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ISO 9001-2008 Company

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FOREWORD

Our company, Heavy Engineering Corporation Limited is engaged in manufacture of Heavy Machinery, Equipments and execution of turnkey projects from concept to commissioning. Procurement of materials as well as services for the above purpose constitutes a major component of cost of production/supply. The objective of Purchase as well as Service Procurement Department is to meet the requirements of the user departments just in time so that manufacture/ project work is not held up for want of materials and on the other hand unnecessary materials/services are not purchased/procured to avoid carrying cost and obsolescence etc. For this purpose, proper coordination between RPD, Planning, Indenting, Purchase and Stores department are very much necessary for smooth progress/operation of manufacturing activities.

Our organization being a Public Sector Undertaking deals with public money and has to ensure public accountability. Accordingly it is necessary to operate in a transparent and impartial manner in decision making process so that materials/components/services are procured at the most competitive price, within the scheduled delivery time without compromising on the quality. This will help the organization to meet the requirements of our customers to their satisfaction. This is all the more necessary because our company is operating in a highly competitive environment both from domestic as well as international players which puts pressure on price, quality of equipment and machinery to be supplied within the scheduled delivery time. The above has to be ensured to attract new customers as well as to retain the existing customers.

Purchase manual and Works & Service Manual are guidelines to make the decision making process consistent / transparent/ impartial and at the same time compliance of statutory guidelines. Business process is dynamic and so the social thought process, together these factors reflect in Government guidelines the Purchase Manual and Works and Service Manual have been prepared and has been approved by Board of Directors in it's 299th meeting held on 26.04.2013 and would come into force immediately.

I sincerely appreciate the efforts of the entire team involved in preparation of the Manual.


(R Misra)

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List of Abbreviations

ARS	–	Automatic Stores Replenishment
BG	–	Bank Guarantee
BM	–	Bill of Material
CAD	–	Cash Against Document
CENVAT	–	Central Value Added Tax
CIF	–	Cost Insurance and Freight
CRV	–	Certified Receipt Voucher
CS	–	Comparative Statement
CST	–	Central Sales Tax
CVC	–	Central Vigilance Commission
DAP	–	Documents for Advance Procurement
DGS&D	–	Director General of Supplies & Disposal
ED	–	Excise Duty
EMD	–	Earnest Money Deposit
FOB	–	Free on Board
FOR	–	Free On Rail / Road
FOT	–	Free On Transport
GCCP	–	General Conditions of Contract of Purchase
HOD	–	Head of the Department
IQC	–	Inspection and Quality Control
IRR	–	Internal Rate of Return
L/C, LC	–	Letter of Credit
L1	–	Lowest Price Bid
LCNC	–	Landed Cost Net Cen vat
LME	–	London Metal Exchange
LPP	–	Last Procured Price
LTE	–	Limited Tender Enquiry
MM	–	Materials Management
MPIC	–	Material Planning & Input Control
MPR	–	Materials Purchase Requisition
NEFT	–	National Electronic Fund Transfer
NIT	–	Notice Inviting Tender
OGL	–	Open General Licence
PAC	–	Proprietary Article Certificate
PAN	–	Permanent Account Number (for Income Tax)
PO	–	Purchase Order
QCA	–	Quality Control and Assurance
R&D	–	Research and Development
ROI	–	Return on Investment
SD	–	Security Deposit
SPL	–	Stores Price Ledger
SRS	–	Stores Replenishment Slip
STE	–	Single Tender Enquiry
TC	–	Technical Committee
TC	–	Tender Committee
TCC	–	Tender Consideration Committee
TOC	–	Tender Opening Committee
TOD	–	Tender Opening Date
TSD	–	Technical Service Department
VAT	–	Value Added Tax

CHAPTER 1

POLICY, SCOPE AND FUNCTION

POLICY, SCOPE AND FUNCTION OF PURCHASE MANAGEMENT AS A PART OF INTEGRATED MATERIALS MANAGEMENT SYSTEM

1.0.0 POLICY

Objectives of Purchase / Materials Management are as follows:

- a) To maintain continuity of Production or operation by ensuring steady supply of materials, with deliveries in staggered balanced packages for maintaining inventories at optimum level.
- b) To ensure that purchases are affected of the **right quality, right quantity**, at the **right price** and from the **right sources** at **right delivery time** so as to obtain the maximum value for each Rupee of expenditure.
- c) To develop adequate and reliable vendors and their performance monitoring on continuous basis. To update Materials Management function and operate the same with adequate controls, safeguarding the economy and interest of the corporation.
- d) To ensure fulfilment of the statutory guidelines / directives issued by Government and CVC from time to time.
- e) To maintain good will for the Corporation through trade relations by fair business practices.

In achieving the above objectives the following broad policies to be adopted:

- (i) **Transparency, Competition, Fairness and Elimination of Arbitrariness:** Being a Public Sector Unit, the procurement of the company is treated as 'public buying'. Public buying should be conducted in a transparent manner to bring competition, fairness and elimination of arbitrariness in the system. This will enable the prospective tenderers to formulate competitive tenders with confidence.
- (ii) **Efficiency, Economy and Accountability:** Public procurement procedures must conform to exemplary norms of best practices to ensure efficiency, economy and accountability in the system.

Every authority delegated with the financial powers of procuring goods in public interest shall have the responsibility and accountability to bring efficiency, economy, and transparency in matters relating to public procurement and for fair and equitable treatment of suppliers and promotion of competition in public procurement.

1.1.0 FUNCTIONS OF MATERIALS MANAGEMENT DIVISION

The function of Materials Management Division are specified below:

- a) To prepare in consultation with Production Planning Department / Design / Engineering or concerned user Department, a realistic estimate both in terms of quality and quantity to be purchased. This also will include Stock Replenishment items of the stores. The stocks of the items should not exceed the stock level laid down, as all stocks of stores on hand represent funds that are not productive. Losses due to obsolescence and deterioration should be avoided to the extent possible.
- b) To prepare a record of approved suppliers for HEC (Referred as **Approved Vendors List**), in respect to all major commodities which are usually procured for normal operation / business.
- c) To procure materials and supplies of the required quality and quantity, at the lowest cost, at the appropriate time and from reliable sources, to meet the requirements of continuous production / business programme.
- d) To keep the inventories at optimum level in consistence with the market conditions and the requirements of production & maintenance.
- e) To forecast market and economic conditions of supply and availability of materials and arrange for procurement suitably.
- f) To explore the market for potential suppliers in respect of difficult items and new materials.
- g) To participate in the "MAKE or BUY" decisions of the Corporation.
- h) To ensure proper custody and expeditious issue of stores against valid requisitions from the consumers.
- i) To co-ordinate with Stores Price Ledger cell (SPL of finance department) and HQ System Dept. for getting the inventory status of the stores in time and as per schedule.

- j) To participate in standardisation, classification and codification of all inventories.
- k) To carry out ABC, XYZ etc. analysis and take measures for corrective actions if necessary.
- l) To organise stock verification at regular intervals and initiate actions for correction of inventory status and updating of Master file in HQ System Department.
- m) To arrange survey and valuations of such types of stores which are surplus, unserviceable, obsolete and non moving, scraps.
- n) To organise training courses and HRD programmes in different aspects of Materials Management for the development of executives and other staffs.
- o) To compile purchase budget in consultation with consuming departments.

1.2.0 **ADMINISTRATION AND CONTROL**

1.2.1 General Managers / Unit Chiefs are responsible for discharging the following functions in accordance to delegation of power:

- a) Purchase of all items which are specific to the units and within their powers of acceptance of contract.
- b) All stores functions of the unit concerned.
- c) The Head of Materials Management Division and the complete organisation under him/her will be under administrative and functional control of the General Manager / Unit Chief.
- d) All items which are common to the plants/units and where bulk purchases would be economical would be handled by any of the 3 plants. A statement showing the items of a common nature, indicating the authorities to whom the indents are to be submitted; the authorities who are to place the orders, the place to which the stores are to be consigned and the authority to make the payments are to be decided by a committee comprising of the head of MM division of three plants, under the Chairmanship of the senior most member of the committee in consultation with the plant heads. Review may be done at the interval of every two years and the decision will be circulated to all concerned.

- e) Head of MM division of each plant shall be responsible for organising, clarification and codification of Inventories, Inventory Control, Registration of Vendors and maintenance of list of approved suppliers, vendor rating and other technical services including disposal of surplus and unwanted inventories. A centralised agency for vendor registration (for all the three plants) is being maintained under Central Purchase Group of HMBP and for disposal 'Disposal Cell' of FFP will act for disposal function of all the plants, if other wise not decided in specific case. Vendor rating will be done at individual plants at MPIC with the active participation of Purchase Officers. The central purchase group is also responsible for common nature of items like medicine, stationery etc.
- 1.2.2 The authority to exercise financial power at various levels in respect to different aspects of procurement process has been defined clearly and placed at Annexure – 1, (**Delegation of Power**) . This will be reviewed at least after every five years and necessary amendment would be incorporated as decided / directed from time to time.

CHAPTER - 2**MATERIALS PLANNING**

2.1.0 A separate section called Material Planning & Input Control (MPIC) functions in the MM Divisions of each Plant / units.

2.2.0 OBJECTIVE

To ensure that the procurement of all materials is planned for the right quantity at the right time with staggered deliveries in balanced packages to ensure continuity of production. At the same time keeping the inventory at optimum level so that inventory carrying cost is minimum.

2.3.0 SCOPE

This chapter covers the norms for materials commitment, basis for Indent [Materials Purchase Requisition (MPR)] quantity, indent editing and approval together with delegation of financial power.

2.4.0 RESPONSIBILITY

The head of the Materials Planning and Input Control Section will have the authority for indenting, editing of all types of items. Considering the availability of materials at store, MPIC will advice for procurement of requisite quantity of items. MPIC will also have the responsibility of reserving certain materials for the use of predetermined work order or project. They will maintain constant coordination with Production Planning Department for the likely period of materials requirement and advise Purchase Groups accordingly. MPIC will also compile various MIS reports as detailed at Chapter 8 and will assist MM incharge in various decisions.

2.5.0 PURCHASE BUDGET AND MATERIALS COMMITMENT NORMS

2.5.1 The quantity in the Indent / MPR shall be based on approved production programme after taking into account all coverage like existing stock, material in the pipeline and “on order” quantities against previous requirements. Quantities indented over and above the approved production / service programme are to be approved by Chief of Plant / Unit, based on the following guidelines:

- a) Purchase Budget or net material commitment limit for a given financial year shall be computed as given below:
 - i. Gross material requirement for given financial year as per the approved Production Programme shall be based on the Bill of Materials / product

wise previous years' consumption pattern or norms considering outstanding commitment and balance stock in stores / shops.

- b) The Plants shall make the material commitment for the given financial year or part thereof within the limit of net material commitment as above. Any commitment in excess of the net material commitment shall be made only with the prior approval of the Corporate Finance.
- c) The Plants may resort to annual ordering for regular consumption items wherever feasible and therefore make one time purchase commitment in full for the given financial year before end of March of the proceeding financial year subject to the following conditions:
 - i. The delivery schedules in the annual orders should be suitably staggered to obtain supplies in balanced packages with each delivery schedule catering to not more than three months of requirement
 - ii. In case of imported components & materials required for new products / un-established products, material commitment for the entire year could be made only for specific projects for which firm customer orders are available or where specific approval of Corporate Management is available.
 - iii. As far as possible, opening of the LCs at a time should be limited to 3 months' requirement for "A" Class items.

2.5.2 Procurement estimate may be based on:

- a) Prevailing market rates (catalogue price, budgetary offer etc.)
- b) Last Procured Price
- c) Economic indices for raw materials / labour, LME etc.

2.6.0 **PROCEDURE FOR RAISING INDENTS**

Material Purchase Requisition (MPR)

2.6.1 The items to be procured can be broadly classified as under :

- a) Production Items
- b) Non Production Items
- c) Capital Items
- d) R & D Items
- e) Automatic Replenishment Stores (ARS)

All Indents are to be raised in duplicate in the specified format (Annex - 2)

except for DAP and Bill of Material for Procurement. No Indent is required to be raised for value of purchase upto Rs. 5000 and to be processed through local purchase.

2.6.2 **PRODUCTION ITEMS**

Those items which form part of the despatchable product. Indents / DAP or BM for all bought out items required for production items and to be raised by the respective materials Planning Section or by Design / Engineering Department as per the Production schedules.

2.6.3 **NON-PRODUCTION ITEMS**

Those items which do not form part of the despatchable product. Non - production items can be broadly grouped as :

- a) Maintenance materials
- b) Building construction materials like steel, cement, hardware etc.
- c) Oils, Chemicals, Consumables of general use and other factory requirements
- d) Stationary, Printing materials and other office requirements
- e) Canteen requirements and other provisions
- f) Uniforms, medicines, appliances, gardening materials, Packing material (like expanded Polystyrene sheet), rubberised coir, hoop iron, nails etc.
- g) Production aids like tools, jigs & fixtures etc.
- h) Safety and Fire Preventive Items

2.6.4 Indents for non-production items shall be raised by the respective users / authorized departments on the basis of previous year's consumption pattern or present year's fore-cast (in case of new procurements) seeking staggered deliveries. Chief of plant if desires may entrust the responsibility of verifying the indents on an executive before approving the same.

2.6.5 **CAPITAL GOODS**

Capital goods are classified as :

- a) Plant and Equipment;
- b) General and special purpose machines / equipment ;
- c) Inspection / Test Equipment and Instruments;
- d) Computer systems, Office Equipment, Industrial & Office Furniture;

e) Vehicles.

The Indents for Capital Goods would be raised by the respective Departmental Heads.

2.6.6 For capital goods covered under (a), (b) and (c) above, Indenters should file their requirements along with detailed specification, sources and justification of the requirement to the Capital Investment Committee well before 31st July of every year. Before end of August of the given year, the Capital Investment Committee (to be constituted by the Plant Head with Heads of manufacturing divisions. Services, Production Planning, Technology / Process / Methods, TSD / QCA / IQC, Maintenance & Service and finance department's representatives as members ; Chairman of the committee to be nominated by the Plant Head) will meet and finalize the capital budget. Capital Budget is approved by the Board.

2.6.7. All the capital goods procurement proposals should have detailed financial analysis like Return on Investment (RIO), Payback period, IRR etc. to justify the requirement from commercial point of view.

2.6.8 Proper care should be taken by the indenter / technical committee in framing the specification of all the capital goods proposed for procurement so that items pertain to the latest technology. Due consideration needed about obsolescence factor which may lead to problems of getting spares and compatibility to other products.

2.6.9 **R & D ITEMS**

Indents for items required by R&D will be raised by the respective R&D cell / departments of plants.

2.6.10 **Automatic Replenishment Stores (ARS)**

Indents for ARS items will be raised by Stores Department. The annual procurement target for such items will be prepared by stores department in consultation with head of Production Departments indicating past consumption pattern.

2.7.0 **GENERAL INSTRUCTION FOR RAISING INDENTS**

2.7.1 Indents for other than ARS items shall be prepared on the prescribed format by the indenters and counter signed by the Head of Indenting Department.

2.7.2 The Indents should give full and complete information regarding the description and specification of the material to be procured. To the extent possible,

- specifications should be conforming to commonly practiced standards (like IS, DIN etc.).
- 2.7.3 Manufacturing drawings, wherever, required should be enclosed with the indent.
- 2.7.4 Along with the indent the indenter shall also prepare and enclose the following if applicable :
- a) Specification, Description, Drawings / Sketch etc. (only in case of proprietary article catalogue, Part numbers allowed.)
 - b) In respect of Proprietary items, a certificate on the prescribed proforma (Annex – 3) to be signed by HOD and Counter signed by GM / Chief of Plant (or Division).
- 2.7.5. All the columns of the prescribed proforma of the Indent should be duly filled in by the indenter and the indents are to be processed through Stores, Plant Finance and approved by Chief of the Plant (or his nominated executive).
- 2.7.6 The Indents should contain required Quality assurance Plan.
- 2.7.7 The names of suggested suppliers may be indicated by the Indenter in the indents on the basis of past experience, if any, along with Purchase Order references.
- 2.7.8 Single tender enquiry (Non-Proprietary) should not normally be recommended by the Indenters except in special and exceptional cases indicating clearly the reasons for the same and counter signed by Competent Authority as per delegation of powers.
- 2.7.9 The indenters (if required with the help of purchase department) will fill in the column for estimated value of each and every item most carefully after making a judicious estimate of the current value of the item. The estimate shall be based on the last purchase price with the adjustments for variations in prices of raw materials, wages and other inputs. For new items, slow moving items and job contracts, the estimates should be prepared taking into consideration the cost of material, labour and overhead expenses. The estimates should be reasonable, so that proper budgetary control can be ensured. All such estimates are to be vetted by Associated Finance.
- 2.7.10 With a view to optimise the utilisation of internal facilities, each Plant /Unit should prepare an annual plan for 'Make' items before the beginning of the year and get it approved by competent Authority (Director Production or equivalent).

Indents shall not be raised for items identified as 'Make' in such Annual Plan for the year. For such items the department shall raise 'Work Order' on prescribed form to be placed on the shops. Only in exceptional cases when an item though identified as 'Make' item as per the Annual Plan but full or part of the quantity cannot be accommodated in the shop's Manufacturing Schedule for unforeseen circumstances recorded in writing, indent may be raised for buying with the approval of Director Production or equivalent.

2.8.0 EDITING OF INDENTS

2.8.1 Since all indents / DAPs / BMs for procurement are processed through MPIC, depending on requirement period and availability, MPIC shall club similar items of different department's / work order's requirement and advice concerned Purchase Group for procurement to get the advantage of bulk procurement.

2.8.2 Indents will be edited by Materials Planning Section as per requirement. The changes in requirement shall be clearly specified indicating the revised / amended drawing No.; specification details with the changed inspection norms if any; quantity; modified drawing, detail specification sheet shall accompany the indent. All the information required in the indent shall be duly and completely filled up and checked for their correctness.

2.9.0 SCRUTINY OF INDENTS

2.9.1 In case any indent going beyond the approved over all budget of the department concerned, approval of the competent authority as per delegation of powers should be obtained for additional allocation of budget.

2.9.2 Indents to be registered in the Central Indent Registers / data base at MPIC for reference and control purposes.

2.10.0 APPROVAL OF INDENTS

Indent shall be approved only against approved production programme. However, any intermediately change in production programme shall be taken into account with proper approval as per delegation of power.

2.10.1. The authority approving the indent shall satisfy himself about the requirement indented and stock position before according approval and shall be made responsible for any inventory build up due to over coverage of requirement in the Indent.

2.10.2. Any amendment in the indent shall have the approval of the same authority which had approved the original indent.

