

Procedure for Certification and Verification of Local Value Addition (LVA) by Electrolyser Manufacturers (EM) setting up Manufacturing Capacities for Electrolysers in India under Strategic Interventions for Green Hydrogen Transition (SIGHT) Scheme (Tranche-II)

1. Purpose

- a. This procedure specifies the Certification and Verification of Local Value Addition (LVA) by Electrolyser Manufacturers (EM) setting up Manufacturing Capacities for Electrolysers in India under Strategic Interventions for Green Hydrogen Transition (SIGHT) Scheme (Tranche-II).
- b. The Beneficiary (i.e. Successful Bidder/Electrolyser Manufacturer) shall provide self-certification backed by a report/certificate of the Statutory Auditor in terms of generally accepted costing principles. Tier-I Supplier of the Beneficiary will also provide similar self-certification backed by Statutory Auditor's report.
- c. MNRE/SECI may ask Successful Bidder/Electrolyser Manufacturer to submit all the necessary documents (including details/documents related to purchase from its vendors/contractors/subcontractors) to demonstrate the compliance towards committed LVA.
- d. The document specifies the procedure for the Certificates/Undertakings and Code of Integrity Checks that shall be submitted as part of the RfS. This document is designed to demonstrate the calculation of Local Value Addition (LVA), which is required to be demonstrated in support of the Incentive claimed by the Bidder as part of Bidder's compliance with the LVA requirements as per the RfS.
- e. To clearly establish the manufacturing process, Beneficiary will be required to submit the complete details of manufacturing process done at its Manufacturing Facility, along with Bill of Material containing all the items considered in the process along with a process flow chart. Beneficiary should also submit the same for its Tier 1 suppliers.

2. Definitions

For this document, following definitions shall apply:

- a. **Authorized Signatory** means Managing Director/ Director on the Board/ person authorized by the Board of Directors.
- b. **Beneficiary**: Successful Bidder/ Electrolyser Manufacturer to whom the incentives shall be transferred upon compliance of requirements mentioned under RfS.
- c. **Statutory Auditor** means an auditor as defined under Section 139 and Section 141 of the Companies Act, 2013.
- d. **Techno-Commercial Testing Agency** means the testing agency appointed by MNRE/ SECI for verification of compliance by Beneficiary for disbursement of incentive.

- e. **Tier-I Supplier** means direct supplier to the Beneficiary. A supplier who is just a trader and does not add any significant value to the goods/material purchased by it shall not be considered as Tier-I supplier to the extent it has just carried out the trading activity.
- f. **Tier-II Supplier** is Tier-I supplier to Tier-I supplier of Beneficiary, **Tier-III Supplier** is Tier-I supplier to Tier-II supplier and so on.
- g. As per Article 36.11 (A) of the RfS, for Sales Calculation, Electrolyser means Stack and Balance of Plant (BoP) system.
- h. **Manufacturing:** The term Manufacturing in the present context means a change in a non-living physical object or article or thing- (a) resulting in transformation of the object or article or thing into a new and distinct object or article or thing having a different name, character and use; or (b) bringing into existence of a new and distinct object or article or thing with a different chemical composition or integral structure. This definition of manufacturing will also be applicable to suppliers of the Beneficiary down the value chain.

3. **Certifications to be submitted by Beneficiary**

The Beneficiary and its Tier-I Suppliers shall provide self-certification backed by a report/certificate of the Statutory Auditor in terms of generally accepted costing principles. The following parameters should be considered by the Statutory Auditor to calculate/certify the Local Value Addition:

- a. **'Manufacturing'** must align with the definition provided in the aforementioned provisions of this document.
- b. The Beneficiary shall not be eligible for any incentives on undertaking mere trading of finished Electrolyser. Even the items or part thereof supplied by Tier-I suppliers will also not be considered as part of Local Value Addition, if Tier-I supplier is just carrying out trading activities corresponding to that item or part thereof (as applicable), unless it proves its Local value addition from its sub supplier (say Tier-II or Tier-III and so on).
 - i. Self-Certification/Undertaking from Tier-I suppliers should also be obtained to check whether the entity does trading activities and considers it as part of LVA compliance for its supplied items to the Beneficiary.
 - ii. To the effect of S. No. 2(h) and associated compliance of LVA calculation given above with respect to Beneficiary's Tier-I supplier, Beneficiary should also obtain a similar Statutory Auditor's certificate from its Tier -I suppliers.
- c. Verification of Local Value Addition (LVA) will be carried out as per the frequency of incentive disbursal. For the purpose of determination of LVA, weighted average LVA for the complete sales (of eligible Electrolyser capacity) in a given verification period shall be certified by the Statutory Auditor.

