent verification of self-declaration and auditors /accountants certificates on random basis and for the complaints that are received/ referred. In case any clarification is needed by this committee on any particular point, the matter may be referred to the following committee in the Department of Pharmaceuticals:-

- (i) Chairperson - Joint Secretary (Policy)
- (ii) Member - Joint Secretary (PSU) or representative thereof.
- (iii) Member - Member Secretary (NPPA) or representative thereof.

9. In case a complaint is received by a procuring entity against the claim of a bidder regarding local content, the same shall be referred to the committee of the procuring entity as referred to in para- 8 above. The Committee should dispose of the complaint within 4 weeks, as far as possible, from the date of receipt of complaint alongwith all necessary documentation in support of local content claimed by the bidder.

10. There will be a complaint fee of Rs. 10,000/- per complaint to be deposited with the said procuring entity alongwith the complaint by the complainant. In case, the complaint is found to be incorrect, the complaint fee shall be forfeited. In case, the complaint is upheld in part or full, deposited fee of the complaint will be refunded without any interest.



11. All other terms & conditions will be as per the Department of Industrial Policy & Promotion (DIPP) Order no. P-45021/2/2017-PP(BE-II) dated 28.05.2018.



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