CHAPTER - 3

TENDER ENQUIRY

3.1.0 PRE - ENQUIRY STAGE

- 3.1.1 On receipt of the indent (Material Purchase Requisition), MPIC shall scrutinize the indent for its completeness with the required enclosures and certificates.
- 3.1.2 If the indent is found incomplete in any respect, it will be returned to the agency concerned for clarifications / needful.
- 3.1.3 On receipt of the indent, complete in all respects, an entry will be made in the Central Indent Register / Data base (Annex- 4) at MPIC. After necessary action, MPIC will forward the indent to the concern Purchase Group electronically or as hard copy.
- 3.1.4 Purchase case file will be opened after making entry in Group's Indent Register / Data Base (Annex- 5). Purchase Officer will make a tentative plan of key activities considering material requirement date, lead time from previous experience and fill the same in Group's Indent Register / Data Base.
- 3.1.5 An enquiry proposal will be initiated for approval for issue of enquiry as per proforma given at Annex - 7 and put up to the competent authority as per the delegation of Purchase Powers.
- 3.1.6 Registered Vendors list will be maintained at all the Plants (Material Group wise, Item wise). Process of registration described at Chapter 7.
- 3.1.7 Enquiry should be generally issued within 4 days from the date of receipt of indent / DAP / BM.
- 3.1.8 For items reserved for Small Scale Industries / Micro & Small Enterprises as per Govt. directive tenders should be invited exclusively from SSIs / MSEs. As per present guidelines (DHI, No.21(2)/2011-Coor, dt. 31.05.12), minimum 20% of procurements of annual goods / services for PSU to be from Micro & Small enterprises (MSE). A sub-target of 4% (ie. 20% of 20%) will be earmarked for procurement from MSEs owned by SC/ST entrepreneurs. However, the latest Government guide lines to be followed regarding procurement from MSEs.
- 3.1.9 Further, Central Government, through administrative instructions, has reserved all items of hand-spun and hand-woven textiles (Khadi goods) for exclusive purchase from Khadi & Village Industries Commission (KVIC). Government

has also reserved all items of handloom textiles including Barrack Blankets for exclusive purchase from KVIC or notified handloom units through the Association of Corporations and Apex Societies of Handlooms (ACASH) and Women's Development Organization (WDO). The handloom textile items are to be purchased from KVIC to the extent they can supply and the balance from the handloom units of ACASH, to the extent these units can make supplies. In each case the latest Gov. directive in this respect may be referred.

3.1.10 The whole indent (of similar items) should be treated as one and no split up thereof should be made to decide the approving authority for tendering as per delegation of powers.

3.2.0 TENDERING PROCEDURES

3.2.1 The dealing Purchase Executive shall propose the issue of enquiry including mode of tendering, keeping in view the Indentor's recommendation, the nature of the item, value involved, knowledge about sources of supply, prevailing market conditions etc. The enquiry proposal and mode of tendering shall be approved by the competent authority as per delegation of powers.

3.2.2 Following are the recommended mode of tendering for placement of orders:

- a) Advertised or Open Tender and Global Tender.
- b) Limited Tender
- c) Single Tender for Proprietary and non-proprietary item.

3.2.3 Apart from the above methods of tendering, the following methods for placement of direct orders / procurement are also applicable:

- a) Repeat Orders.
- b) Rate Contract
- c) Orders for products with administered pricing
- d) Emergency purchase
- e) Spot / Local purchase for low value purchase

3.3.0 ADVERTISED / OPEN and GLOBAL TENDERS

3.3.1 Subject to exceptions incorporated under clause 3.4.0 and 3.5.0 'Advertised / Open tender' mode should be used for procurement of goods of estimated value Rs. 25 Lakh or above but value is not the single criteria for deciding mode of tendering.

Even for less than estimated value of Rs. 25 Lakhs, open tenders may be preferred under the following circumstances:

- a) When the sources of supply are not clearly known.
- b) When it is felt that advertising may elicit better response, new sources can be discovered and competitive rates may be received.
- 3.3.2 Open tenders should be called for by issue of Tender Inviting Notices (NIT) in company's web site, Newspapers, Trade Journals.

Estimated value	Publication mode
Up to Rs. 5 Lakh	Notice boards of all the plants /Div., corporate office, and company web site and CPP portal
Above Rs. 5 Lakh and up to 10 Lakh	One local news papers, company web site and CPP portal
Above Rs. 10 Lakh	One national news paper, one local news papers, Indian Trade Journal and company web site and CPP portal

All NITs published in printed media compulsorily should have mention about the web site address where further details about the tender can be available.

In addition to the company website, the tenders to be placed in / linked to Central Public Procurement (CPP) portal as per Government guidelines (refer to the prevailing guidelines).

Provision should be there to post complete tender document in the web site and permit prospective bidders to download the document from the website and make use of it. If such downloaded bidding document is priced, there should be clear instructions for bidder to pay the amount by demand draft etc. along with the bid.

Global tender to be invited when sufficient number of manufacturers / suppliers are not available indigenously of given quality or for better competitive rate.

In case of global tenders of any value advertisement in - Indian Trade Journal and / or Indian Export Service Bulletin as per import policy of Government of India to be made. In addition, this to be published in one national news paper and up loaded in company's web site and CCP portal. The copies of global tender notices may also be sent to Indian Missions / Embassies of major industrial / trading countries. Notice for all open / global tenders should also be sent to the Branch Managers New Delhi and Kokata for exhibiting in Branch Office Notice Boards.

- 3.3.3 For advertised tenders, where tender documents are proposed to be priced, the tender papers may be sold at any office / Plant of HEC as mentioned in

advertisement. Tender documents also can be down loadable by the prospective bidder from web site and they can submit bid with specified tender paper fee in the form of demand draft along with the bid. (the date of issue of demand draft should not exceed the last date of tender paper sale date).

3.4.0 LIMITED TENDER ENQUIRY (LTE)

3.4.1. This mode to be adopted when the estimated value of the goods to be procured is upto Rs.25 lakhs and number of supplier firms are more than three. In case of less than three firms, reasons recorded and approval be taken.

3.4.2 LTE mode can be adopted for value above Rs. 25 Lakh under the following circumstances:

- a) Reliable sources of supply are known & competitive offers are expected from them. Possibility of fresh source (s) beyond these are remote.
- b) The requirement is urgent and any additional expenditure involved by not procuring through open tender is justified in view of urgency and reasons duly recorded.
- c) There are sufficient reasons, to be recorded in writing by competent authority, indicating that it will not be in public interest to procure the goods through open tender mode.
- d) Customer has preference to few suppliers communicated in writing / as per bid document issued by them.

3.4.3 Copies of the bidding document should be sent directly by speed post / registered post / courier / fax / e-mail to firms. The tender notice should also be uploaded in the company's website and linked to CPP portal as per Government guidelines. Other then exceptional case for which approval to be taken, LTE should be issued to more than three firms.

3.4.4 Normally LTE should be issued to only to the registered suppliers or from the Vendors List. Purchase department will maintain vendor list of reliable suppliers – Registered, non registered / self registered (renowned) and updated annually). In exceptional cases where sufficient numbers of firms are not available in the Vendors List, LTE may be issued to other capable firms (to be recommended either by purchase officer or by user/indenting department) with the approval of GM / Chief of the Plant (or division). Simultaneously inclusion of these firms in the Vendor List should be taken up.

3.4.5 The registration of manufacturers / traders should be done after proper verification and assessment of their capabilities and should be listed on the basis

of categories of items are expected to be supplied by them. A vendor evaluation to be carried out as per clause 7.5.0. Evaluated vendors list after approval will be available with the purchase officers.

- 3.4.6 The selection of firms for LTE shall be done by the Purchase Department in a judicious manner to ensure that :
- a) the firms are of comparable status with respect to their technical capabilities.
 - b) the firms registered for a particular category are all given coverage by rotation where more than 10 registered vendors are available. The past performance of the firms with regard to quality and timely supplies should also be considered while recommending a firm for issue of LTE
- 3.4.7 Capability & capacity of the firms are to be considered at the time of issue of the LTE itself. This aspect should not normally be reopened after receipt of quotations.
- 3.4.8 For capital Items the recommendations received from the consultants / project department shall also be given due consideration.
- 3.4.9 Wherever adequate number of manufacturers are available, LTEs should be limited to manufacturers only.
- 3.4.10 Either the Indian agent on behalf of foreign principal or foreign principal directly could bid in a tender but not both.
- 3.4.11 Bidding documents under LTE should be sent directly by speed post / registered post / courier / fax / e-mail and not be given by hand to the representative of any firms. In exceptional / emergency cases when the LTE papers are to be given by hand, the reasons thereof must be recorded in writing and approval of competent authority be obtained.(However the offer must come in a sealed cover).
- 3.4.12 In order to widen the vendor base, LTE also to be given publicity in the web site and response received satisfying the qualification criteria should be accepted.

3.5.0 SINGLE TENDER ENQUIRIES

- 3.5.1 Purchase through single tender mode (STE) may be adopted under the following cases:
- a) It is in the knowledge of the user department that only a particular firm is the manufacturer of the required goods. The reason for arriving to this conclusion is to be recorded and approval of the competent authority be obtained.

- b) In a case of emergency, the required goods are necessarily to be purchased from a particular source subject to the reason for such decision be recorded and approval of the competent authority be obtained.
 - c) For standardization of machinery or components or spare parts to be compatible to the existing sets of machinery / equipment (on the advice of a competent technical expert and approved by the competent authority), the required goods are to be purchased only from a selected firm.
 - d) As per preferred make list issued by the customer expressed in writing.
- 3.5.2 Proprietary Article Certificate / Customer's Preferred Make in the format placed at Annex - 3 is to be provided by the indenting department before procuring the goods from a single source under the provision of 3.5.1 sub-para (a), (c), (d) above as applicable. Concurrence of Finance Department to be taken in the procurement file after receiving Proprietary certificate from the user / indenturing department and approval by appropriate authority as per delegation of power.
- 3.5.3 Ordinarily Proprietary items should be purchased from their manufacturers only. In case these have to be purchased from their authorised dealers or agents efforts should be made to obtain the list of the authorised agents/dealers operating in that area.
- 3.5.4 In case there are more than one authorised Agent / dealer for the area LTE mode among them may be adopted. The tender notice should also be uploaded in the company's website and CPP portal.
- 3.5.5 Single response to an Open Tender or Limited Tender shall be treated as Single Tender and accepting / approval shall be guided as per delegation of power.
- 3.6.0 **REPEAT ORDERS**
- 3.6.1 Proposals for orders on same terms and condition with same specification may be considered on the following conditions:
- a) The original order must have been placed in the usual course after issue of LTE or Open Tender. The original order was not placed on the basis of higher prices for earlier delivery due to emergency situation or any other reason.
 - b) Provided there is no downward trend in the market of the concerned material.
 - c) Repeat order can be placed within 12 months from the date of delivery of original purchase order.

- 3.6.2 Repeat orders may be placed one or more times but the total value of all the repeat orders placed taken together, should not exceed the value of original order.
- 3.6.3 The sanctioning authority for placement of repeat orders would be the same authority that had sanctioned the original order.
- 3.6.4 The purchase officer should ask for a rate discount for higher volume of purchase prior to order placement.
- 3.6.5 In all the cases, a specific confirmation must be obtained from the concerned supplier regarding acceptance of the same commercial terms & conditions prior to release of the repeat order.

3.7.0 **RATE CONTRACT**

- 3.7.1 A Rate Contract (RC) is an agreement between the purchaser and the supplier for supply of specified goods (and allied services if any) at specified price and terms & conditions (as incorporated in the agreement) during the period covered by the Rate Contract. No quantity is mentioned nor any minimum drawal is guaranteed in the Rate Contract . The Rate Contract is in the nature of a standing offer from the supplier firm. Once a supply order is placed on the supplier for supply of a definite quantity in terms of the rate contract during the validity period of the rate contract, that supply order becomes a valid and binding contract.

For entering into rate contracts/ long terms contracts, the mode of tendering to be followed may be decided as per the nature of the item, the available sources of supply etc. Thus rate contract enquiries may be either open tender / limited tender / single tender depending upon the nature of item.

- 3.7.2 The period of a Rate Contract should normally be one year for stable technology products. However, in special cases, shorter or longer period may be considered (not exceeding 3 years) with recorded reasons. The rate contracts should be reviewed annually / periodically to check the price trend, availability of alternative sources for advantageous terms and condition. Performance against earlier / current rate contracts shall be critically reviewed before they are considered for award of new rate contracts.
- 3.7.3 Parallel Rate Contracts: In case it is observed that a single supplier does not have enough capacity to cater to the entire demand of an item, the rate contract issuing authority may enter into more than one rate contract with different suppliers for the same item. Such rate contracts are known as Parallel Rate Contracts.

3.7.4 Fall Clause : Fall clause is a price safety mechanism in rate contracts. The fall clause provides that if the rate contract holder reduces its price or sells or even offers to sell the rate contracted goods following conditions of sale similar to those of the rate contract, at a price lower than the rate contract price, to any person or organization during the period of the rate contract, the rate contract price will be automatically reduced with effect from that date for all the subsequent supplies under the rate contract and the rate contract be amended accordingly.

3.7.5. Placement of Supply Orders: Supplies are to be obtained against a rate contract by placing on the rate contracted firm supply order containing the quantity of the goods to be supplied and incorporating the prices and other relevant terms and conditions of the rate contract.

3.7.6 **OPERATING DGS&D RATE CONTRACT :**

DGS&D finalizes rate contract for various commonly used items. In such cases also confirmation of rate in the form of offer may be obtained from the suppliers. In case it is known that there are more than one DGS&D rate contract holds for products of required specification, efforts should be made to obtain offers from all such rate contract holders and the case should be evaluated on merit.

For procurement of items, especially related to IT, where the obsolescence rate is very high, DGS&D rates may have to be checked with the market rate.

3.8.0 **EMERGENCY PURCHASE**

3.8.1 Provisions for emergency purchase are kept to meet the emergency needs of the Plant. Necessary powers have been delegated to meet such situation particularly in maintenance, commissioning and break-down jobs so as to keep the flow of production uninterrupted. Such emergency purchase normally occurs when there is no stock in the Stores and chances of getting against pending orders within the stipulated time schedule are remote.

3.8.2 Due to the very nature of the requirements which has to be met in the shortest possible time, the normal process of tendering stipulated in this procedure cannot be followed. For emergency indents, the mode of tendering may therefore be adopted as per the specific requirements of the case and the time available for the placement of order. Approval of competent authority shall be obtained for the specific mode of purchase and order be finalised.

3.8.3 Emergency indents should be accompanied by a non-availability and criticality certificate issued by Stores Department and Indenting Department respectively. Such purchases should be only for limited quantity.

- 3.8.4 The emergency should be certified by concerned Head of the Department.
- 3.8.5 All cases of emergency purchases should be analysed and studied annually and compiled for any necessary corrective action by production / operations departments for future.
- 3.9.0 **LOCAL PURCHASE :**
- 3.9.1 Local purchase may be resorted under the following conditions:
 - a. When the item is not regularly purchased and / or not generally included in an indent.
 - b. When the item is available ex-stock from show-rooms, shops dealing with items of such nature.
 - c. When the item is urgently required by the user.
 - d. Value of the item is less and normal course of tendering may be more costly and time taking.
- 3.9.2 Local purchase will be made from local market and payment mode may be cash or cheque on obtaining cash memo / money receipt.
- 3.9.3 For all such Local purchases approval of competent authority shall be taken as per delegation of power.
- 3.9.4 All such type of purchases should be recorded in a particular register / data base and be compiled periodically for MIS.
- 3.9.5 Two mode of local purchase: i) Individual responsibility ii) committee responsibility.
- 3.9.6. Under Individual responsibility: value of goods up to Rs. 5,000 on each occasion may be allowed; responsibility entrusted on an employee not below Jr. Manager with the approval of / Chief of the plant (or division). The individual will furnish an undertaking as given below:

“ I, , am personally satisfied that these goods purchased are of the requisite quality and specification and have been purchased from a reliable supplier at a reasonable price.”
- 3.9.7. Local Purchase of goods of value above Rs. 5,000 but not more than Rs. 15,000 on each occasion may be entrusted on a committee comprising of at least one member each from purchase, finance and user department with the approval of GM / Chief of the plant (or division). The leader of the committee not below the rank of Asst. Manager and other members not below the rank of Jr. Manager. Local purchases should not be allowed over Rs.15,000, beyond which normal tender purchase will apply. The local purchase committee will survey the market

to ascertain the reasonableness of rate, quality and specification and identify the appropriate supplier. Before recommending placement of the purchase order, the member of the committee will jointly record a certificate as under:

“Certified that we members of the purchase committee are jointly and individually satisfied that the goods recommended for purchase are of the requisite specification and quality, priced at the prevailing market rate and the supplier recommended is reliable and competent to supply the goods in question.”

3.10.0 TENDER INVITATION

3.10.1 One of the following mode of bid submission shall be adopted.

- a) Bid in Single Part.
- b) Two Part / Three Part bid
- c) Pre-qualification bid and then followed by single / two part bidding.

3.10.2 Two Parts tendering involves calling for tenders in parts:

- a) Part I tender comprising Techno Commercial offer.
- b) Part II tender comprising of the Price Bid.

In a three part bid : Part – I : Qualifying criteria; Part-II : Techno Commercial bid; Part-III : Price bid.

3.10.3 The bidders may be asked to submit sample of product during technical scrutiny, only in such cases where samples are needed for testing its quality / characteristics to match actual work and maintain quality of out put (example: special welding electrodes, raw materials for steel making etc.) Amount / quantity of required sample and nature of test to be conducted and qualifying results / parameters will be mentioned in the tender notice. The sample should not be subjected to any indeterminable quality which are highly subjective and may vary with the perception from individual to individual. Sample should serve only as a guide and a basis in respect of indeterminable parameters but tender process is to be guided by detailed specification of the required item.

3.10.4 Two Part tender should be called for the cases of new purchases (expected to involve many technical clarifications) and high valued items where technical and/or commercial terms need to be settled first. The price bids shall be opened only after the Techno Commercial terms are settled and samples wherever applicable are approved.

- 3.10.5 In respect of two part tendering, the Part I & Part II offers shall be in separate sealed covers. The tenderers shall be instructed to clearly superscribe on the top of each envelope the relevant part number and description along with tender reference number and date of opening. Bidders may be instructed to place both the envelopes (part I and II) in a third envelope clearly writing on it the Tender reference no., opening date, ' Part – I and Part – II placed inside in separate envelopes' and name of the bidder.
- 3.10.6 In case of medicines, chemicals and other items having shelf life, a clause should be incorporated that the left over shelf life of each item at the time of delivery should be at least 80%. In emergency the left over life equal to 40% of the consumption period of such items may be accepted with the approval of competent authority ensuring that stock in excess of consumption within left over life is not procured.
- 3.10.7 The following guidelines are recommended for the time to be given for submission of quotation by the tenderers:
- | | |
|-----------------------------|----------|
| a) Open tender | 21 days |
| b) Global Tender | 30 days |
| c) LTE for indigenous items | 15 days. |
| d) LTE for imported items | 20 days. |

However, in case of urgency, emergency purchase (as per clause 3.8.0) Rush enquiry can be issued with lesser response time depending on situation. The specific reason to be recorded in the file.

