

MAKE IN INDIA @ EIL

Background

The Make in India program was launched by the Hon'ble Prime Minister in September 2014, with an objective to put India on the world map as a major hub for global design and manufacturing. Through this initiative, it was intended to contribute effectively to nation building through generation of employment opportunities and economic growth.

EIL's Contribution

Under the aegis of Ministry of Petroleum & Natural Gas, EIL has been continuously engaged in the process of creating an ecosystem conducive to the growth of Indian industry promoting import substitution and self-reliance. This has been a continuous process ever since EIL's inception in 1965. EIL has been in the forefront of development of the engineering industry in India.

The indigenous component in the capital goods industry catering to the refinery segment was about 10-15% in late seventies/ early eighties. This rose to the current level of 85-90%. Similarly, in the petrochemical and gas processing sector, the indigenous component has grown from almost negligible to close to 60%. This has been the power of EIL's contribution to the indigenization efforts of the Government.

The Make in India campaign launched by our Hon'ble Prime Minister has added much needed boost to the economic growth of the country. As part of the same, various initiatives are being taken by EIL. One such initiative is encouragement to indigenous manufacturers to enhance their product portfolio and manufacturing capabilities and capacity in collaboration with their foreign principals. This will ensure that critical technology flows into India and helps indigenization of the same.

In addition to the ongoing indigenization efforts underway in EIL, in order to give a further boost to indigenization of state of the art technologies, in the year 2016, EIL introduced a policy encouraging wholly owned (100%) subsidiaries of foreign companies to avail the benefits of the policy in case of selective capital goods and technologies where India had limited number of manufacturers and there was tremendous scope for technology up-gradation. Subsequently, after analyzing the experience gained, in order to also encourage companies where indigenous holding was upto 49%, in January 2017, this policy was extended to such companies also. This had a dual purpose of sustaining the interest of foreign company by its having control over the company and secondly, increasing the indigenization thereby creating employment opportunities. This modified policy of January 2017 is enclosed as Annexure-A.

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India now, is at the cusp of taking off onto greater heights of excellence and global acceptance. At this juncture, to carry forward the campaign of Make in India and growth of Indian Industry, we have introduced certain new policies in our Vendors Enlistment System, as under:

- i) A vendor getting qualified in any open tender will get enlisted *
- ii) A vendor shall be enlisted based on successful development & testing of a prototype *

*Detailed policy including applicable conditions, are enclosed as Annexure-B & C respectively.

We are sure that these policies would be welcome and would also act as a catalyst for the growth of Indian Industry thereby fulfilling the aspirations of the Indian youth by providing them with employment opportunities, in the process ensuring economic growth. Some more policies are in the anvil.

These changes have been effected taking cognizance of demands from the industry and deliberations with various suppliers. However, improvement is a continuous process and any suggestions or feedback are welcome.

Nodal officer for implementation of above policies shall be HOD (PDD) at pdd@eil.co.in.



R K Sabharwal

Director (Commercial)

Dated: 4th March 2020



**Qualification Criteria for Enlistment of an Indian Manufacturer
which is a Subsidiary of a Foreign Company (holding 51% or above shares)
(Rev.1 : Jan. 2017)**

Qualification Criteria for Foreign Manufacturer (Foreign Principal or another 51% or above subsidiary (called "Group Company") of the Foreign Principal or of the Foreign Principal's Holding Company):

- The Principal or the Group Company shall be in the business of manufacturing of the offered product line (for at least last five years) for which the Indian manufacturer is seeking enlistment.
- The Principal or the Group Company shall already be enlisted with EIL OR be in the respective Licensor's approved supplier list, for the same product line.
- The Principal or the Group Company shall have executed at least two orders for the same product line¹, within the last five years, reckoned from the date of supplier's application for enlistment.

Note: All the above criteria shall be met by the same company (either the Principal or the Group Company).

Qualification Criteria for Indian Manufacturer:

- The **Manufacturer** must be a subsidiary of the Foreign Principal (Principal holding at least 51% shares) for at least last one year, reckoned from the date of supplier's application for enlistment.
- Scope/activity matrix between the Manufacturer and the Principal or the manufacturer and the Group Company, shall be submitted to EIL upfront for information. However, the Manufacturer must also note that EIL shall reserve the right to mandate certain activity(ies) or sourcing to be from identified sources only, (#) depending upon the product line under consideration and its criticality. ***The principal and the supplier shall jointly ensure progressive indigenization of the equipment.***
- Manufacturer demonstrates that he has the necessary engineering, manufacturing capability and adequate infrastructure comprising of space, manpower, equipment corresponding to matrix cited above, duly approved by the Principal or the Group Company, as the case may be, for the product line under consideration.
- Manufacturer shall have executed and supplied minimum two orders in the same product line².
- As a minimum, the Principal or the Group Company as the case may be, shall carry out the following activities:
 - Design / Application engineering
 - Approval of sourcing of components
 - Approval of Quality Assurance Plans (QAP) identifying Hold, Check & Witness stages (by Principal)
 - Responsibility Matrix
- The Manufacturer shall source critical components **OR** the bare tested machine from the Principal or the Group Company or directly from the manufacturers supplying the same to the Principal or the Group Company (a certificate to this effect shall be provided by the Principal or the Group Company) and source non critical components / auxiliary components supplies himself. *(subject to # above)*

