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DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE

Make in India procurement order: local content and bidding rules

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KEY FACTS

FDI POLICY

Consolidated FDI Policy Circular of 2020

LAND-BORDER RULE

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PROCUREMENT

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What is the Make in India procurement order, and who follows it?

The Public Procurement (Preference to Make in India) Order, 2017, or PPP-MII Order, is DPIIT's order on local content in government buying. Central ministries and departments, their attached and subordinate offices, the autonomous bodies they control and government companies must follow it, for goods, services and works. The current text is DPIIT's revision of July 19, 2024.

The revision took effect at once, except for tenders already issued (the order, opening lines and para 20). A ministry with its own local content policy, approved by the Cabinet after January 1, 2015, follows that policy instead (para 19).

For iron and steel, DPIIT's list of notified items points to the Ministry of Steel's own policy; see our note on 22 more steel HS codes that now need melt and pour. For DPIIT's other work, see DPIIT's investment, procurement and licensing rules.

What are Class-I, Class-II and non-local suppliers?

A Class-I local supplier offers goods, services or works with at least 50% local content. A Class-II local supplier offers at least 20% but under 50%. A non-local supplier offers under 20%. Your class decides whether you may bid, and whether you get the 20% purchase preference (order, paras 2, 3, 5 and 6).

Supplier classes, July 19, 2024 text

Class	Local content	May bid	Purchase preference	Source
Class-I local supplier	50% or more	Yes, and alone for notified items	Yes, a 20% margin	Order, paras 3(a), 5, 6

Class-II local supplier	20% or more, under 50%	Yes, except for notified items	None	Order, paras 3(b), 3A(d), 5
Non-local supplier	Under 20%	Only in a global tender	None	Order, para 3(b)

Exactly 50% is Class-I, and exactly 20% is Class-II (DPIIT's FAQ on the order, Question 13). A nodal ministry's notification may only raise these thresholds for its items (para 5).

How is local content calculated?

Local content is the value added in India, as a percentage of the item's price. Take the price without net domestic indirect taxes, subtract the imported content with all customs duties, and divide by the price (order, para 2). For several items in one bid, use the weighted average (para 2, note e).

> Worked example
>
> You quote ₹100 for an item before domestic taxes, and ₹40 of that is imported content, duty included. Local content is (100 - 40) x 100 / 100 = 60%, which is Class-I at the default 50% bar. The figures are ours; the formula is DPIIT's (FAQ, Question 1).

Never counted as local content:

- Imports bought from resellers or distributors in India (para 2, note a).
- Licence fees, royalties and technical fees paid abroad (note b).
- Repackaged, refurbished or rebranded imports, which count as resold imports (note c).
- Transport, insurance, installation, commissioning, training and after-sales service (FAQ, Question 9; office memorandum of March 4, 2021, para 3).

A nodal ministry may set its own calculation for its items (para 2).

Who can bid, and when is there a global tender?

Only Class-I and Class-II suppliers may bid, unless the buyer issues a global tender enquiry, where non-local suppliers may bid too (order, para 3(b)). Below ₹200 crore, a global tender needs approval from the authority the Department of Expenditure designates. For items a ministry has notified, only Class-I may bid.

- Notified items: where a nodal ministry has notified enough local capacity and competition, only Class-I may bid, at any value (para 3(a)). DPIIT's list names 18 ministries and departments; the Ministry of Power alone lists 210 items. System integrator, EPC, turnkey and services contracts must source these items from Class-I suppliers, unless the ministry concerned relaxes this for a project (para 3.1).
- A buyer that can't find the item from Class-I or Class-II suppliers may float a global tender after that approval, under GFR Rule 161(iv) (para 3(b); FAQ, Question 7).

How does the 20% purchase preference work?

The purchase preference lets a Class-I bidder win all or part of an order it didn't bid lowest for, by matching the lowest price. If the lowest bidder isn't Class-I, the lowest Class-I bidder within 20% of that price is asked to match it. Class-II bidders get no preference (order, paras 3A and 6).