- 3.10.8 All qualification, evaluation / exclusion, performance criteria should be made explicit at the time of inviting tenders and be incorporated in the bid document in clear and unambiguous terms and nothing should be left for assumption by the tender or evaluation committee. No new pre-qualification criteria, performance criteria and evaluation criteria should be decided after opening the bids.

3.10.9 **CHARGES FOR TENDER FORM**

In case of open tender the tender document fee shall be decided on the basis of estimated value of the indent before going for advertisement. Following are the guidelines for fixing tender document fee :

SI. No	Estimated value of indents (Rs. Lacs)	Cost of tender document (Rs.)
a)	Up to Rs. 10 lacs	Rs. 200 /-
b)	Above Rs. 10 Lacs and up to Rs. 25 lacs.	Rs. 300 /-
c)	Above Rs. 25 Lacs and up to Rs. 50 lacs.	Rs. 500 /-
d)	Above Rs. 50 Lacs and up to Rs. 100 lacs.	Rs. 750 /-
e)	Above Rs. 100 Lacs and up to Rs. 500 lacs.	Rs. 1500 /-
f)	Above Rs. 500 Lacs	Rs. 3000 /-

Note : All eligible Small Scale Industries / MSEs shall be issued bid documents free of cost subject to production of documentary evidence with regard to eligibility.

The above charges may have to be reviewed after every 2 years.

3.10.10 All the terms, conditions, qualifying criteria, stipulations and information to be incorporated in the bidding document systematically arranged under the following heads:

- Instruction to the bidder
- Condition of contract
- Schedule of requirement
- Specification and allied technical documents
- Price schedule (format)
- Contract form if applicable
- Other standard formats (BG format, integrity pact format etc.)

3.10.11 Amount of EMD to be deposited and the method of depositing the same should be clearly specified in NIT.

3.10.12 The amount of security deposits performance guarantee deposit to be paid in respect to the successful tenderer and the method of deposits shall be indicated in the NIT.

3.10.13 Clear instruction on the tender paper should appear regarding the following points.:

- a) Tenders containing errors or over-writing are likely to be ignored and that any alterations where necessary should be made by neatly scoring through the incorrect entries and making fresh entries duly attested with full signature of the tenderer.

- b) The right to reject one or all of the tenders without assigning any reason should be reserved by the Corporation.
 - c) That the quantities and rates should be indicated both in figures, as well as in words. In case of any ambiguity, the writing in words will be considered. In case where amount written after multiplication of rate and quantity and there is some error, the total value or calculated value with rate which ever is lower to be considered.
 - d) Tender forms purchased by one firm are not transferable to another.
 - e) Arrangement of receiving the tenders (place / address, tender box etc.) and date & time upto which tenders to be submitted; time & date of tender opening.
 - f) Reference to General Conditions of Contract of Purchase (GCCP). (Refer to Annex-6)
 - g) Special Terms & Condition if any to be specified in the Tender document.
 - h) Applicability of Integrity Pact and related Format and necessary information (Ref. Clause 3.15.0).
- 3.10.14 Qualifying requirements carefully designed to permit entry only to the tenderers who possess the technical, financial and managerial capacity to perform. A committee, constituted by Chief of the Plant will finalise the Qualifying Criteria.
- 3.10.15 Tendering the whole indent should be treated as one and no split up thereof should be made to decide the approving authority (as per delegation of powers).
- 3.10.16 Standard documents like GCC etc. may be instructed to be refer from company's website instead of giving hard copy.
- 3.11.0 **Earnest Money Deposit (EMD)**
- Earnest Money Deposit (EMD) is also known as Bid Security is to safeguard against a bidder's withdrawing / altering its bid during the bid validity period in the case of advertised or limited tender enquiry, EMD is to be obtained from the bidders.
- 3.11.1 Exception
- No EMD shall be required under the following cases:
- a) National Small Industries Corporation / Small Scale Industries / Micro, Small scale industry (MSE), as per Government directive *.
 - b) Firms registered with DGS&D for the items under tender
 - c) Estimated value of the item up to Rs. 1 Lakh.

* NSIC / SSI / MSE are to furnish necessary documentary evidence in support of being as NSIC / SSI / MSE and copy of latest Govt. notification specifying exemption of EMD for them. Purchase Officer to verify the authenticity of claim.

3.11.2 Amount & Mode of EMD payment

Based on estimated value of the item, EMD amount to be determined from the following table and specified in the NIT

Estimated Value		
Above (Rs. Lakh)	Up to (Rs. Lakh)	EMD (Rs)
0	1	Nil
1	10	5000
10	25	30000
25	50	70000
50	75	100000
75	100	150000
100	250	300000
250	500	750000

Above estimated value of Rs. 500 Lakh, EMD value (in Rs. Lakh) = 7.5 + (Estimated value in Rs. Lakh – 500) x 1 %, rounded off to nearest ten thousand.

EMD is to be accepted in the following forms:

- Demand Draft on any of the Nationalised Banks in favour of Heavy Engineering Corporation Ltd., Ranchi
- Bank Guarantee from any Nationalised Bank (to be preferred for a value Rs. 5 Lakh and above).
- Electronic Money Transfer in case of e-tendering.

The EMD should remain valid for a period of 30 days beyond the final tender validity period. In case of delay in finalisation of the order the validity may be got extended.

The bidders to be instructed to furnish EMD in the envelope containing Qualifying or Techno commercial offer (Part I) in case of multi bid system.

3.11.3 Forfeiture & Refund of EMD

- EMD deposited will be converted to Security Deposit (part) in case of successful bidder(s).

- b) EMD of a tenderer will be forfeited, if the tenderer withdraws or amends its tender or impairs or derogates from the tender in any respect within the period of validity of its tender.
 - c) If the successful tenderer fails to furnish the required security deposit within the specified period, its EMD will be forfeited.
- 3.11.4 EMD furnished by unsuccessful tenderers should be returned to them without any interest whatsoever, at the earliest after expiry of the final tender validity period but not later than 30 days after finalization of the contract.

3.12.0 **Security Deposit**

To ensure due response of the bidder, Security Deposit is to be obtained from the successful bidder who is to be awarded the contract / order. Security Deposit is to be obtained from every successful bidder irrespective of its registration status etc.

Security Deposit should be for an amount of 5 % of the value (basic) of the contract. Security Deposit may be furnished in the following forms:

- a) Demand Draft on any of the Nationalised Banks in favour of Heavy Engineering Corporation Ltd., Ranchi
- b) Bank Guarantee from any Nationalised Bank
- c) Electronic Money Transfer

Security Deposit is to be asked to furnish by a specified date (generally 21 days after notification of the award) and it should remain valid for a period of 60 days beyond the date of completion of all contractual obligations of the supplier.

3.13.0 **Performance Guarantee Deposit**

To ensure satisfactory performance of goods supplied (where user department recommend for performance bank guarantee mentioning the performance parameter), the bidder to be asked to deposit a sum of 10% of contract value in the form of Bank Guarantee against release of final payment. NIT should have mention about this.

3.13.1 **Forfeiture of Performance Guarantee Deposit**

Performance security is to be forfeited and credited to the purchaser organization in the event of a breach of contract by the supplier or the performance parameters remain short compared to promised one.

3.13.2 **Refund of Performance Guarantee Deposit**

Performance Security should be refunded to the supplier without any interest, whatsoever, after its successful establishment of performance parameters within the specified period and completes the contract in all respects but not later than 60 days of completion of all such obligations under the contract.

3.13.3 Verification of the Bank Guarantees

Bank Guarantees submitted by the tenderers / suppliers as EMD / Performance Security need to be immediately verified from the issuing Bank before acceptance.

3.14.0. **RECEIPT AND OPENING OF OFFERS**

3.14.1 The following shall be the recognised methods for receipt of tenders:

- a) Tenders received by Post.
- b) Tenders received by Courier services.
- c) Tenders received through Tender Box.
- d) Tender received electronic communication system as a part of e-procurement / e-tendering.
- e) Tender received through e-mail where provision is made to duly protect through password the opening of the tender (attached document) before the tender opening time. In case of different part of the bids, they may be with different attachment or e-mail.

FAX quotations not to be considered. However in case of offer against STI, FAX / e-mail may be acceptable.

The place of tender box to be specified by a display near the main entrance. In case of bulky document difficult to put in the tender box to be received by specified officer. Name of such officer to be also displayed.

3.14.2 Tenders received shall be sorted according to the date of tender opening and given to the concerned Tender Opening Committee (TOC) on the specific date & time.

3.14.3 Tenders shall be opened centrally (at plant level) by a Tender Opening Committee (TOC) consisting of at least one officer from Purchase Department and one officer from Finance Department. The information about these officers should also be displayed at the entrance / reception of the premises where tenders are to be deposited.

3.14.4 The Plant/Unit shall have fixed days in a week and time for tender opening.

3.14.5 In case only one tender is received against open or limited tender notice on the

tender opening day, the tender shall not be opened and tender opening date to be suitably extended. However, depending on urgency it can be opened with the approval of competent authority as per delegation of power for accepting single tender. Proper justification for such action to be recorded.

- 3.14.6 Offers received against Single Tender Enquiry can be opened before or after the tender opening date by the dealing Purchase Executive along with representative of Finance Department / by TOC.
- 3.14.7 Delayed, Late and Unsolicited tenders shall not be acceptable and opened in any case.
- 3.14.8 A tender received from the Agent/Sister Concern/Dealer of the original unit along with the authorisation letter of that unit to whom the enquiry was originally issued can be considered.
- 3.14.9 In the event of two part tender, if it is received in one envelope, not meeting the requirement of NIT (like separate sealed covers), the tender shall not be considered.
- 3.14.10 Tenders not accompanied by Earnest Money where Earnest Money is stipulated in the tender invitation, shall be treated as invalid, except for the category of bidders for whom Earnest Money is exempted as per clause 3.11.1.
- 3.14.11 The tenderers or their authorized representatives would be allowed to be present at the tender opening time. NIT should have mention about this along with date, time and place of tender opening. Tender opening however would not be postponed or delayed for absence of them. Signatures of the authorised representatives of the firms present during tender opening shall be obtained in register (Tender Opening Register-containing information: Tender No, date, Tender receipt date, time & mode, tender opening date, names of the firm, authorized representative of respective firms and their signature along with signature of TOC) and on the file. The following information shall be disclosed to the tenderers present during the opening :
 - a) Names of all the Tenderers whose offers have been received.
 - b) Details of items offered.
 - c) Prices including discount, if any and other elements.
 - d) Delivery period.
 - e) Terms of payment
- 3.14.12 Where tenders are issued in two parts, only the techno commercial bids (Part I) shall be opened on the tender opening date. The price bids (Part II) to be placed

in an envelope and sealed. Members of TOC and representatives of the bidders (if present during bid opening) will sign on the covering envelope and the same to be kept under lock and key till the receipt of final technical recommendation.

In case, during the technical evaluation/discussion, the scope of original tender enquiry undergoes minor changes which may have price implication upward or downward, the tenderers found technically suitable shall be asked to confirm all the technical and commercial conditions (to bring to same evaluation level) and submit revised price bids in sealed covers by a fixed time and date. Thereafter only the revised price bids in respect of technically accepted offers shall be opened. However, if change in technical specification and /or terms and conditions are major, re-tendering to be done.

- 3.14.13 The price bids against in respect of two part tendering should be opened in the presence of tenderers after giving them due notice. The envelope containing all the price bids to be opened in presence of the bidders / their representatives and signature to be received on the covering envelope as a testimony about the sealed condition of the covering envelope.
- 3.14.14 At the time of tender opening, each page of the original quotation shall be signed by the tender opening Executives / committee with date. Alterations, over-writings or corrections shall be also initialled with date. Prices, important terms & conditions etc. be encircled and initialled in red ink by the tender opening officer / committee.
- 3.14.15 Wherever basic price or discount etc. are indicated only in figures and there is no over writing, such figures shall be mentioned in words and duly signed by the tender opening executives.
- 3.14.16 Any columns left blank by the tenderer in their quotation shall be crossed out by the tender opening officers and duly initiated.
- 3.14.17 Each quotation must be numbered as 'Y / X' where Y will be the running serial number of the quotation, X will be the total number of quotations received in the file. The tenders shall also be marked as original, first copy, second copy etc.
- 3.14.18 The postal envelopes should also be signed and kept in file.
- 3.14.19 The details of tenders received shall be recorded in the proforma prescribed, duly signed by the tender opening officers.
- 3.14.20 Information regarding receipt of earnest money or otherwise wherever applicable shall be recorded.

- 3.14.21 Where for any reason the due date and/or time of opening the tenders is extended, the concerned purchase executive shall intimate **all** the firms to whom the enquiries were sent or tender papers issued (irrespective of the fact that some of them has submitted offer) informing the revised tender opening date and time. In case of advertised tenders, the notice for date and time extension should also be given to the same publications through which tender notice was invited. All such date extension information to be placed in the web site of the company. Similar notification also to be given for any change in specification / scope of work / terms & condition sufficiently in advance.
- 3.14.22 Where prospective bidders request for extension in tender submission date and / or time and is felt reasonable the extension may be allowed with the approval of competent authority for recorded reasons. The competent authority in this case shall be the approving executive for issue of tender or / Chief of the MM of plant (or division).
- 3.14.23 Where documents like work experience certificates, Income Tax clearance certificate and partnership deed etc. are called for in tender enquiry the receipt of these shall be ensured and such documents shall be examined by the Tender Committee for genuinely wherever necessary. Dispensation from submission of any of these documents may only be allowed with the approval of competent authority (tender accepting authority or GM / Chief of the plant or division) for recorded reasons.
- 3.15.0 In case the estimated value of purchase / contract exceeds Rs. 5 cr., the bidder shall be instructed (in NIT) to submit an Integrity Pact (IP) as per proforma Annex – 13 duly signed in along with the bid (Part – I of the bid in case of 2 or 3 bid system) on a non judicial stamp paper of value Rs. 100 (or appropriate value as decided from time to time).

Apart from all high value contracts, any contract involving complicated or serious issues could be brought within the ambit of IP, after a considered decision of the management.

Bids without Integrity Pact will be not considered for evaluation in the cases where it has been stipulated that IP is required to be submitted.

CHAPTER - 4

ANALYSIS OF OFFERS & EVALUATION

4.1.0 TECHNICAL SCRUTINY & EVALUATION

- 4.1.1 Technical suitability of the offers will be scrutinised before opening the price bids in case of two bid offers. In case of single bid offers also the technical scrutiny will be completed before tabulating price bids. Price bids of only technically suitable parties will be tabulated in Comparative Statement.
- 4.1.2 Normally within 24 hours of opening of the bids, the Indenter/User department shall study the offers preferably in the purchase department itself and will provide clear-cut and unconditional recommendations about the technical suitability of the offers. Sufficient and justifiable reasons should be recorded in the event any offer is being rejected as 'technically unsuitable'. Technical comments should be given on all the offers received against a particular tender.
- 4.1.3 Preferably, the specification of items or the parameters desired from the bidders should be listed in a tabular manner so that technical comparison among the offers are clear and transparent. A special care to be taken in presenting the specification / desired input at the indenting stage itself.
- 4.1.4 The technical scrutiny should be time based, preferably not more than 3 days. The Indenting Officer shall refrain from making purchase recommendations in respect of any of the offers.

4.2.0 COMPARATIVE STATEMENT

- 4.2.1 A comparative statement of all technically suitable offers (in the order in which the offers were opened) shall be prepared by Purchase Department and checked by finance department. The Comparative statement shall indicate the item wise prices, rebates if any, taxes and extra charges including freight if applicable etc. for all the tenderers.
- 4.2.2 In some cases the situation (two / three Part tender) may call for a Comparative Statement of Commercial Conditions before preparing Price Comparative Statement to bring the offers on equal level. Elements for this will be : Freight Charges, Packing & Forwarding, Excise Duty etc. Clear indication regarding the following to be obtained.

- a) Freight Charges & insurance: 'Freight charges extra' to be quantified.
 - b) Excise Duty : 'ED extra' or 'ED as per rule' or 'Inclusive of ED' will not be sufficient and the bidder should specifically put the same for evaluation purpose. In case ED is exempted, the bidder should detail under which clause it is not levyable.
 - c) Packing & Forwarding: to be specified in value or percentage of basic rate.
 - d) Sales Tax : to be specified in percentage of basic rate.
- 4.2.3 To arrive at comparable landed cost at the Plant the following shall be taken into consideration:
- a) Taxes and duties.
 - b) Packing and forwarding charges
 - c) Insurance
 - d) Freight
 - e) Escalation clause.
 - f) Possible CENVAT CREDIT.
 - g) Terms of payment
- 4.2.4 If offers have been received containing different currencies (as in the case of purchasing imported goods), all the quoted prices (with different currencies) are to be converted into a single currency for evaluation and comparison of offers on equitable basis. For this purpose, all such quoted prices are to be converted into Indian rupees, as per the selling exchange rates established by a competent authority (like RBI/SBI) as prevailing on a particular date to be specified in the tender enquiry. Generally, this date is the date of tender opening.
- 4.2.5 For taking account of customs duty applicable for imported items, the relevant customs tariff should be checked and as far as possible the correct rate of customs duty should be taken into account.
- 4.2.6 As per present Govt. guideline Import contracts are to be finalised on FOB basis. However both FOB & CIF prices are to be worked out in cases where the shipment Ports are widely distant with consequent sizable difference in freight rates, efforts should be made to ascertain actual freight rate. For bulk consignments such as Steel scrap , Pig Iron etc, both FOB & CIF quotations may be obtained , if permitted as per Government Policy . Otherwise, indicative freight and Insurance elements should be taken for arriving at CIF value.

- 4.2.7 The possible 'CENVAT CREDIT' on input on which the plant is entitled, also assumes a great importance in preparing the comparative statement. It should be made an important condition in the Tender Enquiry that the supplier will separately disclose the excise duty element and under take to furnish the relevant duty paid document along with statutory information to enable the plant to avail of the said credit. It would not be enough for the supplier to say that the price is inclusive of excise duty on items which do otherwise attract excise duty. Landed cost net of CENVAT CREDIT and rebates etc. is important for **comparative statement**. A copy of the format used for making comparative statement is placed at Annex – 9.
- 4.2.8 All the tenders received and opened shall be kept under the safe custody of the dealing Purchase Officer.
- 4.2.9 Normally within 24 hours of Technical Scrutiny / opening of the tenders, the comparative statement is to be compiled by the respective purchase officer and vetted by finance.
- 4.2.10 Where the estimated prices and final value based on actual prices vary widely, the Indenting Officer / purchase officer should re-look in to the estimation and comment on the basis of his estimation and obtain the financial concurrence for revised estimates.
- 4.2.11 No change in specifications shall normally be allowed at Tender Scrutiny stage. In exceptional cases, where minor change in specification becomes necessary, approval of the plant head should be obtained otherwise a fresh indent with revised specification to be raised.
- 4.2.12 When minor change in specification is effected at this stage, the parties who have initially quoted shall be asked to submit revised offer in sealed cover again taking account the changes made.
- 4.2.13 Comparative Statement of prices to be prepared only for technically suitable offers and vetted by finance.