¹ *Same Product Line for Principal or Group Company: Same type of Equipment being sought (e.g. if a reciprocating gas compressors is being envisaged, the same product line would imply a reciprocating gas compressor having equal or higher than offered driver power).*

² *Same Product Line for Indian Manufacturer: Same type of Equipment being sought (e.g. if a reciprocating gas compressors is being envisaged, the same product line would imply a reciprocating gas compressor having at-least 50% of the offered driver power).*

Enlistment of Suppliers / Contractors qualified in Open Tenders

For the vendors qualified and accepted in Open Tenders, their names shall be provisionally included in the EIL MSL/MCL and they shall be considered for subsequent enquiries issued by EIL on limited basis. However, their inclusion shall be limited to the PTR parameter based on which vendors were qualified in the tender. For example, if a tender contains a provision in the BQC that a vendor who has executed an order for 60 Ton equipment (calculated at 60% of the required equipment tonnage (say 100 Tons)) will be qualified and following 03 vendors qualify:

- i) Vendor A : Job executed = 70 Ton
- ii) Vendor B : Job executed = 90 Ton
- iii) Vendor C : Job executed = 120 Ton

The above 03 vendors shall be enlisted for the following limits:

- i) Vendor A : Upto 70 Ton
- ii) Vendor B : Upto 90 Ton
- iii) Vendor C : Upto 100 Ton

Such vendors, although they shall be issued the enquiry, yet, even after inclusion in EIL Master Supplier / Contractor List, they shall not be issued any enlistment letter, until they submit their formal application for enlistment as per the prevalent enlistment process wherein application processing fee shall be levied as per approved guidelines applicable for the respective application.

After receipt of application for enlistment, infrastructure, financials and manpower alongwith prevalent QMS, of the vendor together with engineering review (as applicable) shall be carried out and also survey by concerned EIL-RPO will be undertaken. Formal enlistment of the vendor alongwith final range of capability shall be issued by EIL after approval of competent authority based upon the examination finding as stated above.

The application towards enlistment shall be submitted by the vendor at the earliest after receipt of PDD's intimation seeking application. However, his name shall be taken off from MSL/MCL, in case of one of the following:

- a. The vendor does not apply for enlistment for two years from the date of empanelment
- b. The vendor does not bid for three consecutive enquiries even after getting three enquiries.

Note: The policy shall be applicable to vendors who get qualified and accepted in case of tenders awarded from today onwards.

However, as a onetime measure, those whose bids were qualified and accepted in open tenders based on BQC, prior to today, in case of tenders issued within last 03 years, shall also be considered. But, this relaxation shall only be available till 31st Dec, 2020.

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Enlistment of Suppliers through Prototype route

As per prevalent practices, wherever the vendor lacked PTR, he was considered qualified based on development of a prototype and EIL used to engage with the vendor throughout the development phase.

Prototype mode shall be followed for the items where, the no. of enlisted suppliers is less than five (5) or even with more than 5 vendors, the no. of bids is not expected to be more than two (02) or out of the total enlisted suppliers, the no. of Indian suppliers is not more than two (02).

The following methodology shall be applicable:

- Supplier shall have been in the business for similar items for minimum three years.
- Supplier shall have valid QMS certification, i.e., shall be ISO 9001 (latest edition) certified organization.
- Supplier Net-worth for the preceding financial year, from the date of request, shall be positive.
- Supplier shall demonstrate its capability through Prototype route at his risk and cost. The scope in prototype design, manufacturing and testing shall be discussed and settled between the supplier and EIL on case to case basis.
- Capability demonstration charges shall be Rupees Fifteen (15) Lakhs plus applicable taxes. These charges shall be non-refundable, i.e., in case of any failure no refund request shall be entertained. However, supplier may seek another opportunity to manufacture the prototype for which EIL shall charge only Rs Five (5) lakhs extra plus applicable taxes. However, in case of MSE enterprises, the above charges shall be Rupees Five (5) Lakhs and Rs Two (2) Lakhs respectively.
- Supplier engineering capabilities shall be examined by respective engineering group.
- Supplier shop facilities shall be shop surveyed by a Survey team comprising of RPO Inspection and respective Engineering group (one person each of level of Manager and above).
- Prototype shall be shop tested/examined as per the requirements of applicable codes and EIL specifications under witness Inspection of EIL Survey team.
- Upon successful demonstration through prototype route, recommendation of survey team duly ratified & forwarded by respective RPO Head, shall be analyzed and approved by respective Engineering HOD and HOD PDD.
- Based on this acceptance, supplier's case shall be deliberated and after deliberations, the final decision shall be communicated to the supplier. Simultaneously, the supplier's enlistment profile shall be modified in EIL MSL as per the decision.

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