1. Rank the bids.

The lowest qualified bid is L1. If L1 is Class-I, it wins the whole order (para 3A).

2. Ask for a match.

The lowest Class-I bidder within 20% above L1 is invited to match L1's price, then the next one if it declines (paras 3A(c) and 6).

3. Split an order that can be divided.

L1 gets 50% of the quantity, and Class-I bidders who match are offered the rest (para 3A(b)).

4. Fall back to L1.

If no Class-I bidder matches, the contract may go to L1 (para 3A(c)).

Our example, for an order that can't be divided: L1 quotes ₹1,00,000 and the lowest Class-I bid is ₹1,15,000. That's within 20%, so the Class-I bidder may win the order by matching ₹1,00,000.

For services, these steps apply where bids are judged on price alone (para 3A(c)). The tender must state the local content rules and margin, and can't change them (para 7).

Which purchases are exempt?

Purchases under ₹5 lakh are exempt from the Make in India order, and buyers may not split a purchase to get under that limit (order, para 4). Spares and consumables for closed systems, and service contracts with the original equipment maker or supplier, are exempt too (para 4A). Research institutes buying scientific equipment have a ₹50 lakh limit.

That ₹50 lakh limit covers scientific equipment and consumables bought by scientific and research institutes, higher education institutes with doctoral programs included (office memorandum of July 8, 2025, para 1). Every other purchase keeps the ₹5 lakh limit (para 2).

A buying department may, with its minister's approval and written reasons, lower the local content bar, cut the margin or exempt an item (para 14). DPIIT's FAQ makes these exemptions tender-specific, for up to a year unless the nodal ministry agrees in writing to longer (Question 11).

How do you prove local content, and what if it's wrong?

There's no government-issued Make in India certificate. You self-certify your local content in the bid and say where the value is added (order, para 9(a); FAQ, Question 3). Above ₹10 crore, an auditor or accountant certifies it. A class drop after the award can bring a penalty of up to 10% of the contract value.

Proof and penalties, July 19, 2024 text

Situation	What the texts say	Source
Over ₹10 crore	A company's statutory or cost auditor certifies the local content; for other suppliers, a practicing cost or chartered accountant	Order, para 9(b)
Over ₹10 crore, during the contract	A practicing cost or chartered accountant certifies it during execution or after completion	Order, para 9(c)
A promise of future local content	Not accepted: "futuristic declarations" aren't allowed	FAQ, Question 14
Your class drops after the award	A penalty of up to 10% of the contract value may be imposed; the contract isn't ended	Order, para 9(c)
A false declaration	The bidder can be debarred for up to two years, and gets no preference from other buyers meanwhile	Order, para 9(g) and (h)

Which tender conditions break the order, and where do you complain?

A tender may not ask for proof of supply in other countries or proof of exports (order, para 10(a)). Naming foreign certifications, brands or models counts as discrimination against local suppliers. A foreign certification needs written approval from the Secretary or an authority the Secretary names (para 10(e)). Complaints go to the buyer's procurement complaints authority (para 9(d)).

Buyers must try to keep turnover and capacity conditions from shutting out local suppliers beyond what quality or creditworthiness needs (para 10(b)). Since July 1, 2021, grievances about breaches must go through DPIIT's online grievance portal; DPIIT can refer them to the buyer (May 5, 2021 and September 7, 2021 office memoranda).

In 2024, DPIIT checked 867 tenders at random and found 259 that didn't follow the order. The biggest cause was tenders that didn't state the order applied. (Rajya Sabha answer of February 7, 2025).

What does the order mean for foreign companies?

A foreign company is classed by the local content of what it offers. DPIIT treats a bidder offering imported products as non-local, so where the order applies, it may bid only in a global tender (office memorandum of March 4, 2021, para 3). Other rules cover reciprocity, joint ventures, licensed manufacture, Production Linked Incentive (PLI) makers and UK suppliers.