After completing the entire evaluation process for the responsive tenders on equitable basis, they should be tabulated in the form of Comparative Statement and a ranking statement to be entered in ascending order of the evaluated prices (like L1, L2, L3...etc) along with other relevant details, so that a clear picture of their standing as well as comparative financial impact is available at a glance. If the schedule of requirements contains more than one schedule, then offers for each schedule are to be evaluated and ranked separately in a self-contained manner.

- 4.2.14 The offer for a given homogeneous family of items will be decided not on the basis of offer quoted by the tenderer for each individual item but for the package of items covering the entire homogeneous family for which he has quoted. The objective of this evaluation is to give weightage to the most competitive tenderer, who has quoted for all the items falling under such homogeneous family. The NIT should have mention about such evaluation consideration.
- 4.2.15 Capital items, accessories and spares recommended by manufacturers shall also figure in the tabulation sheet and compared “like to like”. In case of Capital Item Purchase, it will be more meaningful to calculate the total cost of operations for 5 years (or as decided by technical committee) i.e. Basic cost of the machine plus operating cost in respect to different offers (wherever feasible) for evaluation purpose. Further, wherever needed / feasible total cost of service to be calculated without just going by price of the product for arriving at the evaluated price. The NIT should have mention about such evaluation consideration.
- 4.2.16 Evaluation of tenders should not be based on conditional discount.
- 4.2.17 No new pre-qualification evaluation / exclusion criteria should be framed / decided after opening the bids; (these are to be decided at the time of inviting tenders). Acceptance / rejection of any bid should be on justified grounds as per the laid down specification, evaluation / exclusion criteria.
- 4.2.18 Evaluation of tender of Micro & Small Enterprises (MSE) and MSEs promoted by SC/ST entrepreneurs / SSI unit to be done considering the price preference allowed to them as per prevailing Govt. Guide lines. The said firm(s) should produce documentary evidence that they are recognized as MSE / SSI.
- 4.2.19 Evaluation of tender of any PSU to be done considering the purchase preference allowed to them as per prevailing Govt. Guide lines.
- 4.3.0 **CONSIDERATION OF TENDERS BY TENDER COMMITTEE**
- 4.3.1 All tenders of value over Rs. 3 lakh will be dealt with by a Tender Committee (TC) except the cases when orders are to be placed against running rate contracts or price agreements entered into by Plants / or by HEC centrally. In case of running rate contract the respective purchase executive will move the purchase proposal referring the rate contract. TC should comprise of representatives from the Indenting / user Department, Purchase Department and Finance Department. The senior most member will act as Chairman of

TC. The formation of Tender Committee would be as per clause 4.3.3 and Delegation of Powers.

4.3.2 Apart from the executives as mentioned, the Chairman of the Tender Committee may co-opt executives from other department if considered necessary. The dealing purchase officer would function as Convenor. All members present in the T.C. would sign the tender committee minutes including the convenor.

4.3.3 For Tenders of value exceeding Rs.200 lakhs, the formation of Tender Committee would be approved by the Chairman Cum Managing Director who will also nominate his representative in the TC.

Executive level as Chairman of TC		Tender Value upto
a)	Dy. Manager	Rs. 5 Lakh
b)	Manager	Rs.10 Lakh
c)	Sr. Manager	Rs. 20 Lakh
d)	SDGM	Rs. 40 Lakh
e)	GM / Chief of Plant or Division	Rs. 80 Lakh
f)	GGM	Rs.120 Lakh
g)	Director	Rs. 200 Lakh

Formation of TC to be approved by next higher authority (tender accepting), not below the rank of GM / Chief of Plant (or Division).

4.4.0 **GUIDE LINES FOR TENDER COMMITTEE**

4.4.1 Purchase Proposals should be normally based on the lowest technically suitable offer. However, in order to avoid multiplicity of orders, order may be placed on overall L1 basis (where an indent contains more than one item) provided the items are parts of the same assembly/sub-assembly or otherwise identified as matching parts by the Indenter. The NIT should have mention about such evaluation consideration.

4.4.2 Where the price of the L1 tenderer is acceptable and workable and where the L1 tenderer has offered the full tendered quantity / scope of work and it is not considered necessary to develop parallel sources of supply, orders should be placed on L1 basis alone.

4.4.3 Tender Committee shall satisfy themselves regarding the reasonableness of the prices. If the prices are felt unreasonable, negotiations may be resorted to with L1 party (as per the guidelines detailed at clause 4.5.0) or re-tendering to be preferred.

The broad guidelines for judging the reasonableness of price are as under:

- a) Last purchase price of same goods (or, in its absence, similar)
- b) current market price of same goods (or, in its absence, similar)
- c) Price of raw materials, which go into the production of the goods
- d) Receipt of budgetary / competitive offers from different sources
- e) Quantity involved
- f) Terms of delivery
- g) Period of delivery
- h) Cost analysis (material cost, production cost, over-heads, profit margin)
- i) Any other terms & conditions having direct and clear cut financial impacts may be incorporated in the financial comparative statement.

Price paid in an emergency purchase or purchase price of goods offered by a firm through 'distress sale' (i.e. when the firm clears its excess stock at throw away prices to avoid further inventory carrying cost etc.) are not accurate guidelines for future use.

4.4.4 No split in the orders to be proposed to bring down the approval level for issuing purchase order.

4.4.5. Lack of Competition – Sometimes the purchase organization may not receive sufficient number of tenders. A situation may also arise where, after analyzing the tenders, the purchase organization ends up with one responsive tenderer. In such situations, the purchase organization is first to check whether, while floating/issuing the tender enquiry, all necessary requirements like standard tender enquiry conditions, industry friendly specification, wide publicity, sufficient time for formulation of tenders, etc. were fulfilled. If not, the tender is to be re-issued/re-floated after rectifying the deficiencies. However, if after scrutiny it is found that all such aspects were fully taken care of and in spite of that the purchaser ends up with one responsive tender only, then contract may be placed on that tenderer provided the quoted price is reasonable. (Also ref. to 3.14.5)

4.5.0 **NEGOTIATIONS**

4.5.1 Post tender negotiations should not be resorted to as a matter of routine, and as far as possible should be discouraged. However, if necessary, negotiations with only L1 can be held in certain exceptional circumstances like procurement of proprietary items / against STI, with limited source of supply and items

where there is suspicion of a cartel formation. The justification and details of such negotiations should be duly recorded and documented.

In cases where a decision is taken to go for re-tendering due to the unreasonableness of the quoted rates, but the requirements are urgent and a re-tender for the entire requirement would delay the availability of the item, thus jeopardizing the essential operations, maintenance and safety, negotiations would be permitted with L-1 bidder(s) for the supply of a bare minimum quantity. The balance quantity should, however, be procured expeditiously through a re-tender, following the normal tendering process.

Competent authority should exercise due diligence while accepting a tender or ordering negotiations or calling for a re-tender and a definite timeframe should be indicated so that the time taken for according requisite approvals for the entire process of award of tenders does not exceed one month from the date of submission of recommendations. In cases where the proposal is to be approved at higher levels, a maximum of 15 days should be assigned for clearance at each level. In no case should the overall timeframe exceed the validity period of the tender and it should be ensured that tenders are invariably finalised within their validity period.

In a two bid system, if a party has been considered techno commercially suitable during technical evaluation, there should be no reason to reject its offer if it is evaluated as L1. In evaluating the tenders, all components of cost (eg. CIF, carriage / transportation/ erection / operationalisation cost, discount or commission, terms of payment and interest cost, advance and financing cost, credit conditions, other overheads, specified or unspecified) should be taken into account and valid comparison should be made on the basis of equality of comparable parameters.

- 4.5.2 After the negotiations, the committee conducting the negotiation should record the proceedings including revised prices. The tender committee would recommend the purchase proposal for approval.
- 4.5.3 Request for withdrawal of bid or non-responsiveness on the part of bidder after submission of bid / finalisation of tender in their favour should lead to the decision of forfeiting the earnest money. This may be mentioned in the NIT.
- 4.5.4 If considered in the overall interest of the Company (such as to ensure supply without fail etc. proper reasons be recorded), splitting up of the scope of supply / work among more parties may be allowed at L1 rate with the

approval of competent authority. However, NIT should have mention about such possibility of splitting of order. If possible the ratio in which splitting of order to be done may be disclosed in the NIT to the extent possible.

- 4.5.5 In the cases where splitting of order was not mentioned in the NIT and quantity required is more than that the L1 firm alone can supply, the remaining quantity to be distributed among other bidders in a manner that is fair , transparent and equitable after utilizing full capacity of the L1 firm.

Counter-offer to L-1 firm, in order to arrive at an acceptable price, shall amount to negotiations. However, any counter-offer thereafter to L-2, L-3, etc. parties the rates accepted by L-1, in case of splitting of quantities, as pre-disclosure in the tender, shall not be deemed to be a negotiation.

- 4.5.6 For items involving substantial technical and commercial parameters (in 2 parts bids system), it may require discussion / negotiation with the qualified bidders on technical and commercial aspects to bring them on a equitable level and freeze. The techno-commercially acceptable bidders shall then be asked to submit by a fixed date and time their revised bids duly supported with 'take-out' and 'additional prices' with respect to original offer for change in commercial and technical parameters. Firms who introduce fresh terms in the price bids after the freezing of techno-commercial bids should not be considered further. All the parties should be specifically informed of this rule.

- 4.5.7 The negotiations and decision for placement of order must be completed within the validity period of the offers. Wherever necessary the extension of validity period by the parties concerned should be ensured but this should be done before the negotiation starts.

In case L-1 bidder backs-out, there should be a re-tender.

4.6.0 PRICE VARIATION

- 4.6.1 Purchase should normally be made on the basis of firm price and escalation on account of wages / materials should be discouraged.

- 4.6.2 For delivery period / contract extending beyond 18 months or if decided necessary, price variation clause (along with suitable formula) may be incorporated in the tender document and resultant contract. In the price variation clause, the price agreed upon should specify the base level viz, the month and year to which the price is linked, to enable variations being calculated with reference to the price levels prevailing in that month and year.

Date of submission of tender to be taken as base level for calculation. A formula for calculation of price variation that has taken place between the base level and the scheduled delivery date is to be included in the price variation clause.

The variations are to be calculated by using indices published periodically by RBI / Chamber of Commerce. Suitable weights are to be assigned to the applicable elements viz. material and labour in the price variation formula. If the production of the goods needs consideration of more than one raw material, then the input cost of material may be further sub-divided for different categories of material, for which cost indices are published. The price variation formula is also to stipulate a minimum percentage of variation of the contract price, only above which the price variation will be admissible (e.g., where the resultant increase is lower than, 5% of the contract price, no price adjustment will be made in favour of the supplier). Maximum price variation allowed under this clause should not be more than by 20% of original price.

4.6.3 Details of contracts entered by Purchase Deptt. with escalation clauses to be intimated to Marketing Deptt. for their needful.

4.7.0 **INSPECTION**

4.7.1 The Quality Assurance Plan (QAP), wherever required should be finalised between HEC and the supplier well before the material is made ready for Inspection.

4.7.2 Inspection shall be completed well in time so that for the accepted materials payment can be released to the supplier well in time as per the terms of the purchase order agreed upon.

4.7.3 All incoming materials shall be subjected to inspection in accordance with the inspection norms and as per the mode of inspection stipulated in the purchase order.

4.7.4 Any deviations are to be communicated to the supplier for corrections even in the case where the same are acceptable to the Indentor under relaxation accompanied by suitable cost reduction, wherever feasible.

4.7.5 In case of rejections, a detailed report with reasons for rejection should be communicated to the supplier for replacement and corrective action within specified time.

4.7.6 In case of dispute on Quality/Inspection report issued, the user / technical department's decision will be considered as final.

4.7.7 Wherever end customers / users reserve the right to inspect the items at supplier's works, in such cases suppliers shall have the obligation to allow for inspection at their Works.

4.8.0 **MODE OF TRANSPORTATION**

4.8.1 The mode of Transport of Imported Components would be by Sea /Air depending upon the urgency of requirement.

4.8.2 Sensitive and costly electronic equipments ordered abroad may be air freighted to avoid likely damage/deterioration in transit. All other materials from inland supplies should normally be transported by the cheapest mode of transport like road, rail, post parcels, courier services etc. with due regard to the safety of the materials and delivery schedule and requirements. If however, any material / equipment from inland suppliers is required urgently or if there is difficulty or delay in transporting by the cheapest mode of transport, an alternative mode of transport including air freight may be recommended by TC for approval, depending upon merits of the case. However efforts to be made for getting delivery of the materials on FOR Plant basis.

4.8.3 As far as possible the transportation work of materials should be carried out through HEC approved transport.

4.9.0 **INSURANCE COVERAGE**

All goods to be transported should have transit Insurance Coverage both for Indigenous and Imported consignments.

4.10.0 **RESPONSIBILITY OF TENDER COMMITTEE (TC)**

4.10.1 The purchase member of TC will prepare and send the TC agenda to all members giving time and venue of the meeting. In the TC meeting the members will be provided with a written brief containing all relevant information regarding the tender.

4.10.2 TC is empowered to recommend prices at which orders have to be placed, rejection of any offer with reasons to be recorded, re-tendering the case if the lowest offer is not found to be reasonable, ordering on more than one source if required, terms of payment, increase in commitment value within its limits due to any element that make up the cost, decrease in commitment value due to any reason, conduct negotiations if required, increase or decrease the quantity to be ordered, consider amendments to Indented Quantity and recommend placement of development orders at differential prices.

- 4.10.3 TC will also recommend any increase / decrease in price or modify terms and conditions of purchase contract subsequent to the order, allow for variation in the statutory levies, cancel / divert order from one supplier to another, hold negotiations if required with suppliers to consider and recommend the above changes, if necessary. TC will also examine waiver of penalty clause on the defaulting supplier.
- 4.10.4 TC will specifically look into the requirement with respect to the work content and satisfy itself about the quantity to be ordered, thus obliged to look into the inventory control aspect. Any change in the quantity is to specifically recorded in TC minutes.
- 4.10.5 All the deliberations of TC will be recorded and will have the signature of all members present.
- 4.10.6 TC recommendation (or recommendation of purchase officer in non TC cases) to be presented and approval on procurement proposal to be obtained from the competent authority as per delegation of power for placement of order / contract before expiry of validity period.
- 4.11.0 Retendering to be resorted to under the following circumstances:
 - a) If the specification undergoes substantial change after publication of tender notice.
 - b) If an attempt of cartelisation by the bidders is suspected.
 - c) If the L1 party withdraws from the tender process after opening of price bid.

CHAPTER - 5

ISSUE OF PURCHASE ORDER / CONTRACT

5.1.0 RELEASE OF PURCHASE ORDER

5.1.1 The following aspects shall form part of purchase order and shall be scrutinized by the authority signing the P.O.

- a) The technical requirement of the item shall clearly be specified as given in the Indent / BM / DAP.
- b) The mode of inspection shall be indicated in clear terms.
- c) Delivery schedule.
- d) It shall be indicated that the supplies should be from the latest batch of production and the accompanying delivery challan / packing note shall indicate the batch number of production for traceability where ever necessary.
- e) The consignment shall be accompanied by inspection / test and Guarantee certificate from the supplier.
- f) Purchase order format for indigenous and foreign purchases would be same as Given at Annex - 10.

5.1.2 For all TC cases having individual value above Rs. 10 lakh, the purchase orders should be vetted by Finance before issuing purchase order. For other cases the order signing authority will scrutinize the purchase order before issuing the purchase order.

5.2.0 SIGNING OF PURCHASE ORDER

Signing authority of a Purchase Contract will be guided by delegation of power.

5.3.0 ISSUE OF PURCHASE ORDER / (GUIDE LINES)

5.3.1 Purchase Order (PO) shall be placed in the prescribed proforma after obtaining approval of the competent authority as per delegation of powers.

5.3.2 The escalation / variation clause where envisaged or insisted upon should be

carefully drawn up to avoid disputes at a later stage or undue benefit to the suppliers. The basic elements on which escalation is agreed upon constituting the price (base price) at the time of placement of the order should be verified and their authenticity confirmed. Escalation formula and authentic index to be relied upon for this purpose should be clearly laid down.

5.3.3 All Orders should have proper stipulation like liquidated damages and Risk Purchase Clauses to ensure timely supply of the material and should include General terms & condition of contracts of purchase of HEC (Annex – 6, also available at HEC's web site).

5.3.4 Purchase Order should be self-contained and comprehensive. References to pertinent correspondences should be given wherever applicable. Suitable clauses should be included regarding the following aspects:

- a) Timely submission of drawings and mode of approval (if applicable).
- b) Submission of technical specification and feed back data by the supplier for carrying out detailed engineering (if applicable).
- c) Supplier should furnish back up guarantee / warranty in respect of supplies.

5.3.5 Any document, contract, terms & conditions pertaining to legal aspects should be vetted by legal / law department.

5.4.0 **EXTENSION OF DELIVERY**

5.4.1 Delivery period extension be initiated only on request and not on routine / casual manner. Extension of delivery period may be granted by the competent authority as per delegation of powers.

- a) The extension of delivery period when granted shall normally be subject to the following conditions :
 - i. No increase in price shall be granted if the same takes place during the extended period, despite a variation clause; but reduction if any shall be availed of.
 - ii. No increase in rate on account of statutory increase or fresh imposition of any duty or taxes levy-able in respect of the materials and labour employed on the work and which takes place during the extended period shall be admissible.

- iii. Such extension of deliveries shall be granted after ensuring that there was no loss due to extension to the company (HEC) and reasons given by the party for extension are justified.
- iv. LD may be levied against suppliers /contractors in case of delay in supply in respect to date of delivery specified in Purchase Order.
- v. There is no downward trend in the prices of the items under procurement.

An undertaking may be demanded from the supplier / contractor stating that there was no downward trend in price and if there is any reduction in price in the extended period he will indicate the reduced price and charged accordingly.

- b) If the delivery period is rescheduled for reasons not attributable to the supplier the rule (a) above will not be applicable.

5.4.2 If the waiver/ extension of delivery period does not call for any extra financial implication compared to original approved value of the Purchase proposal, such waivers may be approved in accordance with delegation of powers.

5.4.3 In case of any extra financial implication, the same shall be put up to the appropriate authority, as per the delegation of powers, depending upon extra amount involved.

5.4.4 If a supplier has not completed supplies against the existing order, fresh order will not be considered till he completes the earlier order for the same item. (exception : in case the earlier delivery delay / non supply is due to revised production / requirement schedule of HEC)

5.4.5 CRV to be compulsorily raised within 10 days of receipt of material.

5.5.0 **AMENDMENT TO ACCEPTANCE OF TENDER / PURCHASE ORDER**

5.5.1 Amendments to the Purchase Order may have to be issued due to various reasons. All amendments having financial repercussions should be approved by the competent authority as per delegation of powers, based on recommendation of TC.

5.5.2 Normally changes not to be made in specification after issue of P.O., if so become unavoidable the same should be done with the consent of HOD of

the concerned Indenting Department and with the concurrence of Finance and approval as per delegation of power. Such changes should be done in absolutely unavoidable circumstances only, which should be duly recorded along with financial implication, if any. In case the changes in the specification do not have any financial implication, the amendments will be issued after proper approval.

