

**Immediate**  
**Target Date: 22<sup>nd</sup> July, 2019**

**भारत सरकार (GOVERNMENT OF INDIA)**  
**रेल मंत्रालय (MINISTRY OF RAILWAYS)**  
**रेलवे बोर्ड (RAILWAY BOARD)**

No. 2015/RS(G)/779/5(Vol. II)

New Delhi, dated: 18.07.2019

**Principal Chief Materials Managers**  
**All Indian Railways/PUs**

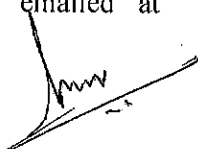
**Sub: Public Procurement(Preference to Make in India) Order, 2017 review – Proposed change in the “Definition of Local Content” reg.**

**Ref: DPIIT's O.M. No. P-45021/73/2019-BE-II dated 24.06.2019.**

Department for Promotion of Industry and Internal Trade(DPIIT) has proposed “Revised definition of Local Content” under the Make in India Policy vide O.M. referred to above(copy enclosed).

2. Zonal Railways are requested to furnish their comments/inputs on the proposed changes in the Definition of Local Content for finalizing the comments of the Ministry of Railways. The comments should reach Board's office latest by 22<sup>nd</sup> July, 2019. Copy may also be emailed at praveenkr.215@gmail.com.

DA: As above

  
(Praveen Kumar)  
Joint Director Rly. Stores (G)  
Railway Board  
9717649670

DRS/IC  
urgent comments PL.

F.No.P-45021/73/2019-BE-II  
Government of India  
Ministry of Commerce & Industry  
Department for Promotion of Industry and Internal Trade  
(Public Procurement Section)

Udyog Bhawan, New Delhi  
Dated: 24 June, 2019

OFFICE MEMORANDUM

Sub: Local Content Definition in Public Procurement (Preference to Make in India)  
Order, 2017 Review - Regarding

Kindly refer the 6<sup>th</sup> Standing Committee Meeting held in this office on 19.03.2019 on the subject. As decided in the meeting, please find enclosed the proposed revised definition of local content for your comments/ feedback. In this regard, para 2.5 of the minutes of the meeting refers.

It is requested that the comments/ feedback may kindly be send to this office by 10.07.2019. The matter shall be placed in next standing committee meeting along with feedback/ comments received. Kindly accord priority.

This issues with the approval of competent authority.

  
(Rajesh Gupta)  
Director

Tel.: 23063211

E-mail: rakesh.gupta66@gov.in

Encl.: As above

To:

1. All Nodal Ministries/ Departments
2. Department of Expenditure
3. Department of Public Enterprises

### Proposed definition of local content

**Local Content for Goods** is defined as the use of raw materials, manpower, design and engineering towards manufacturing, fabrication and finishing of work carried out within the country.

LC for Goods shall be computed on the basis of the cost of domestic components in goods, compared to the whole cost of products. The whole cost of product shall be constituted of the cost spent for the production of goods, covering: direct component (material) cost, direct manpower cost, factory overhead cost, and shall exclude profit, company overhead cost and taxes for the delivery of goods. The criteria for determination of the LC cost in goods shall be as follows:

- a. In the case of direct component, based on country of origin\*;
- b. In the case of manpower, based on INR component; and
- c. The calculation of LC of the combination of various kinds of goods shall be based on the ratio of the sum of the multiplication of LC of each goods to the acquisition of the combination of goods.

Only those components/goods shall be considered to have "India" as country of origin\* which meets any of the following two conditions:

- a. The last substantial process has been carried out in India. The substantial process means that after processing, the tariff heading of the product has changed in the custom export and import tariff.

or

- b. The percentage of local content cost is 30% or more of the whole cost of the component/good.

If neither of the above two conditions is met for any particular component/good, the local content for that component/good shall be zero.

(\*Country of Origin – as defined in APEC Agreements and declaration)

**Local Content for services** is defined as the cost of manpower paid in INR for delivery of services to the total cost of manpower utilized for delivery of services.

**Local content for works** is defined as the weighted average of the local content of goods and services taken together.

**Minimum Local Content (MLC) Requirement**

With the above proposed definition, MLC requirement, for bidders to qualify as local suppliers, shall also be changed to a **uniform 50% of the cost of product across all product sectors**, instead of existing practice of having MLC as notified by each nodal ministry/ department.