- d. Local Value Addition for the Beneficiary shall be calculated as per formula given below [formula given under SIGHT Guidelines & RfS]:

$$LVA = \frac{(\text{Sale Value of Electrolyser}) - (\text{Value of imports})}{\text{Sale Value of Electrolyser}} \times 100$$

In the above formula;

- i) Sale Value of Electrolyser is the Sale value of Electrolyser as per GST invoice excluding net domestic indirect taxes, returns, discounts (whether based on volume, turnover, target, payment schedules etc.)
 - ii) Value of imports is the Value of direct and indirect imported materials and services (including Customs Duty on CIF terms) as per Bill of Entry filed in Customs, used in manufacturing of Electrolyser.
 - iii) Payment made to Foreign Individual/Firm including Royalty will be considered as import.
 - iv) Services obtained from foreign firms/companies (unless operating through a registered office in India) shall be considered as import only.
 - v) Any payments made towards a supply &/or services whose country of origin is not traceable or ascertainable shall be considered as import.
- e. False declarations will be in breach of the Code of Integrity under Rule 175(1)(i)(h) of the General Financial Rules for which a Successful Bidder/Electrolyser Manufacturer can be debarred for up to two years as per Rule 151 (iii) of the General Financial Rules along with such other actions as may be permissible under law.
- f. Beneficiary will be required to submit a certificate from Statutory Auditor towards actual percentage of LVA achieved by the Beneficiary corresponding to each incentive period. Beneficiary should also ensure that the LVA considered for items and services purchased from its contractors/sub-contractors, which are not considered as imported, also fulfil the criteria mentioned under above paras. Beneficiary should also obtain a similar certificate from the Statutory Auditor of Tier-I supplier.

4. Third Party verification

SECI/MNRE can appoint an internal/external agency/committee called Techno-Commercial Testing Agency for verification of all the claims submitted by the Beneficiary for receiving the incentive. Beneficiary shall cooperate and provide the required access of the documents and premises of Manufacturing Facility(ies)

(including stores etc.) for helping such agency to carry out such verification in proper manner.

5. Undertakings

- a. In support of the above, the Bidder shall be required to submit necessary Undertaking, as per **Format A** of this document.
- b. Notwithstanding above, onus of demonstration of committed LVA lies solely on Beneficiary.
- c. Beneficiary should submit the compliance documents w.r.t. incentive disbursement for each quarter prior to the end of next quarter.

Undertaking

(On one hundred rupees stamp paper duly notarized by the Notary Public)

1. I /We [insert the name of the Authorized Signatory], duly authorized by the Board vide Board Resolution dated .../.../....., solemnly affirm and state on behalf of the M/s [insert the name of EM], as under;
2. M/s [insert the Name of the EM] has been awardedMW of Electrolyser capacity vide LoA dated .../.../..... under RfS No.: issued by Solar Energy Corporation of India Limited under SIGHT scheme of MNRE.
3. Whereas, M/s [insert the name of EM/Successful Bidder] has submitted that it will meet the Local Value Addition (LVA) requirement of% in its bid for which M/s [insert the name of EM/Successful Bidder] was declared as one of the successful bidder.
4. Whereas, M/s [insert the Name of the EM] is aware of the procedure for calculation of LVA as given under aforementioned RfS, accordingly, M/s [insert the Name of the EM] has achieved the Local Value Addition of% for production of Electrolyser for a period between .../.../.....to .../.../..... [insert incentive period].
5. Whereas, I/We on behalf of M/s [insert the Name of the EM] confirms that M/s [insert the Name of the EM] has checked & verified that all the inputs which has not been considered as imported, for arriving at the LVA % given at Para-4 above, has not been directly or indirectly imported by it or its supplier.
6. Whereas, I/We on behalf of M/s [insert the Name of the EM] undertake that the LVA for all inputs which constitute the Electrolyser produced for a period between .../.../.....to .../.../.....[insert incentive period] has been checked & verified by M/s

[insert the Name of the EM] and M/s [insert the Name of the EM] will be responsible for the correctness of the claims made herein.

7. Whereas, I/We understand that a false declarations will be in breach of the Code of Integrity under Rule 175(1)(i)(h) of the General Financial Rules for which M/s [insert the name of EM] & its successors/affiliates can be debarred for up to two years as per Rule 151 (iii) of the General Financial Rules along with such other actions as may be permissible under law.
8. Whereas, I/We on behalf of M/s [insert the Name of the EM] undertake to provide all requisite documents and cooperate fully with the Techno-Commercial Testing Agency appointed by MNRE/SECI, ensuring the timely submission of necessary information until completion of incentive period.
9. Whereas, I/We on behalf of M/s [insert the Name of the EM] undertake that M/s [insert the Name of the EM] is obligated to submit all the necessary supporting details and documents (including details/documents related to purchase from its vendors/contractors/subcontractors) to MNRE/SECI as and when sought by them.
10. Whereas, I/We also understand that irrespective of submissions made under Para-8 & 9 above, onus of demonstration of committed LVA and correctness of information provided to MNRE/SECI in this regard lies solely on M/s [insert the Name of the EM]
11. I/We on behalf of [insert the Name of the EM] state that the points mentioned above are correct & true, and unconditionally undertake to bear any & all implications/ consequences arising in case anything stated above is/are found untrue or incorrect in future; we further undertake to indemnify SECI & MNRE from all/any corresponding consequences arising on this account.

For and on behalf of

[insert the Name of the EM]

Name, Designation and Address

Signature with seal

VERIFICATION:

What is stated in para 1 to 11, here above have been read and understood by the undersigned and contents of the same are true and correct.

For and on behalf of

[insert the Name of the EM]

Name, Designation and Address

Signature with seal

Stamping method:

1. Round Stamp of Notary on each page.
2. Notarial stamp on first or last page.
3. Stamp containing details of Notary on first or last page.