5.5.3 In case of financial implications due to changes in the quantity or specification, approval of competent authority as per delegation of power to be taken.

5.5.4 In cases requiring changes in the original terms and conditions of the offer involves financial implications (not covered within his delegation of powers), approval shall be obtained as per delegation of power.

5.6.0 **PAYMENT TERMS & MODE OF PAYMENT**

5.6.1 As far as possible, payment should be made only after receipt and acceptance of the goods.

5.6.2 Payment through L.C. or through Bank should also be discouraged in general.

5.6.3 The final recommendation will be proposed by T.C. on the merit of the case.

5.6.4 Advance payment should be discouraged in general. In some specific unavoidable circumstances where 'advance' payment terms agreed, the same should be interest bearing and allowed after getting acceptable BG for an equivalent amount.

5.6.5 Before release of final payment the following should be ensured by the account department.

- a) CRV as per the P.O.
- b) Recoveries to be made for excess payment, damages or due to other causes, unless a decision by an appropriate authority to the contrary is taken in writing.

5.6.6 Mode of payment may be through cheque, demand draft (excluding bank charges) or e-payment.

5.7.0 **TAXES**

If any tenderer does not ask for taxes and duties as extra in his quotation and if this clause has accordingly been incorporated in the P.O. the tenderer will

not be eligible for any payment towards this. The Sales Tax number should be mentioned in the P.O. proforma. The concessions wherever applicable should be availed. In all case of excisable items on which the Plant may be able to avail CENVAT CREDIT the supplier must furnish the necessary documents. Similarly in case of VAT credit supplier must furnish necessary documents.

5.8.0 CANCELLATION OF PURCHASE ORDER & RISK PURCHASE

When it is intended to cancel the purchase order or contract which has been kept alive after expiry of delivery period by the conduct of parties, it is necessary to issue a notice to the concerned party before actual cancellation giving a period of fifteen days or such period as Law Department may advise for supply of material without prejudice to our right to recover LD as per terms of contract. Where the order is not kept alive beyond delivery period by application of conduct of the parties, cancellation should be issued by the Materials Management Department / Contract cell immediately after expiry of the delivery / completion period stating that quantities incomplete on the due date are cancelled and risk purchase will be made in terms of the relevant articles of the tender conditions of the contract. However before resorting to the risk purchase, approval of the next higher authority should be taken. All the risk purchase notices to be served after getting them vetted by Law Department. Whenever necessary, Law Department should be consulted to frame the notice so that company's interest is best protected.

5.9.0 PROCEDURE FOR COMMITMENT OF ORDER

5.9.1 Every purchase order / order amendment issued by the Division should be entered in the register / computer data base before its release. This is essential to have control on the expenditure on the budget allocation for the concerned financial year. The purchase order/ order amendment should bear the commitment reference and the date of commitment duly signed by the person committing the order to the commitment register/computer. The commitment register will be maintained in respective MM Division.

5.9.2 The Purchase Department will also provide statement of liability to indicate the spread of payment to the supplier which depends on the delivery schedule and payment terms given in the order.

5.9.3 The register should contain the following details-

- Commitment reference;
- Date of Commitment;
- P.O. Ref;
- Name of supplier;
- Place;
- Material description
- Value of order (landed cost including freight, taxes & duties)
- Terms of payment
- Delivery
- Work Order No.

5.9.4 The responsibility of maintenance of Commitment register and feeding to / sharing with the Finance Dept. of the unit would lie with the I/c. of Material Management Division of Plant.

5.9.5 **AMENDMENTS TO PURCHASE ORDER**

5.9.6 Amendment to purchase orders generally arises because of the following:

- Increase in price
- Extension of the delivery date
- Amendment to quantity
- Necessity to short-close the order
- Change in terms of payment
- Change in mode of transport
- Transfer of order in another name, as per request of the supplier
- Diversion from one source to another
- Changes in specification
- Any other reasons

5.9.7 Cases for amendments shall be put up to the relevant TC (which had recommended the original order).

5.9.8 Any errors/ omission made by purchase dept. in translating the TC decision into the order can however be corrected by the purchase dept. itself without referring the same to TC.

5.10.0 OFFLOADING ORDERS FOR MANUFACTURING

5.10.1 In situations arising due to capacity constraint, or as decided by the criteria of economics of in-house manufacture vis-a-vis off-loading, the decision for resorting to off-loading order to outside approved sources can be taken with approval of Plant Head. In all offloading cases normal purchase procedure to be followed. However, the total value of off-loading shall not exceed the provisions made in the annual approved budget for the Plant / Unit. In the event of off-loading exceeding the above limit, prior approval is to be taken from Director (Production) or equivalent. When material is issued to the sub-contractor under fabrication order, it should be against a Bank Guarantee.

5.11.0 EMERGENCY PURCHASE

5.11.1 Purchase of raw materials and components for production / maintenance in cases of emergency can be resorted to by relaxing procedures followed in case of normal purchases. Divisional Heads will be solely responsible for the proper exercise of powers and finalisation of orders. Proper justification shall be brought out in writing indicating (i) the reasons which led to emergency purchase (ii) a realistic assessment of production losses if emergency purchases not resorted to (iii) extra financial implications if any, as compared to normal procurement (iv) other information if any, i.e. such items not available or cannot be spared by other Divisions, present order position etc. Policy in respect of Emergency purchase have been dealt in clause 3.8.0 above.

5.11.2 The procedure to be adopted for Emergency / Rush Purchase will be the same as in the case of normal purchase, with the exception that short dated limited tenders shall be invited from the local / near by parties or through Kolkata Branch Office and the entire purchase to be completed within a period of shortest possible time. Quantities to be ordered shall in no case exceed 3 months requirements. At the same time arrangements for bulk purchase to be initiated if required as per laid down procedure.

5.11.3 Incoming inspection is mandatory for such materials procured through emergency purchase.

5.11.4 The total emergency procurement in a year should not normally exceed 1% of the annual commitment budget of the division for the year, otherwise, approval of Plant Head will be necessary.

5.11.5 Detail information on any emergency purchase to be given to MPIC. The representative of M.P.I.C. of the plant will maintain a record of such emergency purchase commitment and ensure that above limit is maintained.

5.12.0 **LOCAL / CASH PURCHASE / SPECIAL IMPREST PURCHASE**

5.12.1 Cash purchase/ Special imprest purchase will be resorted to by the user department for urgent requirement or when there is delay or failure in supply against regular purchase orders or where regular tender enquiry is not possible and conducive.

5.12.2 No Indent will be required and there will be neither a Tender Enquiry nor a purchase order. Instead the instructions as per guide line and instructions mentioned in delegation of Power to be followed.(Ref. 3.9.0)

5.13.0 **PURCHASE OF CANALISED ITEMS**

Controlled / Canalised items, whether indigenous or imported, are to be procured in accordance with the rules and regulations laid down by Government or Government agencies from time to time. In case of emergency / non-availability of the controlled / canalised items, open market purchase can be made with the approval of the Plant / Unit Head, after following the procedures applicable for purchase of non-canalised items.

5.14.0 **GUIDE LINES ON PURCHASE OF PRODUCTS FROM PUBLIC ENTERPRISES**

Govt. guide lines issued from time to time on this subject is to be followed. A copy of the guideline should be available with incharge MM Dept of respective plants.

5.15.0 **PROMOTION / PREFERENCE OF INDIGENOUS VENDORS**

5.15.1 All Units of the company will encourage indigenous manufacturers of

components / raw-materials meeting the requirements of Quality, Delivery and Cost.

5.15.2 All Units of the company will prefer to place purchase orders on indigenous sources whose products have been proven and after their samples have been found acceptable. Thereafter, firm orders for bulk supplies should be placed on such indigenous vendors.

5.15.3 Newly approved indigenous sources to be encouraged. Every attempt shall be made to obtain indigenous components / materials at the lowest possible cost not exceeding the landed cost of identical imported items. In cases where procurement has to be made from indigenous source at cost exceeding the landed cost of approved foreign source, approval of competent authority not below the rank of Plant Chief is to be obtained.

5.16.0 **LEGAL ASPECTS OF MANAGEMENT**

5.16.1 Materials Management Division should acquaint itself with basic principles of various legal aspects connected with indigenous purchases, imports, taxes, duties, transportation, insurance, mercantile law, arbitration and law-suits. This is required to avoid any litigation as it is not only costly but of uncertain outcome and therefore should be avoided except as a last resort. Unless the Materials Manager understands the legal implications of his job and action, he is likely to involve himself and the company into legal complications, which have to be avoided.

5.16.2 An effective way in which a Material Manager could minimise litigation is to effect procurement from the registered vendors only as far as possible and have a proper vendor registration / vendor rating system.

5.16.3 It is also advisable for the plants / units to keep in constant touch with Law Department / legal authority for review of its procurement terms & conditions and other actions having legal implication from time to time.

5.16.4 All information to be included as a part of the order / contract should appear above the purchaser's signature. Data appearing below the signature is considered as information only by court of law and therefore does not form part of the order / contract.

5.17.0 **GUIDELINES ON BANK GUARANTEE**

5.17.1 The Bank Guarantee (BG) is obtained from supplier as security for due performance of contractual obligations against issue of materials or against advance / down payment to the supplier. Format / content of BG must be legally vetted by legal / law department before accepting to avoid legal complicity in future.

5.17.2 The responsibility for obtaining bank guarantee for adequate amount rests with the Purchase Department.

5.17.3 When bank guarantee is received, the genuineness of the same should immediately be verified by sending a letter to the concerned bank asking them to confirm having issued the said guarantee for the amount specified therein and that the same is current. Alternatively, the supplier may be asked to furnish the bank guarantee through the concerned bank.

5.17.4 Respective Purchase executive shall be made responsible for acceptance, verification and forwarding of all bank guarantees to finance department. Finance Dept. should maintain a register and keep a track of the expiry date etc. and advice Purchase Department in advance for appropriate action.

5.17.5 It should be ensured by the representative of Finance department that all bank guarantees are kept valid and get them encashed, as may be necessary with consultation of Purchase executive.

5.18.0 **TRAINING**

5.18.1 All the officers & staff of Materials Management Division should be given exposure in the following areas:

- Company's materials management policies and procedures in optimising production.
- Awareness in specific role and responsibilities in executing respective functions.
- Dedication and involvement in the process of expediting the procurement of material and other related matters concerned with such procurement.

- Keeping abreast of the changing needs of the Company in terms of materials and quality requirements.
 - Specific role in the implementation of a good vendor relations policy of the Company.
 - The Purchase staff should also be exposed to specific needs and functional requirement of each of the material that goes into the project so that such knowledge could be better applied in their function and to effectively communicate with the originators and so also with the vendors.
 - Professionals of MM to be regularly send for training / work shops / conferences in materials management to widen knowledge and sharpen professional skills.
- 5.18.2 Facilitate Continuous Development of Purchase Executives for : Market intelligence, hunting new sources; business dealing through electronic media; commercial rules, regulations & practices.

CHAPTER - 6

PURCHASE PROCEDURE FOR IMPORT

- 6.1.0 PROCUREMENT THROUGH IMPORTS ARE MADE FOR :
- a) Raw-materials like Special Steel, Bearings, Components and the items which are not readily available from indigenous sources.
 - b) Imported source may also preferred due to quality, delivery period, end customer's choice, life of service or economic consideration.
 - c) Procurement of components against Foreign collaborations.
- 6.2.0 The statutory requirement for procurement of inputs have been simplified. The items can be imported under following categories :
- a) Open General licence.
 - b) With Licence.
 - c) Duty free licence/Advance.
 - d) Special import licence for deemed export (Duty Free).
- 6.3.0 All the items can be imported under Open General Licence (OGL) if the item is not mentioned in the negative list of import - export policy. The items which are mentioned in the negative list of the import - export policy is required to be imported after obtaining Import licence.
- 6.4.0 For entering into a contract for Import of components, the procedure to be adopted for inviting the tenders etc., is similar as for indigenous sources.
- 6.5.0 The import orders are accepted normally on opening of Letter of Credit (L/C). Immediate action is to be taken for opening of L/C. on placement of order.
- 6.5.1 An irrevocable, confirmed without recourse to drawer, Letter of Credit will be established by the purchaser in favour of the vendor with the Vendors Banker or with State Bank of India, in their country through designated branch of State Bank of India. The Letter of Credit can be divisible to facilitate allowing part shipments by the purchaser.
- 6.5.2 BANK CHARGES (STAMP DUTIES/TAXES) :
- a) All Bank charges and Stamp duties payable in Vendor's country in connection with the payments to be made shall be borne and paid by the vendor. All Bank charges and stamp duties payable in India shall be borne and paid by the purchaser.

- b) All taxes, fees, duties and other levies freight of any kind that may be payable upto the stage of putting the materials in FOB position shall be borne and paid by the vendor.
- c) All taxes, fees, duties and other levies payable in India on the materials shall be payable by the Purchaser , Subject to any deductions which the purchaser is authorised to make under the contract the vendor shall be bound to pay.

6.6.0 **CONTRACTUAL DELIVERY DATE**

Contractual delivery date is the date on which goods shall be delivered FOB port of shipment in accordance with purchase order and no extension shall be granted in normal course.

6.7.0 **INSPECTION / REPLACEMENT / RECTIFICATION OF DEFECTIVE ITEMS**

- 6.7.1 The packages arriving at the ultimate destination, i e. purchaser's stores/ erection site, will be opened and inspected by representatives of vendor and purchaser.
- 6.7.2 If for any package, the components supplied therein are found to be not in accordance with the specifications or if found to be not in conformity with the quantity indicated in the packing list furnished along with the package, purchaser shall make a claim against vendor and such claims to be considered by vendor if submitted within 60 days from the date of the arrival of the concerned package at Stores/erection site. (This will, however not apply in insurance cases).
- 6.7.3 If in any package, any of the items is found to be defective, purchaser shall make a claim against vendor. Such claim to be considered by vendor if submitted within the warranty/guarantee period.
- 6.7.4 Vendor shall replace at their own costs all the items which are found to be short shipped Or not according to the specifications or found defective, with new items of equivalent quality and quantity or rectify such items, to the satisfaction of purchaser.
- 6.7.5 If any package is received in damaged condition at Kolkatta port (or any other port) or any items are damaged or lost in transit, such packages / supplies shall be inspected by the representatives of Purchaser, vendor and authorised insurance surveyor, wherever so required and list of items damaged/lost shall be prepared, valued and intimated to vendor for arranging replacements and pursuing insurance claim with their underwriters until claims are settled.

Vendor shall, however, lodge such claim with their underwriters in time (This clause is applicable for CI F contract only).

6.7.6 Vendor shall have no responsibility for loss in regard to supplies that are damaged or lost after arrival at port of destination. (Replacement of any items necessary due to any cause including items, which are to be replaced at purchaser's cost shall be done expeditiously by vendor).

6.7.7 The above clause shall not affect in any manner the provisions of warranty/ guarantee clause. In no event shall vendor be liable for consequential damages.

6.8.0 **DEMURRAGE :**

In case the documents are not received in time or the documents are incomplete or faulty, the vendor shall be responsible to reimburse demurrage if any, paid by purchaser due to above reasons.

6.9.0 In order to avail the concession on custom duty for the materials which are to be imported for initial installation/substantial expansion of the plant, falling under the purview of the Project import, it is necessary that contract/ supply order for such items should be registered with the custom authorities for obtaining Project concession, recommendation of sponsoring authority for concessional rate of duty should be obtained prior to the clearance of materials from Customs.

In case of any duty free import of any item under special import license, all the necessary formalities as per laid down procedures (including post supply formalities) to be carefully complied to and properly documented.

6.10.0 Bill of entry of the material on arrival at Port, be submitted immediately, to avoid port rent and clearance be made after payment of Custom Duty.

6.11.0 The imported items be correctly classified as per Custom Tariff, taking into account any concession applicable on custom duty as per policy in vogue.

6.12.0 Bank Guarantee: all the guarantees either against advance payment or against performance by the foreign vendor must be routed through purchaser's banker and in the Globally accepted format as (and format approved by RBI). No Bank Guarantee from foreign vendor shall be accepted directly.

CHAPTER - 7

VENDOR REGISTRATION & VENDOR RATING

7.1.0 REGISTRATION OF FIRMS

7.1.1 The HMBP, MM Division will have a Centralised Vendor Registration Cell for all the plants which will keep ready the list of dependable vendors for each category of items. The Vendor Registration Cell will maintain a list of suppliers, category wise (item / group of similar items) and this should be given to different sections of Purchase Department.

7.1.2 The Vendor Registration is a continuous process and list should be updated from time to time (in register and computer file). After annual review new firms, which have come up in course of time in different areas, should be included in the list for circulation to concerned departments. At the same time, the names of the firms which have stopped dealing with HEC or which have not performed well or who have not renewed their registration should be deleted.

7.1.3 The validity of Vendor Registration is for 3 years and to be renewed thereafter.

7.1.4 Registered vendors are generally exempted from furnishing bid security along with the bid.

7.2.0 Procedure for preparation and maintenance of list of approved supplier.

7.2.1 For registration of vendors, a proforma of application prescribed has been prescribed (Annex-11) and can be down loaded from HEC's website. Any firm, applying for registration, will give the details of manufacturing facilities with them, names of the machines etc. and the capability for supply of different types of items. The firm should also give its past record of supply to major customers particularly to Public Sectors. The application of a firm should be scrutinised and then facilities available with them should be got checked by Vendor Registration Committee who will 'recommend' or 'reject' the request for registration based on their scrutiny. A suitable registration fee should be charged for registration.

7.2.2 The application forms received from the various firms will be scrutinised thoroughly by the Registration Section. If it is found that the application is

incomplete, a back reference will be made to the firm(s) concerned for furnishing the complete data within 15 days, in case the replies given by the firm (s) are of an evasive nature / proper reply not received, no further enquiries need be made and the enlistment be refused.

7.2.3 All applications for registration must be accompanied with the following statement/ documents viz:

- a) Last Annual Report (in case of limited companies).
- b) Audited Profit & Loss Account and Balance Sheet for the last year (in case of limited companies).
- c) A statement showing the results of operation and financial position of the supplier during the preceding three years in the proforma set out in Sl. 20 of printed application form (Annex-11).
- d) Photo copy showing PAN (Permanent Account Number) account no. under Income Tax Rule, Sale Tax Registration number, VAT Registration number.
- e) Attested copies of Registration Letters as approved suppliers from Railway, Govt. Dept., Public Undertakings / Enterprises and reputable commercial concerns if any.
- f) A statement showing the number, date, description of materials and value of supply orders executed by the firm for Railways, Govt. Dept., Public Sector Undertakings / Enterprises and reputable commercial organisation during the past 12 months.
- g) All other documents as required in the application form e.g. proof of ownership, Memorandum and Article of Association in the case of limited companies etc. as the case may be.

7.2.4 The firm which can furnish documentary proof of their having valid registration with Railways, Govt. Dept., Public Undertakings / Enterprises, will be registered if their applications are complete in all respects and in order.

