

F.No. 616/1/2007-NC-1

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF REVENUE

**EXPRESSION OF INTEREST BY COMPANIES TO PRODUCE
CONCENTRATE OF POPPY STRAW (CPS) AND MANUFACTURE
ALKALOIDS**

1. India is one of the few countries internationally permitted to cultivate opium poppy for export. Two types of narcotic raw material (NRM) can be produced from opium poppy (a) Opium gum; or (b) concentrate of poppy straw (CPS). So far, only opium gum has been produced in India. Govt. of India has now decided that CPS production should be commenced in India. For this purpose, it has decided to select and licence one company. This notice invites Expression of Interest (EOI) from companies willing to produce CPS in India, within 60 days from publication of this notice.

2. **Who can apply?** The applicant should fulfill the following criteria:

(a) The company, or in case it is to be a new company, the promoter company should have a minimum turnover of Rs. 500 million (or its equivalent in foreign currency) during each of the past three years.

(b) The bidding company, or in case it is to be a new company, the promoter company should have at least five years' experience in manufacture of any narcotic drug(s) or psychotropic substance(s).

(c) The bidding company or if it is a new company, the promoter company or any of its key management personnel should not have been convicted under the NDPS Act, Customs Act, Central Excise Act or Income Tax Act of India or any other corresponding law of another country.

(d) The company should be willing to provide proof of demonstrable access to varieties of high alkaloid yielding opium poppy suitable for CPS production successfully tried anywhere in the world, agricultural technology for production of CPS and technology for extraction of CPS. If pre-qualified, the company should provide the aforesaid proof of access

either by showing that they themselves have the seeds of suitable varieties, agricultural technology for production of CPS and technology for extraction of CPS or an irrevocable agreement or MoU with another company which has the varieties, technology, etc.

(e) The company can choose any location for cultivation and setting up factory for production of CPS. The final choice of location would be subject to security clearance from the Government of India.

(f) Companies may bid on behalf of a new joint venture or subsidiary to be formed specifically for this purpose in case they win the bid. In such a case, the name of the company to be formed and agreement on share holding should be finalized and these documents should be enclosed with the application.

3. **Selection process:** Selection will be on the basis of pre-qualification followed by Technical proposal and Financial bids. Applicant companies which meet the criteria indicated above (see 'Who can apply?') will be pre-qualified and Technical Proposals and Financial Bids will be invited from them in separate sealed envelopes along with a Bid Bond backed by Bank Guarantee.

4. **Bidding Parameter:** Formats of the technical proposals and financial bids and the bonds will be provided to the pre-qualified bidders. The financial bid will be in the form of a fixed amount of Rupees per hectare per year (starting from the beginning of the 5th year from the granting of license till the end of the 24th year) which the bidder is willing to pay as licence fee subject to a minimum annual licence fee. The amount that is bid can vary from year to year. For the purpose of comparison of tenders, such bids will be discounted at 7% and the Net Present Value of the bid will be the bidding parameter. The minimum annual licence fee of Rupees ten million starting from the beginning of the 5th year after issue of licence, which shall stand increased by 5% every year till the end of the 24th year. Only financial bids of all bidders with qualified technical

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proposals will be opened and the licence will be offered to the highest bidder. Financial bids of bidders whose technical proposals have not qualified will not be opened. In all matters pertaining to pre-qualification and evaluation of Technical Proposals and Financial Bids and any other related matter, the decision of the Government of India shall be final.

5. **Processing fee:** Every application shall be accompanied by a non-refundable processing fee of Rs. 5,000/- (Rupees five thousand only).

6. **Bid bond:** Technical and financial bids shall be accompanied by a bid bond for Rs. 50,00,000 (Rupees five million). If after winning the bid, the bidder does not honour his bid, his bid bond shall be forfeited and the bank guarantee encashed.

7. **Performance guarantee security deposit:** The winning bidder shall deposit a performance guarantee security deposit of Rupees five crore (Rupees fifty million) as performance guarantee which will be adjusted against the fee to be paid during the first, and if necessary, subsequent years of commercial production. If the winning bidder does not set up the plant and start production as per the timelines in para 9 below, his performance guarantee security deposit will stand forfeited.