- Reciprocity: entities of a country that a nodal ministry finds shutting out Indian suppliers can't bid for that ministry's items in India, except those it lists as open (order, para 10(d)(ii)).
- Joint ventures: for items bought in bulk that aren't notified as having enough local capacity, a nodal ministry sets a value above which foreign companies bid in a joint venture with an Indian company (para 13A).
- Licensed manufacture: a nodal ministry may waive the local content minimum for products made in India under a foreign rights holder's licence and technology agreement, with local content rising in phases (para 13).
- PLI makers: a manufacturer paid a PLI incentive for an item counts as Class-II for it, unless it reaches Class-I, for the period the PLI ministry notifies (para 2A).
- UK suppliers: in tenders issued from July 7, 2026, UK-origin goods, services or works with at least 20% UK value added count as Class-II, for the buyers and thresholds India listed under the India-UK trade agreement. Bidders need a UK certificate of origin (UK order, paras 1, 2, 4, 5 and 10).

For DPIIT's other rules, see investing in India as a foreign company.

What if your company is linked to a land-border country?

A bidder from a country that shares a land border with India may bid in Indian public procurement only once DPIIT's Registration Committee has registered it, unless an exception applies. For a company, that includes having a beneficial owner there: an individual who, alone or with others, holds over 25% of its shares, capital or profits, or controls it.

The rule is the Department of Expenditure's order of February 23, 2023 under GFR Rule 144(xi) (paras 2, 12(d) and 13(i)). Annexure II lists its exceptions, such as countries India has extended lines of credit to. See GFR Rule 144(xi): registering bidders from land-border countries.

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Frequently asked questions

Can a reseller or trader claim Class-I status?

Only on the local content of what it offers. Imports bought from resellers or distributors in India, and rebranded or repackaged imports, don't count (order, para 2, notes a and c). A reseller also submits the original maker's certificate of country of origin (note d).

Can I offer imported products in a government tender or on GeM?

Only in a global tender enquiry, unless the purchase is exempt from the order: a bidder offering imported products is non-local (office memorandum of March 4, 2021, para 3; order, para 3(b)). The order asks the Government e-Marketplace (GeM) to mark items that meet the minimum local content (para 8).

Can a company linked to China or another land-border country bid in Indian public tenders?

Only once DPIIT's Registration Committee has registered it, after political and security clearances, unless an exception applies (Department of Expenditure order of February 23, 2023, para 2 and Annexures I, D and II). See GFR Rule 144(xi).

Sources

- Public Procurement (Preference to Make in India) Order, 2017, as revised on July 19, 2024 (No. P-45021/2/2017-PP (BE-II)-Part(4) Vol.II): opening lines, paras 2 to 10, 13, 13A, 14, 19 and 20
- DPIIT, Public Procurement Division: frequent questions from RTI applicants on the Make in India order, with its answers (undated; on DPIIT's site since July 3, 2025): Questions 1, 3, 7, 9, 11, 13 and 14
- DPIIT office memorandum of July 8, 2025 (No. P-45021/2/2017-PP(BE-II)-Part (4) Vol.II): exemption limit for scientific and research institutions, paras 1 and 2
- Public Procurement (Applicability to suppliers of the United Kingdom) Order, 2026, July 7, 2026 (No. P-45014/8/2022-BE-II): paras 1, 2, 4, 5 and 10
- DPIIT office memorandum of March 4, 2021 (No. P-45021/102/2019-BE-II-Part(1)): local content calculation, para 3
- DPIIT: list of items with sufficient local capacity and competition under para 3(a) of the 2024 order (undated)
- DPIIT office memorandum of May 5, 2021 (No. P-45021/222/2020-(BE-II)): the online grievance portal for the order, paras 1, 2 and 5
- DPIIT office memorandum of September 7, 2021: the grievance portal moves to pmiig.dpiit.gov.in, para 2
- Rajya Sabha Unstarred Question No. 546, answered February 7, 2025: implementation of the 2017 Make in India procurement order, parts (a) and (b)
- Department of Expenditure, Order (Public Procurement No. 4) of February 23, 2023 under GFR Rule 144(xi) (No. F.7/10/2021-PPD): paras 2, 12(d) and 13(i), Annexure I, D and Annexure II, C

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