7.2.5 In case the firms are enlisted with any of the above concerns as mentioned in para 7.2.4, it is desirable to verify the locus standee and performance of the firm in execution of any contract to Govt. Dept., Railway, Public Undertakings/ Enterprises and reputed commercial concerns during the past 12 months. For this purpose a reference shall be made to the respective organisation(s) as well as to Branch Manager of HEC to find suitability about the firm.

7.2.6 In case of new firms, who are neither registered with Railways etc. nor have executed any Purchase Orders of Public Enterprise(s) or reputable concern(s) it is necessary that the capacity of the firm should be ascertained by inspecting the firm's Factory / Workshop / Godown etc., by a competent officer of the Corporation. Nomination of such officers will be done by the incharge Materials Management Division. Regarding financial stability of the firm(s), a report will be obtained from the firm's Bankers through State Bank of India, Hatia.

7.2.7 In all cases of registration the period of enlistment should be recorded. The normal period of registration of firm(s) should be 3 years only. The firm(s) should apply for renewal of the registration well in advance of the date of the expiry of 3 years.

In case the firm(s) do not apply for renewal in time formal notices for submitting their application for renewal shall be issued to them by the Registration Section.

7.2.8 On receipt of the applications, inspection reports etc., each case will be examined by the Registration Committee. The Registration Committee with its recommendation will put up to Chief of the Plant, HMBP for approval.

7.2.9 A Register of Approved Suppliers will be maintained. This register will be frequently reviewed and maintained up-to-date. A list of the approved suppliers will be made available to all the Purchase Sections initially. Subsequently amendments will be issued from time to time, on the basis of which Purchase Sections will keep their lists up-to-date.

7.2.10 The following registers will be maintained by the Registration Section :

- a) Register of Approved Suppliers.
- b) Register of Suspended and Banned firms.
- c) Self Registered firms (firms with reputation as proposed, analysed by Registration Committee and duly approved by competent authority)

7.3.0 **PROCEDURE FOR REMOVAL FROM THE LIST OF APPROVED SUPPLIERS, BANNING & SUSPENSION.**

7.3.1 Removal from the list of approved suppliers, may be done due to recorded reasons, such as:

- a) If the firm fails to execute a contract or fails to execute it satisfactorily.
 - b) When the firm neglects to quote in response to our consecutive invitation of tenders.
 - c) When the firm is declared bankrupt or insolvent.
 - d) When the firm has engaged itself in unethical conduct.
- 7.3.3 Orders for removal, from the list of approved suppliers, will be initiated by the Purchase executive and will be placed for recommendation of Registration committee. Registration Committee after examination will put up to Chief of Plant, HMBP for approval.
- 7.3.4 Tenders received from a firm whose name has been removed from the list of approved suppliers should be given the same consideration as is given to tenders from un-registered parties and the benefit of exemption if any, should be deemed to have been withdrawn.
- 7.3.5 Once a firm is removed from the list of approved suppliers (on account of some fault as punishment measure and removal was not because the firm failed to renew its registration), the same would not be restored unless the G.M./ Chief of the Plant is personally satisfied that registration requirements have been fulfilled by the firm.
- 7.4.0 **BANNING AND SUSPENSION**
- 7.4.1 In the case of firms indulging in malpractices or where the proprietors, partners or any of the Directors of the firm are convicted of offences involving moral turpitude or in the case of corruption against the firm, the Vigilance Section of the Corporation will make necessary investigations and furnish its findings to appropriate authority (normally CMD). After consultation with Law department banning / suspension decision shall be taken. Issuing authority for such action shall be Chief of Materials Management of respective plant / Division.
- 7.5.0 **PROCEDURE FOR VENDOR RATING.**
- 7.5.1 The performance of the supplier against each supply order should be watched by the Purchase Officer. The vendor rating should mainly based on following counts:
- a) Adherence to Delivery Period
 - b) Quality of supplies

7.5.2 Each count will have 50 marks and will be evaluated normally twice a year. Delivery marking will be done as given below:

- | | | |
|---|---|----|
| a) Delivery within Contractual Delivery Period (DP) | : | 50 |
| b) Delivery delayed upto one month from DP | : | 40 |
| c) Delivery delayed upto two month from DP | : | 30 |
| d) Delivery delayed beyond two months | : | 0 |

7.5.3 Date of Inspection Call / Note, Despatch, Invoice which ever is earlier will be considered as Delivery date for assessment purpose. (However, if it is established that the firm had issued inspection call, despatch invoice etc. without actually making the item ready, the actual date of readiness to be taken for the purpose and a warning letter to be issued against the firm.)

7.5.4 Quality rating will be done on acceptance of material on receipt. User's comments regarding quality complaints, failures etc. are recorded by MPIC on User's Complaint Register (eg: FM:MM:04, under ISO for HMBP). This register is put up bi-annually to a re-evaluation committee consisting of the following :

- a) Head of MM Division
- b) Indentor / RPD
- c) Quality Control Dept.
- d) Head of MPIC (convener)

The committee may co-opt, any other member(s) whose participation is considered necessary.

7.5.5 The committee goes through the user comments register and also takes into account any adverse report / lack of response against the supplier from purchase if any and decide the course of action.

7.5.6 Marking for quality will be done as below:

- | | |
|------------------------------|----|
| a) No complaints | 50 |
| b) Suitable after minor work | 30 |
| c) Suitable after major work | 10 |
| d) Failure | 0 |

Respective supplier whose supplies need re-work (major or minor) in two successive cases shall be served a caution letter indicating their quality

deficiency. Three successive supplies needing re-work (major or minor) will call for de-registration (except for developmental orders) and proposal in this regard shall be initiated by Vendor Registration Committee.

7.5.7 Supplier Rating :

Grades	Rating	Action
A	Above 90%	Excellent & reliable
B	Above 80 – up to 90 %	Very Good
C	Above 60 – up to 80 %	Good
D	40 – up to 60 %	Performance to be monitored and provide assistance to improve.
E	Below 40%	It will be critically examined by the committee for future necessary action including delisting, debarring from future orders etc.

7.5.8 MPIC will communicate the assessment to the supplier(s) with copies to concerned Purchase Group and Central Purchase for taking action.

7.6.0 Vendor List Review & Updating

7.6.1 Incharge MM Division of each plant will take initiative to review the 'Vendor List' twice a year preferably in the months of April and October every year. Chief of Plant (or Division) / GM will constitute a committee of members from:

- Design, Engineering, Process / Technology
- Production, Maintenance, Aux. Depts. / Service Depts.
- Purchase, MPIC, Central Purchase (Vendor Registration), Stores
- Marketing, After Sales & Service / Reconditioning.

['Vendor List' means listed vendors comprising of Registered Vendors and Non registered (regular supplier or reputed manufacturer / dealer in specific product category) and approved by competent authority.]

- 7.6.2 After analysing the past performance of vendors, vendor rating (as prepared by MPIC), and considering all other future aspects the committee may propose for dropping some of the vendors with proper justification and put up to GM / Chief of Plant in respective plants for approval. Names of registered vendors however can not be dropped from vendors list till it is deregistered. The committee to recommend such cases to Central Purchase / HMBP with proper justification for deregistration.
- 7.6.3 All the newly registered vendors will be automatically included in the Vendors List based on information from Central Purchase (Vendor Registration cell) and no further approval is required for this.
- 7.6.4 Self Registered vendor: Different departments (under the signature of Head of the Department) may propose inclusion of new vendors in defined product groups. The committee will analyse all cases for which the proposals have been received and will recommend suitably for inclusion in the Vendors List. After approval of GM / Chief of the respective plants the same will be included in the vendors list. However it is recommended that vendor should be requested to enlist itself as HEC's registered vendor informing details procedure for registration prior to listing. Each vendor will be allocated a unique code number.

CHAPTER - 8

Miscellaneous Issues

8.1.0 Head of Material Management Division of each plant, should arrange for submission of Management Reports periodically to the Plant Management and Corporate Management on all important aspects of purchasing activity. The formats and the periodicity of the reports would be notified from time to time.

8.2.0 MIS Reports to be periodically generated cover the following.

8.2.1 **MIS to Plant Management**

Age and cause analysis of Indents / Material Purchase requisitions (MPR) not converted into purchase orders within stipulated period (normally, 60 days for LTE and 90 days for open tender).

8.2.2 Age and cause analysis of pending payments outstanding beyond 60 days (Monthly Report).

8.2.3 Statement of cases with cause analysis, where procurement has been made resorting to emergency / cash purchase.

8.2.4 Statement of cases showing details of type of Tendering adopted i.e. Open Tendering, Limited Tendering and Single Tendering (Quarterly Report).

8.2.5 Details of cases with justification where the orders have been placed at 15% higher than the last purchase rates.

8.2.6 Statement of cases with cause analysis, where demurrage charges have been paid.

8.2.7 Monthly list of payments made indicating the CENVAT element and list of CENVAT received.

8.2.8 **MIS to Corporate Management**

8.2.9 Details of all Purchase Orders awarded during the month to be reported in electronic data base form as per CVC's instruction for onward transmission.

8.2.10 Purchase/Commitment Budget vis-a-vis the actual achievement during the period.

8.3.0 **Disputes**

Normally, there should not be any scope of dispute between the purchaser

and the supplier after entering into a mutually agreed valid contract. However, due to various unforeseen reasons, problems may arise during the progress of the contract leading to disagreement between the purchaser and the supplier. Therefore, the conditions governing the contract shall contain suitable provision for settlement of such disputes / differences binding on both the parties.

8.3.1 Mode of Settlement

Mode of settlement of such disputes/differences shall be through Arbitration. However, when a dispute/difference arises, both the purchaser and the supplier shall first try to resolve the same amicably by mutual consultation. If the parties fail to resolve the dispute by such mutual consultation within twenty-one days, then, depending on the position of the case, either the purchaser or the supplier shall give notice to the other party of its intention to commence arbitration. The applicable arbitration procedure will be as per Indian Arbitration and Conciliation Act, 1996. The venue of arbitration shall generally Ranchi (place from where the contract has been issued)

8.3.2 Applicable Law

The contracts shall be interpreted in accordance with the laws of the Union of India.

8.4.0 **Buy Back Offer**

When it is decided with the approval of the competent authority to replace some existing old goods with their newer and better versions/substitutes, the department may trade the existing old goods while purchasing the new ones. (estimated value of the new item + estimated value [residual / scrap / market] of the old system / component taken together to be matched in the delegation of power table to determine competent authority). For this purpose, suitable clauses are to be incorporated in the tender enquiry document so that the interested tenderers formulate and submit their tenders accordingly. Provision should also be kept in the tender documents to permit the interested tenderers to inspect the old goods to be traded through this transaction. Appropriate provision should also be kept in the tender document allowing the purchase organization to reserve its right to trade or not to trade the old goods while purchasing the new ones and the tenderers are to be asked to frame their quotations accordingly covering both the options. Depending on the value and condition of the old goods to be traded, the time frame for as well as the mode

of handing them over to the successful tenderer should be decided and relevant details in this regard suitably incorporated in the tender document.

8.4.1 **Maintenance Contract**

Some goods, especially sophisticated equipment and machinery need proper maintenance for trouble free service. For this purpose, the purchase organization may enter into maintenance contract. It must however be kept in mind that maintenance contract is to start after the expiry of the warranty period, during which period the goods are to be maintained free of cost by the supplier (in case of any hardware, however software support may be needed to incorporate changes due to change in working parameters, requiring maintenance in the first year also).

8.4.2 Maintenance contract may be entered into either with the manufacturer/supplier of the goods or with a competent and eligible firm, not necessarily the manufacturer/supplier of the goods in question. The purchase organization should decide this aspect on case to case basis on merit. If the maintenance contract is to be entered into with the supplier of the goods, then suitable clauses for this purpose are to be incorporated in the tender enquiry document itself and while evaluating the offers, the cost component towards maintenance of the goods are also to be added in the evaluated tender value on overall basis to decide the inter se ranking of the responsive tenderers. An equipment with a lower quoted price may carry a higher maintenance liability. Therefore, total cost on purchase and maintenance of the equipment over its projected lifecycle should be assessed to consider its suitability for purchase. However, if the maintenance contract is to be entered into with a competent and eligible supplier separately, then a separate tender enquiry is to be floated for this purpose and tenders evaluated and ranked accordingly for placement of maintenance contract. Here, the supplier of the goods may also quote and its quotation, if received, is to be considered along with other quotations received. While evaluating the tenderers for maintenance of goods covering a longer period (say, more than one year), the quoted prices pertaining to maintenance in future years are to be discounted to the net present value (NPV) as appropriate for comparing the tenders on equitable basis and deciding the lowest evaluated responsive tender.

8.4.3 The details of the services required for maintenance of the goods, the required period of maintenance and other relevant terms & conditions including payment terms are to be incorporated in the tender enquiry document. The terms of payment for the maintenance service will depend on the nature of the goods to

be maintained as well as the nature of the services desired. Generally, payment for maintenance are made on annual or half-yearly or quarterly basis.

- 8.4.4 A suitable provision should be incorporated in the tender enquiry document and in the resultant maintenance contract indicating that the prices charged by the maintenance contractor should not exceed the prevailing rates charged by it from others for similar services. While claiming payment, the contractor is also to give a certificate to this effect in its bill.
- 8.4.5 If the goods to be maintained are sophisticated and costly, the tender enquiry document should also have a provision for obtaining performance security. The amount of performance security will depend on the nature of the goods, period of maintenance etc. It generally varies from 2.5 % to 5% of the value of the equipment to be maintained.
- 8.4.6 Sometimes, the maintenance contractor may have to take the goods or some components of the goods to its factory for repair etc. On such occasions, before handing over the goods or components, suitable bank guarantee is to be obtained from the firm to safeguard purchaser's interest.
- 8.4.7 Sometimes, during the tenure of a maintenance contract, especially with a longer tenure, it may become necessary for the purchase organization to withdraw the maintenance contract due to some unforeseen reasons. To take care of the same, there should be a suitable provision in the tender document and in the resultant contract. A model clause to this effect is provided below: "The purchaser reserves its right to terminate the maintenance contract at any time without assigning any reason. The contractor will not be entitled to claim any compensation against such termination. However, while terminating the contract, if any payment is due to the contractor for maintenance services already performed in terms of the contract, the same would be paid to it as per the contract terms". Depending on the cost and nature of the goods to be maintained, suitable notice period for such cancellation to come into effect is to be provided in the documents.

8.5.0 **Turnkey Contract**

A turnkey contract is a mix of goods contract i.e. procurement and works contract.

The contractor is to design the plant and quote accordingly. The responsibility of the contractor will include supplying the required goods, machinery, equipment etc. needed for the plant; assembling, installing and erecting the same at site as needed; commissioning the plant to meet the required output etc., **as a package** as specified in the tender enquiry documents. If the performance and

output required from the plant proposed to be set up and broadly outlines the various parameters it visualizes for the desired plant the procurement shall be guided by Works Manual.

8.6.0. **The Integrity Pact**

The Integrity Pact is a tool developed in the 1990's by Transparency International to help governments, businesses and civil society to fight corruption in the field of public contracting. IP establishes mutual contractual rights and obligations to reduce the high cost and distortionary effects of corruption in public contracting.

8.6.1 Mechanism

IP is intended to make public procurement transparent by binding both parties to ethical conduct. It also envisages a monitoring role for civil society who are the ultimate beneficiaries of government action. IP should cover all activities related to the contract from pre-selection of bidders, bidding and contracting, implementation, completion and operation.

8.6.2 Terms of contract

The Public Authority commits that:

- no official will demand or accept any illicit gratification to give any of the parties an advantage at any stage.
- all necessary and appropriate technical, legal and administrative information related to the contract will be made public
- none of the officials will make available confidential information to a bidder/contractor to give unfair advantage in the contract
- declaration by all concerned officials any conflict of interest and disclosure of own and family assets
- officials will report to appropriate government authority about any breach/attempt to breach a commitment.

The Bidder commits that:

- they will not offer any illicit gratification to obtain unfair advantage
- they will not collude with other parties to impair transparency and fairness behavior
- will disclose all payments made to agents and intermediaries
- it will demonstrate existence of organization-wide code of conduct forbidding unethical practices.

8.6.3 Penalties

For failure to implement IP, officials will be subject to penal action and bidders will face cancellation of contract, forfeiture of bond, liquidated damages and blacklisting. Action will not require criminal conviction but be based on “no-contest” after the evidence is made available or there can be no material doubts. Disputes in IP implementation would be resolved by arbitration detailed in IP.

8.6.4. Implementation

Monitoring is a key aspect of IP implementation. Public access of all relevant information is a necessity. It calls for a forum in which representatives of civil society can discuss the contract itself. The concept of IP includes the existence of Private Sector Inspector General (IPSIG) which will be delegated with the rights of civil society to monitor the contract.

8.6.5 CVC has emphasized the necessity to adopt Integrity Pact (IP) in Government organizations in their major procurement activities. Independent External Monitors (IEMs) should be nominated with the approval of the CVC out of a panel of names proposed by an Organization.

- Adoption of Integrity Pact in an organization is voluntary, but once adopted, it should cover all tenders/procurements above a specified threshold value.
- IP should cover all phases of the contract i.e., from the stage of Notice Inviting Tender(NIT)/pre-bid stage to the stage of last payment or a still later stage, covered through warranty, guarantee etc.
- IEMs are vital to the implementation of IP and at least one IEM should be invariably cited in the NIT. However, for ensuring the desired transparency and objectivity in dealing with the complaints arising out of any tendering process, the matter should be referred to the full panel of IEMs, who would examine the records, conduct the investigation and submit a report to the management, giving joint findings.

8.6.6 After necessary arrangement and approval, Integrity Pact will be implemented in the corporation for procurement and works contract and the effective date of implementation of Integrity pact will be notified. Once the Integrity pact is introduced the following clause to be followed

For all contracts / procurements of estimated value Rs. 5 crores (threshold value) or above, the tender document should have provision of incorporation of Integrity pact. The format of Integrity (Annex – 13) should be a part of tender document. Bidders shall be instructed to submit duly filled in Integrity pact along with the bid (Part – 1, wherever applicable) without which the bid shall not be considered for further evaluation.

Delegation of Power

The Board of Directors, Heavy Engineering Corporation Ltd. has vested authority and power related to procurement and contract matters on Chairman cum Managing Director (CMD). CMD in turn, delegates power and authority to concerned executives for taking decisions on Procurement & Contract matters as given in the attached 'Schedule of Powers Delegated in Respect of Purchase'.

As per Board of Directors 287th meeting and its resolution, CMD will be the approving authority for Purchase matter and Contracts valued up to Rs. 100 crores (a single purchase order / contract) subject to abiding by all necessary purchase procedures in such matters. Beyond this limit of value the matters will be referred to Board of Directors for approval.

The delegation of power by CMD to concerned executives may be modified from time to time with the approval of CMD.