8. **Terms and conditions of the licence**

(i) The licenced company (hereinafter called 'licensee' for the sake of brevity) will produce concentrate of poppy straw (CPS) in India. The licensee and its employees will be subject to control and regulation under the NDPS Act, 1985 and any other law for the time being in force.

(ii) The licence will be issued initially for a period of 24 years (including the 4 year period for setting up the plant etc.) and may be extended by

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another 20 years at the discretion of the Government of India, on terms and conditions to be mutually agreed upon.

(iii) The licensee will be initially licenced to produce CPS from a crop of about 5,000 ha which can be increased later depending upon the demand. There will be no cap on the installed capacity of the plant.

(iv) The licensee may also manufacture from the CPS that they produce, alkaloids, other drugs, pharmaceutical preparations and other value added products after taking any other licences that may be required from any department of the Central Government or from the State Government.

(v) The licensee shall identify farmers and enter into agreements with them for cultivation of opium poppy and production of poppy straw. The farmers so identified by the company shall, subject to verification of background etc., be issued licences by the Central Bureau of Narcotics (CBN). The CBN reserves the right to, based on the background verification, not licence any of the farmers identified by the company.

(vi) The licensee shall supply suitable seeds of varieties of opium poppy to the farmers, provide technical guidance in agronomic practices, pest control etc. to the farmers. The company may also provide other inputs as required.

(vii) The licensee shall buy all the pods produced by the farmers at a price to be agreed between the company and the farmers at the beginning of the crop season. If any inputs are provided by the company to the farmers, these costs may be adjusted by the company against payment for the final produce.

(viii) The licensee shall also endeavour to improve the varieties of poppy straw to continuously improve productivity and to produce new alkaloids.

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(ix) The licensee can produce any or all kind, of CPS depending upon its own assessment of the market- (a) Morphine rich CPS; (b) Thebaine rich CPS; (c) Oripavine rich CPS; and (d) any other form of CPS that may be developed in future. Farmers will be licenced to cultivate appropriate varieties of opium poppy as required by the company.

(x) At trial stage, the licensee shall be free to extract CPS from the poppy straw in any laboratory in India or abroad.

(xi) The licensee shall be required to account for all alkaloids produced to the satisfaction of the licensing authority, whenever required. For this purpose, benchmark yields will be fixed by the Government in consultation with the licensee and experts in the field.

(xii) For the purpose of (xi) above, the Government may fix minimum benchmark yields of alkaloids per hectare.

(xiii) The Department of Revenue does not intend to regulate or control prices of the final products and the licensee can sell at any price. Price regulations, if any, by National Pharmaceutical Pricing Authority, etc., will apply.

(xiv) The licensee may also export their products.

(xv) The company may decide the location for cultivation of opium for production of CPS, keeping in view the climatic suitability, willingness of the farmers to grow the crop, willingness of the State Govt. concerned, rate of purchase tax levied by the State Govt. and convenience of the CBN to handle the activities in that place. However, this would be subject to security clearance from the Government of India.

(xvi) The Company shall take full responsibility for ensuring security and prevent diversion from the factory premises or while it is in transit from the farm to the factory.

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(xvii) The responsibility for the security of the crop while it is on the field and till the point it is harvested and sold and physically handed over to the company shall primarily be the responsibility of the farmer. The company is responsible to keep surveillance and report if it comes to its notice that any farmer has diverted or is attempting to divert opium.

(xviii) The licensee would be subject to such surveillance as considered necessary by Govt. of India with regard to his responsibility for security of the crop mentioned at (xvi) and (xvii) above

(xix) In case of violation/default/omission by the company, the company alone will be responsible whereas for violation/default/omission by the farmers, both the concerned farmer and the licensed company will be jointly and severally responsible. Appropriate penalties for such violations will be imposed by the Narcotics Commissioner or an authorized officer of the Narcotics Commissioner. If the licensee is aggrieved by such penalties, they may appeal to the umpire whose decision shall be final.

(xx) The licensee should adhere to the time lines and produce the deliverables as indicated in para 9 below.

