

NOT CONFIDENTIAL

HEAVY ENGINEERING CORPORATION LIMITED
(Vigilance Department)

No.HQV/CVO/Circ.Order/2006-186

Dated, the 29th March,2006

CIRCULAR ORDER No. 01/2006

SUBJECT: PURCHASE PROCEDURE, LTE AND VENDOR REGSISTRATION.

While inspecting various units of the HEC it has been discovered that most of the items in the HEC are being procured through Limited Tender Procedure on the ground that in most cases the sources of supply are known (Reference 3.4.2 of Chapter 3 of Purchase Manual). It should be noted that there are other factors also to be taken into account while deciding if open tender or limited tender would be the more appropriate method of procurement. All concerned officers are therefore advised to read chapter 3 of the new Purchase Manual carefully, especially para 3.3.1 related to open tenders (33.3.0) and the factors relevant for LTE (3.4.0 to 3.4.11).

2. The practice of buying everything through LTE should be discouraged because it may lead to formation of rings and cartels and the Company may lose through competitive prices not being quoted. This is not to say that LTE should be totally discarded but the practice certainly needs reduction, and the concerned officers should in each case of procurement record convincing reasons in the file why LTE is being preferred over open tender.

3. It is also found that LTE is being resorted to in cases where resorting to DGS&D rate contract may considerably shorten the time span for procurement of items. The procedure, which is not being followed now as prescribed by the Purchase Manual vide para 3.7.0 of Chapter 3, may be followed in appropriate cases.

4. For avoiding delay in urgent cases there should be no hesitation in adopting emergency purchase procedure (3.8.0), and spot cash purchase procedure for low value goods ex-stock from show rooms (3.9.0) in accordance with the guidelines contained in the Manual. For such cases, normal tendering procedure unavoidably reduces the productivity and delivery speed of the company (and its officers) which has to compete with many players in the market, where speed is the essence.

5. I have sample checked the list of registered vendors/suppliers for a few items, e.g. PCs/Printers/Computer peripherals. Only five vendors are registered, while some of the most well known and reputed vendors have been left out. In this connection attention of everybody is invited to the sections on LTE in chapter 3 of the new Purchase Manual, especially 3.4.2, 3.4.3, 3.4.4 & other sub-paras relating to selection and evaluation of vendors for LTEs.

If these instructions are not followed, LTE procedure would be rendered meaningless and the Company would incur avoidable losses by not getting competitive offers. Therefore, it is essential that the list of suppliers is updated and expanded, not for the sake of mere formality but by really identifying and enlisting suitable vendors in accordance with Chapter-3 (Tender Enquiries) and Chapter 7 (Vendor Registration and Vendor Rating). In identifying new vendors, opinion of the users must be invited and one-time advertisement must be published in at least two national and two local newspapers without delay inviting suppliers to register themselves with HEC in their respective supply areas, more specially in those areas in which purchases are imminent under the revival package for which nearly a hundred crores are likely to be received by the HEC shortly. These items, which are estimated to be around twenty five, should be listed in the advertisements specifically. All the concerned user departments, including engineering departments/RPD/concerned maintenance departments and marketing departments are directed to suggest the names of suppliers according to the best of their knowledge to the vendor registration cell of the Central Purchase Department with a copy to the Vigilance Department, not leaving the matter completely to the vendor registration cell, which will finally scrutinize the vendors' eligibility according to the prescribed guidelines of the new Purchase Manual. The ads in newspapers must also publicize out website address and the location of the web page from which the registration procedure and the registration form can be downloaded. The user departments' recommendations' copies should reach the undersigned by 15th April, 2006. It is hereby clarified that the vendor registration efforts should be right now afresh for all items, irrespective of when the last formality of updating of the vendors' list was completed in respect of any item/class of items.

6. Special efforts should be made on an emergency footing to enlarge the vendor base by fresh registrations especially in respect of the limited number of items which have to be brought under the revival plan shortly. Fresh vendor base expansion should be undertaken in respect of all other items too, though for the time being it has to be accorded the second priority. This objective can only be achieved quickly if GM HMBP immediately attaches at least one carefully selected officers to the vendor registration cell for the purpose, who is given an STD phone for contacting the suppliers from our end and is also given a computer and internet surfing facility to locate manufacturers and vendors on the Net and to invite them to register with the HEC. Today, many reputed companies are not interested in making supplies to the Government companies, and they can be roped in only by pursuing them pro-actively. GM, HMBP will please carry out weekly monitoring of the process and keep the CVO informed. The vendor registration cell should start maintaining a work-log for daily recording their efforts to expand the vendor base which is very poor today. The process of weeding out of the old vendors in consultation with the user departments should also be taken up at an early date in accordance with the provisions of the Manual.

7. It is also found that the Limited Tender Enquiries are being issued to only a few of the registered vendors under their particular class leaving others. This selection is often arbitrary, and this procedure tends to favour the selected few. Henceforth, whenever the list of vendors is not too long, say over 10, LTEs should be issued to all. When the list is longer, directions contained in 3.4.6 (b) of Purchase Manual regarding rotation of vendors may be honestly followed & a noting to this effect by the official should be recorded in file. All plant GMs and the COT should get a new register opened to facilitate ready monitoring of whether the rotation of vendors is taking place. In addition, the system of vendor rating should be immediately operationalised by maintaining in all plants and the Town Administration Division the concerned register meticulously, which should be put up to the CVO on the 3rd April, 2006, and therefore in the first week of every month.

8. Due to the highly technical nature of the jobs, in the HEC, it is appreciated that too many vendors may not be available in certain areas. But it is possible that due to fast changing scenario, other vendors, manufacturers and suppliers have entered the market in those areas too, though the HEC officials are not aware of them. Therefore, a fresh effort should begin both by the user departments and the vendor registration cell to identify suitable vendors in those special areas. The work-log of the registration cell should reflect these efforts, and the GM HMBP and the Vigilance Officer may conduct surprise inspections in this regard.

9. As a general rule, in no area there should be less than ten suppliers registered for any item/class of items, whose credentials conform to the prescriptions of the Manual. If by 1st May any items/class of items are left where less than ten suppliers are registered, a list of such cases should be sent to the CVO through the GM HMBP.

10. If there are any difficulties in following the above instructions, it may be conveyed within ten days of issue of this communication.

11. Violation of these instructions may lead to the presumption that the officials concerned have not acted in good faith and in the interest of the Company.

12. All GM's/Departmental Heads will please ensure that these instructions are followed by all concerned.

P.K. Siddharth
Chief Vigilance Officer

All GMs/Department Heads/COT

Copy to the CMD for favour of information and necessary action please.

Copy also to : Secretary, Heavy Industry, Government of India, New Delhi.
Secretary, Central Vigilance Commission, New Delhi.