Annex – 1(A)

**Schedule of Power delegated in
respect of Purchase**

**As per Circular No. Sect. / Del. Power / 71 / 06-176
dt. 22-08-2006, Office Order No. 03 / 2006**

Annex – 3

PAC / CPM

(Proprietary Article Certificate / Customer’s preferred Make)

(this is in pursuance to procure the article from single source / specific sources
in accordance to clause 3.5.1(a, c, d) of Purchase Manual)

No date :.....

Description of the item	Qty	Manufacturer’s name & address	Remarks / Indian agent (if the item is foreign make) & address

i. No other make or model other than the above is acceptable for the following reasons:

.....
.....
.....

I hereby certify that to the best of my knowledge and information, an article similar to the above and which can be enable of being used as a substitute for it is not manufactured and sold by any other firm. Purchase of the above mentioned item is unavoidable for continuing operation / maintenance /
.....and the quantity mentioned are required for this purpose.

ii. The Make and source is as per customer’s preference as per customer’s letter No./ document (copy attached)

[please tick whichever of the above is applicable]

(Signature)
(Name & Designation)

(countersigned by HOD of indenting Department)

Approved by :
(Signature of competent authority as per delegation of power)

Central Indent Register (or Data Base)

Indent Reg. No	Date	Indent No. & Date	Item Sl.No.	Item Description / Item Code	Assigned Group	Date of assignment	Item Reqd. by date	Estimated value	Remarks

Annex - 5

Purchase Group's Indent Register (or Data Base)

Indent Reg. No	File No	Item Description / Item Code	Estimated Value	Enq. date		Tender Opn dt.		TC date		PO date		Name of supplier, PO No.	Delivery date		Remarks
				Plan	Accl	Plan	Accl	Plan	Accl	Plan	Accl		Plan	Accl	



HEAVY ENGINEERING CORPORATION LIMITED

(A Government of India Enterprises) RANCHI-4

GENERAL CONDITIONS OF CONTRACT

(This is applicable to Purchase and Supply and Conversion Contracts entered into by the Heavy Engineering Corporation Ltd. Ranchi. This is not Applicable to Works Contracts).

1. DEFINITION AND INTERPRETATION

In the contract, unless the context otherwise requires:

- (1) Acceptance of Tender means the letter of memorandum / intent communicating to the supplier / contractor the acceptance of his tender and includes an advance acceptance of his tender.
- (2) Consignee means where the stores are required by the acceptance of tender to be despatched by rail, road, air or ship / steamer, the persons specified in the Acceptance of Tender to whom they are to be delivered at the destination, where the stores are required by the acceptance of tender to be delivered to a person as an interim-consignee for the purpose of despatch to another person, such other person, and in any other case the person to whom the stores are required by the Acceptance of Tender to be delivered in the manner, there in specified.
- (3) Contract means and includes the invitation to tender, instruction to tenderers, tender, Acceptance of Tender, General Conditions of Contract, Special Conditions of Contract, particulars and the other conditions specified in the acceptance of tender and includes a repeat order which has been accepted or acted upon by the contractor and a formal agreement if executed;
- (4) The Contractor means the person (s), firm or company with whom the order for the supply is placed and shall be deemed to include the Contractor's successors (approved by the Purchaser), representative, heirs, executor, and administrators as the case may be unless excluded by the terms of the contract;

- (5) Drawing means the drawing or drawings specified in or annexed to the Schedule or specification;
- (6) The term Chairman means the Chairman cum Managing Director of Heavy Engineering Corporation Limited;
- (7) The inspecting Officer means the person specified in the contract for the purpose of inspection of stores or work under the contract and includes his authorised representative (s);
- (8) Material means anything used in the manufacture or fabrication of the stores;
- (9) Particulars include :
 - a). Specification ;
 - b). Drawing ;
 - c) Pattern bearing the seal and signature of the Inspecting Officer (hereinafter called the sealed pattern) which shall include also a certified copy thereof sealed by the Purchaser for the guidance of the Inspecting Officer;
 - d) Sample sealed by the Purchaser for guidance of the Inspecting Officer (hereinafter called the certified sample) which shall include a certified copy thereof sealed by the Purchaser for the guidance of the Inspecting Officer;
 - e) Trade pattern, that is to say, a pattern stores conforming to which are obtainable in the open market and which denotes a standard of the Indian Standard Institute or other standardising authority or a general standard of the Industry;
 - f) Proprietary mark or brand means the mark or brand of a product which is owned by an industrial firm ;
 - g) Any other details governing the construction, manufacture or supply of stores as may be prescribed by the contract ;
- (10) Purchase Officer means the Officer signing the acceptance of tender and includes any officers who has authority to execute the relevant contract on behalf of the Purchaser ;
- (11) The Purchaser means the purchaser or purchasers named in the Schedule to Tender, and includes his successors and assignees ;
- (12) Schedule means the schedule annexed to the acceptance of tender;

- (13) Signed includes stamped, except in the case of an acceptance of tender or any amendment thereof ;
- (14) Site means the place specified in the schedule at which any work is required to be executed by the Contractor under the contract or any other place approved by the Purchaser for the purpose ;
- (15) Stores means the goods specified in the Schedule which the contractor has agreed to supply under of services ;
- (16) Supply Order means an order for supply of stores and includes an order for performance of service ;
- (17) Contract Price shall mean the sum accepted or the sum calculated in accordance with the prices accepted by or on behalf of the purchaser;
- (18) Corporation means the Heavy Engineering Corporation Limited ;
- (19) Test means such test as is prescribed by the particulars or considered necessary by the Inspecting Officer whether performed or made by the Inspecting Officer or any agency acting under the direction of the Inspecting Officer ;
- (20) Unit and quantity means the unit and quantity specified in the Schedule;
- (21) Writing or Written includes matter either in whole or in part, in manuscript, typewritten, lithographed, cyclostyled, photographed, or printed under or over signature or seal as the case may be ;
- (22) The Delivery of the stores shall be deemed to take place on delivery of the stores in accordance with the terms of the contract after approval by the Purchaser to :
 - a) The consignee at his premises ; or
 - b) Where so provided the interim consignee at his premises ; or
 - c) A carrier or other person named in the contract as an interim consignee for the purpose of transmission to the consignee.
- (23) Words in the singular include the plural and vice-versa.
- (24) Words importing the masculine gender shall be taken to include the feminine gender and words incorporating persons shall include any company or association or body of individuals, whether incorporated or not ;
- (25) The Heading of these conditions shall not affect the interpretation or construction thereof;

- (26) Terms and Expression not herein defined shall have the meanings assigned to them in the Indian Sale of Goods Act, 1930, (as amended) or the Indian Contract Act, 1972 (as amended) or the General Clauses Act, 1897 (as amended) as the case may be.

2. PARTIES TO THE CONTRACT

- (1) The Parties to the Contract are the Supplier / Contractor and the Purchaser named in the Schedule.
- (2) Authority or person signing the contract on behalf of the Contractor :
- A person signing the tender or any other document in respect of the contract on behalf of the contractor without disclosing his authority to do so shall be deemed to warrant that he has authority to bind the contractor. If it is discovered at any time that the person so signing had no authority to do so, the Purchaser may, without prejudice to any other right or render of the purchaser, cancel the contract and ask the authority to make good the losses for all costs as damages arising from the cancellation of the contract including any loss which the purchaser may sustain on account of such purchase, the provisions of clause shall apply to every such purchase as far as applicable;
- (3) Address of the contractor / supplier for communications on behalf of the Purchaser :
- a) For all purposes of the contract, including arbitration there under, the address of the contractor mentioned in the tender shall be the address to which all communications addressed to contractor shall be sent unless the contractor communicates any other address by letter / fax / e-mail. The contractor shall be solely responsible for the consequence of an omission to notify a change of address in the manner aforesaid.
- b) Any communication or notice on behalf of the Purchaser in relation to the Contract may be issued to the contractor by the Purchaser Officer and all such communications and notices may be served on the contractor either by registered post or under certificate of posting or by ordinary post or by hand delivery or by courier at the option of such officer.

3. QUOTATIONS OF RATES BY CONTRACTORS

- a) The price quoted by the contractor shall not be greater than the ceiling

price fixed by the Government for the stores or where there is no ceiling price, be greater than the price usually charged by the contractor for stores of the same nature, class or description to private purchaser.

- b) If it is discovered that the contractor has contravened the above condition, then without prejudice to any other action which might be taken against him, it shall be lawful for the Purchaser (i) to revise the price at any-stage so as to bring it in conformity with sub-clause (a) above, or (ii) to terminate the contract and forfeit the Security Deposit.
- c) The firms are required to quote only firm prices. No-variation in cost due to changes in cost will be allowed.
- d) Sales Tax of any description and other duties whatsoever where leviable and intended to be claimed should be distinctly shown along with the price quoted. Where this is not done all claims for payment of reimbursement of sales tax of any description / other duties whatsoever whether as a part of the price or as a tax shall be deemed to be waived for all occasions and no such claims shall be entertained on any ground whatsoever. The contractors should indicate their sales tax registration number in the place provided on the tender.

4. INCOME TAX CLEARANCE CERTIFICATE

All tenderers shall submit along with their tender, Permanent Account Number of Income Tax (PAN) and an Income Tax Clearance Certificate duly countersigned by the Income Tax Officer of the Circle concerned under the seal of his office. Failure to produce the requisite certificate will render their quotation liable to be rejected.

5. RESPONSIBILITY FOR EXECUTING CONTRACT

The contractor / supplier is to be entirely responsible for the execution of the contract in all, respects in accordance with the terms and conditions as specified in the acceptance of tender and the schedule annexed thereto. Any changes / modification in inspection criteria, supply condition etc. communicated to the contractor by the Purchase Officer will only be considered valid and lawful.

6. EARNEST MONEY AND SECURITY DEPOSIT

Tenderers are required to deposit as earnest money (as per specified in the Tender Inviting Notice). Earnest Money to be deposited in the forms of :

A demand draft on any Nationalised Banks in favour of Heavy Engineering Corporation Limited, Ranchi.

- a) Instruction regarding Earnest Money or Security Deposit will be specified in tender document.
- b) Draft of Earnest Money to be enclosed only in the part – II bid (Price bid). However, whether Earnest Money is included or not to be mentioned in part – I bid (Techno Commercial bid) without indicating the amount.
- c) Earnest Money Deposit (EMD) will be converted into part of the Security Deposit (SD) in case of successful bidder(s).
- d) EMD of unsuccessful bidders will be returned immediately after finalisation of contract.
- e) Exemption from deposition of EMD and SD for Small Scale Industries shall be guided as per prevailing Govt. Guidelines.
- f) State / Central Govt. Organisations, PSUs, and valid DGS&D/NSIC registered (for tendered items) firm to produce documentary evidence issued by Govt. authorities for allowing exemption towards submission of EMD / SD for availing such benefit.
- g) In the event of the contract materializing, the successful tenders will have to deposit a sum equal to a 5 percent of the total value of the contract as security for the due fulfilment of the contract within 14 days after the written notice of acceptance of the tender has been posted for the Contractor. Failing this the contract will be cancelled at the risk and expense of the supplier. This will be in addition to other remedies available to the purchaser for the successful completion of the contract. The Security Deposit shall be made in the same forms as prescribed for Earnest Money, and in addition also in the form of a Bank Guarantee from a Nationalised Bank or State Bank of India.
- h) Validity : EMD – 6 months ; SD - upto the receipt of the last consignment. In case of Ex Works Contract upto the date of despatch of last consignment.
- i) The Contractors shall have to claim to the refund of the security deposit as made with in two months from the date of the termination of this contract or until the completion of the schedule works covenanted to be executed to the satisfaction of the purchaser and until the final adjustment of accounts between the contractors and the purchaser. Security deposit money shall be retained expressly as a security for the due performance

of the product and terms & conditions and so that upon the happening of the breach of any in particular if the contractors shall fail to supply any article included in the tender as acceptable to the purchaser, the whole or part of the security money shall forthwith become liable to be forfeited irrespectively of the evidence of any pecuniary loss to the Corporation occasioned by such breach.

- j) No claim shall lie against the Purchaser either in respect of interest if any due on Security Deposit or depreciation in value. On due performance and completion of the contract in all respects, the Security Deposit will be returned to the contractor without any interest on the presentation of an absolute “No Demand Certificate” in the prescribed form and upon return in good condition of any specification / process / technology sheets, drawings, samples or other property belonging to the Purchasers which may have been issued to the Contractor.

7. DELIVERY

- a) The Supplier / Contractor shall be required by the Purchaser either to deliver free or F.O.B. or C.I.F. or as detailed in the Schedule of order the quantities of the stores detailed therein and the stores shall be delivered or despatched not later than the dates specified in the Schedule.
- b) The Purchaser shall not be liable to render assistance to the Contractor in securing or to arrange for or provide transport to the Contractor unless it is so specifically stated in the Schedule. Any inspection and approval by the Inspector on the contractor’s premises, property in the stores shall not pass on to the Purchaser until the Stores have been received, Inspected and accepted by the consignee.
- c) No stores shall be deliverable to the consignee’s Stores / Depots on Sundays, Public Holidays and beyond normal working hours without the written permission of the consignee.

8. DELIVERY TIME / PERIOD : THE ESSENCE OF THE CONTRACT

- (i) The time and the date specified in the Acceptance of Tender / Schedule or as extended for the delivery of the stores shall be deemed to be the essence of the contract and delivery must be completed not later than the date (s) so specified or extended.
- (ii) Facilities to the Inspecting Office :
The Contractor shall allow reasonable facilities and free access to his

works and records to the Inspecting Officer, Progress Chasing officer or such other Officer as may be nominated by the Purchaser for the purpose of ascertaining the progress of the deliveries under the contract,

(iii) Failure and termination :

Should the contractor fail to deliver the stores or any instalment thereof, within the period prescribed for such delivery the Purchaser shall without prejudice to his other rights be entitled at his option either:

- (a) to recover from the contractor as agreed liquidated damages (and not by way of penalty) a sum equivalent to 0.5 percent of the price of any stores which the Contractor has failed to deliver as aforesaid for each completed week subject to a maximum limit of 10 % or
- (b) to purchase from elsewhere without notice to the Contractor or on the account and at the risk of the contractor for the stores not delivered or others of a similar description without cancelling the contract in respect of the consignments not yet due for delivery, or
- (c) to cancel the contract or a portion thereof, and if so desired, to purchase or authorise the purchase of stores not so delivered or others of a similar description at the risk and cost of the contractor.

In the event of action being taken under (b) or (c) above, the contractor shall be liable for any loss which the purchaser may sustain on that account provided that the purchase or if there is an agreement to purchase, then such agreement is made within six months of the date of such failure. But the Contractor shall not be entitled to any gain on such purchase made against default. The manner and method of such purchase shall be at the entire discretion of the Purchaser, whose decision will be final. It shall not be necessary for the, purchaser to serve a notice of such repurchase on the defaulting contractor. This right shall be without prejudice to the right or the Purchaser to recover damages for breach of the contract by the contractor.

9. EXTENSION OF TIME FOR DELIVERY

- (a) Extension of time for delivery: As soon as it is apparent that delivery period as prescribed in the contract cannot be adhered to, an application for extension of time shall be sent by the contractor to the office issuing the acceptance of tender and a copy thereof endorsed to the Inspector and the Indentor specified in the Schedule. The discretion to decide whether

extension of time should be allowed or not either with liquidated damages or otherwise will rest with the Purchase Officer (incharge Materials Management of that Plant / Chief of Plant).

- (b) Waiving of loss or damage: If such failure as aforesaid shall have arisen from any cause which the purchaser may admit as reasonable ground for extension of time, the Purchaser shall allow such additional time as he considers to be justified by the circumstances of the case and shall forego the whole or such part, as he may consider reasonable, of his claim for such loss or damage as aforesaid.

10. EXAMINATION OF DRAWING SPECIFICATIONS & PATTERNS

- (1) Generally the stores shall be of the best quality and workmanship and should comply with the contract and in all respects be to the satisfaction of the Inspector as well as the consignee.
- (2) In particular and without prejudice to the foregoing conditions and in addition thereto when tenders are called for in accordance with 'particulars', the contractor's tender to supply in accordance with such particulars, shall be deemed to be an admission on his part that he has fully acquainted himself with the details thereof and no claim on his part which may arise on account of non-examination or insufficient examination of particulars will in any circumstances be considered.
- (3) The contractor shall supply the stores in accordance with the particulars (unless any deviation is authorised as an exceptional case and expressly specified in the Acceptance of Tender).
- (4) If a specification and/or drawing exists then the sealed pattern or certified sample thereof will govern supply only to the extent of workmanship and finish. If neither a specification nor a drawing exists then the sealed pattern or certified sample thereof will govern supply in all respects.
- (5) When neither specification, drawing nor pattern is available to govern supply, the supply must be of quality material, pattern and workmanship which the Purchaser has agreed will be acceptable and the contractor has undertaken to supply. And when under these circumstances, a Contractor's sample has been approved, by the Inspector, the Stores supplied must be equal in all respects to such sample.
- (6) The Purchaser reserves the right to alter from time to time such specifications, pattern and drawings and as from the date specified by

him the Articles shall be in accordance with the specification, patterns and drawings as so altered.

- (7) In the event of any such alteration, involving an alteration in the cost of or in the period required for production a revision of the contract price and of the time for delivery shall be made in relation to the articles, the subject of the alteration. The decision of the Purchaser on the question whether the alteration involves an alteration in the cost of or in the period required for production shall be final and conclusive.

11. MISTAKES IN DRAWING

The contractor shall be responsible for and shall pay for any alterations for the work due to any discrepancy, errors or omissions in the drawings or other particulars supplied by him whether such drawings or particulars have been approved by the Purchaser or not provided that such discrepancies, errors or omissions be not due to inaccurate information or particulars furnished to the Contractor on behalf of the Purchaser. If any dimensions figured upon a drawing of plan differ from those obtained by scaling the drawing or plan, the dimensions as figured upon the drawings or plan shall be taken as correct.

12. SAMPLES

- (1) Advance Sample : Where an advance sample is required to be approved under the terms of the contract, the contractor shall submit the sample free of cost to the Inspecting Officer within the time specified in the Acceptance of Tender. If the contractor is unable to do so he must apply immediately to the office issuing the Acceptance of Tender for extension of time, stating the reasons for the delay. If the purchaser is satisfied that a reasonable ground for an extension of time exists he may allow such additional time as he considers to be justified (and his decision shall be final) with or without alteration in the delivery period stipulated in the acceptance of tender and on such condition as he deems fit. In the event of the failure of the contractor to deliver the advance sample by the date specified in the Acceptance of tender or any other date to which the time may be extended as aforesaid by the purchaser or of the rejection of the sample, the Purchaser shall be entitled to cancel the contract and, if so desired, purchase or authorise the purchase of the stores at the risk and cost of the contractor, in which case the provisions of clause 8 (3) shall apply as far as applicable.