9. Timelines and deliverables

(A) Within twelve months from the date of issue of licence, the licensee should:

(i) Complete legal formalities regarding tying up with the technical collaborator, if any, and form a joint venture, if necessary

(ii) Identify various varieties of seeds of opium poppy potentially suitable for production of CPS in India and arrange for the supply of these seeds.

(iii) For the first season (trials), identify farmers who agree to cultivate opium poppy for production of CPS and supply poppy straw to the company and provide a list of such farmers to the Narcotics Commissioner.

(iv) Acquire land, etc. for setting up the plant and complete a substantial part of the work relating to obtaining other required licences.

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(B) Within twenty four months from the date of issue of licence, the licensee should:

(i) Supply seeds to farmers and complete sowing of the first crop for trial.

(ii) Complete 25% of the construction of the building and plant.

(C) Within 30 months of issue of licence, the licensee should complete the following:

(i) Harvest and test poppy straw from the first trial crop for alkaloid content.

- (ii) Extract CPS from the poppy straw of the trial crop.
 - (iii) Submit results of the tests to the NC indicating different varieties tested in each location, the yield of poppy straw, poppy seeds and the alkaloids content of the straw.
- (D) Within 36 months of the date of the issue of licence, the licensee should:
- (i) Complete 75% of the construction of the building and plant.
 - (ii) Make arrangements for growing of the second trial crop of opium poppy for production of CPS.
- (E) Within 42 months of the issue of licence, the licensee should:
- (i) Harvest and test for alkaloid content, the second trial crop of opium poppy.
 - (ii) Extract CPS from the second trial crop of opium poppy.
 - (iii) Submit to the Narcotics Commissioner the details of various varieties of opium poppy tried in each location, the yield of the poppy straw sold and the alkaloid content in each.
 - (iv) Complete 100% of the building and plant for production of CPS.
- (F) Within 48 months from the issue of licence, the licensee should:
- (i) Obtain all licences necessary for commercial production of CPS.

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(ii) Identify the farmers and arrange to sow opium poppy and crop in at least 1000 hectares.

(iii) Extract CPS from the first commercial crop of opium poppy.

10. Dispute resolution: In all matters pertaining to pre-qualification of the applicants, determining whether the technical proposals are acceptable and determining the winning bidder based on financial bids, the decision of the Government of India shall be final. In order to decide on all matters of dispute after the licence has been issued, the Government shall appoint an independent umpire who shall, *inter alia*, decide disputes regarding the amount of licence fee to be paid and also decide on appeals against the penalties imposed by the Narcotics Commissioner or any officer authorised by the Narcotics Commissioner. Expenses related to the working of the umpire shall be shared equally by the Government and the licensee.

11. Interested parties may forward their 'EXPRESSION OF INTEREST' within 60 days from the date of publication of this notice along with the following:

- a. Company profile and its organizational set-up.
- b. Equipment/facilities currently available with them.
- c. Work history for the past 5 years.
- d. Balance sheets, Profit and Loss Account and any other financial statements for the past three years including any statement which clearly indicates their turnover for the past three years.
- e. A brief note on how their experience will be useful in the production of CPS and of alkaloids from CPS.
- f. Brief note on how pollution control, quality assurance and security control system being followed.
- g. 'No-Conviction Certificate' from the State Drugs Controller(s).
- h. Declarations, duly verified by the jurisdictional authorities of the concerned departments or affidavits that the company or any of its key management personnel were not convicted under the:-

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- (i) Custom Act.
 - (ii) Central Excise Act.
 - (iii) Income Tax Act and
 - (iv) NDPS Act.
- i. A Demand Draft for Rs. 5,000/- in favour of PAO, Department of Revenue, Ministry of Finance, as non-refundable processing fee.
 - j. A declaration that they understand and agree to the terms and conditions laid down in the advertisement including the finality of the decisions of the Tender Evaluation Committee (TEC) regarding pre-qualification and evaluation of Technical Proposals and Financial Bids and related matters.
 - k. A one-page summary of their application.

The envelope shall be super scribed with "Expression of Interest" and sent to the undersigned.

Sd/-

Smt. Vimla Bakshi

Under Secretary to the Govt. of India

Phone: 23095415