- (2) Unless otherwise provided in the contract, all samples required for test shall be supplied by the contractor free of cost. Where a sample which is supplied free is rejected after examination and tests, the same or whatever remains of the sample after examination and test will be returned to the contractor at his request and cost within three months of the date of such rejection at Public rate at owner's risk.
- (3) Marking : Samples submitted shall be clearly labelled with the contractor's name and address and the acceptance of tender number.
- (4) If the contractor submits a sample whether with, before or after the tender, the same shall not govern the standard of supply except when it has been so specifically stated in the Acceptance of Tender.
- (5) Where under the contract, the contractor is required to submit an advance sample, any expenses incurred by the contractor on or in connection with the production of stores in bulk, before the sample has been approved unconditionally, shall be borne by the contractor and he shall not claim any compensation in the event of such sample being found unacceptable by the Inspecting Officer.
- (6) The rejection of the sample by the Inspecting Authority or Inspecting Officer shall be final and binding on the Contractor.
- (7) Where the contract does not require any advance sample to be approved, the contractor may before proceeding with bulk manufacture or delivery of the stores, if he so desires submit to the Inspecting Officer for inspection a sample of the stores in which case a quantity not less than 1 percent of the total quantity to be supplied unless otherwise authorised by the Inspecting Officer shall be submitted. The Contractor shall not, however, be entitled to be shown any consideration or given any extension of time or claim to be exonerated from completing the delivery within the stipulated period only on the ground of delay in the approval of any such sample.
- (8) If under the contract supplies are governed by a sealed pattern, the contractor shall be bound to examine such pattern before preparing a sample or manufacturing the stores in bulk as the case may be.
- (9) Loan of samples: If a certified sample is lent to the contractor, it will bear a label containing INTER ALIA variations known to the Inspecting Officer between the said sample and the stores desired.
- (10) If the contractor finds any further variation between the certificate samples

and the particulars or specifications mentioned in the schedule he shall at once refer the matter to the Inspecting Officer and shall also give intimation of such discrepancy to the Purchase Officer. The contractor shall follow the instructions of the Inspecting Officer as to what sample or particulars should guide the production of stores and the decision of the Inspecting Officer in the matter shall be final and binding on the Contractor.

- (11) The contractor shall not detach the said label from the certified sample and if for any reasons the said label gets detached, the contractor shall at once return the certified sample to the Inspecting Officer for attaching a fresh table.

13 RISK OF LOSS OR DAMAGE TO CORPORATION OR PURCHASER'S PROPERTY

- (1) All the property of the Corporation or purchaser loaned whether with or without deposit on terms and conditions to be separately agreed upon in respect of each particular contract to the contractor in connection with the contract and shall remain the property of the Corporation or the purchaser, as the case may be. The contractor shall use such property for the purpose of the execution of the contract and for no other purpose whatsoever.
- (2) All such property shall be deemed to be in good condition when received by the contractor unless he shall have within twenty four hours of the receipt thereof notified the purchase officer to the contrary. If the contractor fails to notify any defect in the condition or quality of such property he shall be deemed to have lost the right to do so at any subsequent stage.
- (3) The contractor shall return all such property and shall be responsible for the full value thereof to be assessed by the Purchaser whose decision shall be final binding on the contractor. The contractor shall be liable for loss or damage to such property from whatever cause happening while such property is in the possession of or under the control of the contractor, his servants, workmen, or agents.
- (4) Where such property is insured by the contractor against loss or fire at the request of the Corporation or Purchaser such insurance shall be deemed to be affected by way of additional precaution and shall not prejudice the liability of the contractor as aforesaid.
- (5) The contractor shall furnish a bank Guarantee for safety of materials supplied, if any, by the Purchaser for execution of contract.

14. INSPECTION NOTICE

- (1) When inspection during manufacture or before delivery of despatch is required, notice in writing shall be sent by the Contractor to the Inspecting Officer / Purchaser under registered post (AD) / fax / courier when the stores or material to be supplied are ready for inspection and test, and no stores shall be delivered or despatched until the Inspecting Officer has certified in writing that such stores have been inspected and approved by him.
- (2) Marking of stores :The contractor shall at his own expense mark all the approved stores with a meaningful and recognisable mark which can be easily distinguished as destined for the Purchaser (HEC). The stores which cannot be so marked shall be packed in suitable Packages or cases each of which shall be sealed and marked with such mark.

15. CHARGES FOR WORK NECESSARY FOR COMPLETION OF THE CONTRACT

The contractor shall pay all charges for handling, stamping, painting, marking, protecting or preserving patent / intellectual property rights, drawings, templates, models and gauges and for all such measures as the Purchaser or the Inspecting Officer may deem necessary for the proper completion of the Contract, though special provision therefore may not be made in the specification of drawings.

16. RESPONSIBILITY OF THE CONTRACTOR FOR EXECUTING THE CONTRACT

- (1) **Risk in the stores** : The contractor shall perform the contract in all respects in accordance with the terms and condition thereof. The stores and every constituent part thereof, whether in the possession or control of the contractor, his agents or servants or a carrier, or in the joint possession of the contractor, his agents or servants and the purchaser, his agents or servants, shall remain in every respect at the risk of the contractor until the actual delivery to the consignee at the stipulated place or destination or, where so provided in the acceptance of tender until their delivery to a person specified in the Schedule as interim consignee for the purpose of despatch to the consignee. The Contractor shall be responsible for all loss, destruction damage or deterioration of or to the stores for any cause whatsoever.

ever while the stores after approval by the Inspecting Officer are awaiting despatch or delivery or are in the course of transit from the contractor to the consignee or interim consignee, as the case may be. The Contractor shall alone be entitled and responsible to make claims against a railway administration or other carrier in respect of non-delivery, short delivery, mis-delivery, loss, destruction, damage or deterioration of the goods entrusted to such carrier by the contractor for transit / transmission to the consignee or the interim consignee as the case may be.

- (2) **Consignee's right of rejection** : Notwithstanding any approval which the Inspecting Officer may have given in respect of the stores or any material or other particulars or the work or workmanship involved in the performance of the contract (whether with or without any test carried out by the contractor or the Inspecting Officer or under the direction of the Inspecting Officer) and notwithstanding delivery of the stores where so provided to the interim consignee, it shall be lawful for the consignee, on behalf of the purchaser, to reject the stores or any part portion or consignment thereof within a reasonable time after actual delivery thereof to him at the place or destination specified in the schedule if such stores or part, portion or consignment thereof is not in all respects in conformity with the terms and conditions of the contract whether on account of any loss, deterioration or damages before despatch or delivery or during transit or other wise however.
- (3) Provided that where, under the terms of the contract, the stores are required to be delivered to an interim consignee for the purpose of despatch to the consignee, the stores shall be at interim consignee for the purpose of despatch to the consignee, the stores shall be at the purchaser's risk after their delivery to the interim consignee, but nevertheless it shall be lawful for the consignee on behalf of the purchaser to reject the stores or any part, portion or consignment thereof upon their actual delivery to him at the destination if they are not in all respects in conformity with the terms and conditions of contract except where they have been damaged or have deteriorated in the course of transit or otherwise after their delivery to the interim consignee.
- (4) **Guarantee Clause** :
- (i) The Contractor guarantees that the stores which he supplies will be

built fully in accordance with specification and will operate properly. In all cases, the contractor guarantees that his designs would strictly follow the “as made” detailed drawings with such modifications as are notified in respect of each type. The contractor further guarantees that the stores will be free from defects in material and workmanship provided that the contractor’s liability in this respect shall be limited to the furnishing and installation of replacement parts free of any charge or the repair of defective part only to the extent that such replacement or repairs are attributable to or arise from faulty workmanship or material or design in the manufacture of the stores. All replacement parts shall be shipped by the contractor C.I.F. Indian port (in case of imported), from which point the purchaser shall clear through customs and deliver at his expense to inland destination. If the contractor so desires the replaced parts can be taken over by his representatives in India for disposal as he deems fit within a period of three months from the date of receipt of replacement parts. At the expiry of this period no claim whatsoever shall lie on the purchaser.

- (ii) It shall be a condition of the guarantee hereunder that any defects complained of shall be brought to the contractor’s attention within a reasonable time of their being first discovered, the guarantee herein contained shall not apply to any material which shall have been repaired or altered by the purchaser, or on his behalf in any way so as to affect its strength performance or reliability, or to any defect to any part due to misuse negligence or accident.
- (iii) The guarantee herein contained shall expire in respect of each item of stores on the expiration of 18 months from the date of its delivery (in India) or 12 months from the date of placing in service whichever is earlier, except in respect of defects notified to the contractor prior to expiration of such date.
- (iv) All replacements and repairs that the purchaser shall call upon the contractor to deliver or perform under this guarantee shall be delivered and performed by the contractor promptly and satisfactorily.
- (v) Any approval or acceptance by the purchaser of the stores or of the material incorporated therein shall not in any way limit the contractor’s liability hereunder.

(vi) The decision of the purchaser in regard to contractor's liability under this guarantee shall be final and conclusive.

(vii) The provisions contained in clause relating to the removal of stores rejected by the Inspecting officer shall mutatis mutandis apply to stores rejected by the consignee as herein provided.

- (5) **Subletting of assignment** : The contractor shall not sublet, transfer or assign the contract or any part thereof or interest therein or benefit or advantage thereof in any manner whatsoever to any other agency / agencies without the previous consent in writing of the Purchaser.

In the event of the contractor's subletting or assigning the contract or any part thereof without such permission the purchaser shall be entitled to cancel the contract, and to purchase the stores elsewhere on the Contractor's account and risk and the Contractor shall be liable for any loss or damage which the purchaser may sustain in consequence or arising out of such purchase.

- (6) **Changes in a firm** :

(a) Where the contractor is a partnership firm, a new partner shall not be introduced in the firm except with the previous consent in writing of the purchaser, which may be granted only upon execution of a written undertaking by the new partner to perform the contract and accept all liabilities incurred by the firm under the contract prior to the date of such undertaking.

(b) On the death or retirement of any partner of the contractor's firm before complete performance of the contract the purchaser may at his option cancel the contract and in such a case the contractor shall have no claim whatsoever to compensation against the purchaser.

(c) If the contract is not determined as provided in sub-clause (b) above notwithstanding the retirement of a partner from the firm he shall continue to be liable under the contract for acts of the firm until a copy of the public notice given by him under sec. 32 of the partnership Act has been sent by him to the purchaser by registered post with acknowledgment due.

(d) **Consequence of breach** : Should a partner in the contractor firm commit a breach of sub clause (5) above or the contractor should commit a breach of the condition 6 (a) of this sub clause it shall be lawful

for the purchaser to cancel the contract and purchase or authorise the purchase of the stores at the risk and cost of the contractor and in that event the provisions of clauses 7 and 8 shall as far as applicable shall apply.

- (e) The decision of the purchaser as to any matter or thing concerning or arising out of this sub-clause or any question whether the contractor or any partner of the contractor firm has committed a breach of any of the conditions in this sub-clause contained shall be final and binding on the contractor.

(7) **Assistance to the contractor :**

- (a) The contractor shall be solely responsible to procure any material or obtain any import or other licence or permit required for the fulfilment of the contract and the grant by the purchaser or any other authority of a quota certificate or permit required under any law for distribution or acquisition of iron and steel or any other commodity or any other form of assistance in the procurement of the material aforesaid or any attempt to render assistance in the matter aforesaid shall not be construed as a representation on the part of the purchaser that the material covered by such licence or permit or quota certificate is available or constitute any promise, undertaking or assurance on the part of the purchaser regarding the procurement of the same or effect any variation in the rights and liabilities of the parties under the contract. But if by reason of any such assistance as aforesaid the contractor obtains any materials at less than their market price or the cost of production of the stores is lowered, the price of the stores payable under the contract shall be reduced proportionately, and the extent of such reduction shall be determined by the purchaser whose decision shall be final and binding on the contractor.
- (b) Every effort made by the purchaser to supply, or give assistance in the procurement of, materials, whether from the Government stock or by purchase under a permit or release order issued by or on behalf of or under authority from Government or any Officer empowered in that behalf by law or under other arrangements made by the purchaser shall be deemed to be subject to the condition that it will be performed with due regard to other demands and only if it is found practicable to do so within the stipulated time and the decision of the purchaser

whether it was practicable to supply or give assistance as aforesaid or not shall be final and binding on the contractor.

17. USE OF RAW MATERIALS SECURED WITH CORPORATION ASSISTANCE

- (1) Where any raw material for the execution of the contract is procured with the assistance of the Corporation by purchase or under arrangement made or permit, license, quota certificates or release order issued by or on behalf of or under authority from the Corporation or by any Officer empowered in that behalf by law, or is issued from Corporation stock and where advance payments are made to the contractor to enable him to purchase such raw materials for the execution of the contract, the contractor.
 - (a) shall hold such material as trustee for the Corporation.
 - (b) shall use such material economically and solely for the purpose of the contract.
 - (c) shall not dispose of the same without the previous permission in writing of the purchaser ; and
 - (d) shall render due account of such material and return to the Corporation at such place as the purchaser may direct all surplus or unserviceable material that may be left after the completion of the contract or its termination for any reason whatsoever.

On returning such material the contractor shall be entitled to such price therefor as the purchaser may fix having regard to the condition of such material.

- (2) Where the contract is terminated due to any default on the part of the contractor, the contractor shall pay all transport charges incurred for returning any material upto such destination as may be determined by the purchaser and the decision of the purchaser in that behalf shall be final and binding on the contractor.
- (3) If the Contractor commits breach of any of the conditions in this clause specified, he shall, without prejudice to any other liability, penal or otherwise, be liable to account to the Corporation for all moneys, advantages or profits accruing from or which in the usual course would have accrued to him by reason of such breach,
- (4) Where the stores manufactured or fabricated by the contractor out of

the materials arranged or procured by or on behalf of the Corporation are rejected the contractor shall, without prejudice to any other right or remedy of the Corporation, pay to the Corporation on demand the cost price or market value of all such materials whichever is higher.

18. INDEMNITY

- (1) The contractor shall all time indemnify the purchaser against all claims which may be made in respect of the stores for infringement of any right protected by patent / intellectual property right, registration of designs or trade mark. Provided always that in the event of any claim in respect of alleged breach of latter's patent, registered designs or tread mark being made against the purchaser, the purchaser shall notify the contractor of the same and the contractor shall at his own expense either settle any such dispute or conduct any litigation that may arise there from.
- (2) The contractor shall not be liable for payment of any royalty licence fee or other expenses in respect of or for making use of patents or designs with respect to which he is according to the terms of the contract, to be treated as an agent of the Corporation for the purpose of making use of the patent or trade mark for fulfilment of the contract.

19. PACKING

- (1) The contractor shall pack at his own cost the stores sufficiently and properly for transit by rail/road, air and or sea as provided in the schedule so as to ensure their being free from loss or damage on arrival at their destination.
- (2) Unless otherwise provided in the schedule all containers (Including packing cases, boxes, tins, drums and wrappings) in which the stores are supplied by the contractor, shall be considered as non-returnable and their cost as having been included in the contract price.
- (3) If the schedule provides that the containers shall be returnable, they must be marked 'returnable' and they will be returned to the contractor as per terms of the contract.
- (4) If the schedule provides that returnable containers shall be separately charged, they shall be invoiced by the contractor at the price specified in acceptance of tender. In such cases the contractor shall give full credit for the invoiced amount if the containers are returned to the contractor.

Return of containers shall be made within a reasonable time and in the event of any disputed or difference arising as to whether the containers were so returned the decision of the purchaser thereon shall be final and binding and the purchaser may in his discretion award such compensation as may in his opinion be proper for any undue delay in returning the containers.

- (5) Each bale or package delivered under the contract shall be marked by the contractor at his own expense. Such marking shall be distinct (all previous irrelevant marking being carefully obliterated and shall clearly indicate the description and quantity of the stores the name and address of the consignee, the gross weight of the package and the name of the contractor with a distinctive number or mark sufficient for the purpose of identification. All markings shall be carried out with such material as may be found satisfactory by the Inspecting Officer as regards quickness of drying and legibility.
- (6) The Inspecting Officer may reject the stores if the stores are not packed and/or marked as aforesaid and in case where the packing materials are separately prescribed, if such materials are not in accordance with the terms of the contract. Such rejection of the stores by the Inspecting Officer shall be final and binding on the contractor.
- (7) Each bale or package shall contain a packing note specifying the name and address of the contractor, the number and date of the acceptance of tender or supply order and the designation of the purchase Officer or Officer issuing the supply order, the description of the stores and the quantity contained in such bale or package.

20. NOTIFICATION OF DELIVERY

Notification of delivery or despatch in regard to each and every instalment shall be made to the consignee and to the Purchase Officer / indentor immediately on despatch or delivery. The contractor shall further supply to the consignee, or the interim consignee, as the case may be, a packing account quoting number of the acceptance of tender and/or supply or repeat order and date of despatch of the stores. All packages, containers bundles and loose materials part of each and every instalment shall be fully described in the packing account and full details of the contents of the packages and quantity of materials shall be given to enable the consignee to check the stores on arrival at destination. The

Railway receipt/consignment note or bill of lading, if any, shall be forwarded to the consignee by registered post / courier immediately on the despatch of stores. The contractor shall bear and reimburse to the purchaser demurrage charges, if any, paid by reason of delay on the part of the contractor in forwarding the railway receipt, consignment note or bill of lading.

21. PROGRESS REPORTS

- (1) The contractor shall from time to time render such reports concerning the progress of the contract and / or supply of the stores in such from as may be required by the purchaser.
- (2) The submission, receipt and acceptance of such reports shall not prejudice the rights of the purchaser under the contract, nor shall operate as estoppels against purchaser merely by reason of the fact that he has not taken notice of or subjected to test any information contained in such report.

22. FREIGHT

The stores shall be despatched at public tariff rates. In the case of F.O.R. station of despatch contract, the stores shall be booked by the most economical route or most economical tariff available at the time of despatch as the case may be. Failure to do so will render the contractor liable for any avoidable expenditure caused to the purchaser. Where alternative route available, action to be taken as per the advice of the purchase officer. If any advice of any such authority is sought, his decision or advice in the matter shall be final and binding on the contractor.

23. REMOVAL OF REJECTED STORES

- (1) Any stores submitted for inspection at a place other than the premises of the contractor and rejected shall be removed by the contractor subject as hereinafter provided within 21 days of the date of issue of intimation of such rejection. If it is proved that letter containing such intimation is addressed and posted to him at the address mentioned in the purchase order/Acceptance of Tender/ Contract it will be deemed to have been served on the contractor at the time when such letter would in the course of ordinary post reach the contractor. It shall be within the authority of the purchaser or the Inspector to call upon the contractor to remove what he considers to be dangerous, infective or perishable stores within 48 hours of the receipt of such intimation.

- (2) Such rejected stores shall under all circumstances lie at the risk of the contractor from the moment of such rejection and if such stores are not removed by the contractor within the period aforementioned, the Inspector may either return the same to the contractor at contractor's risk and cost by such mode of transport as the purchaser or Inspector may select or dispose of such stores at the contractor's risk on his account and retain such portion of the proceeds as may be necessary to cover any expenses incurred in connection with such disposal. The purchaser shall also be entitled to recover ground rent / demurrage charges on the rejected stores after the expiry of the free time mentioned above.
- (3) Stores that have been despatched by rail and rejected after arrival at destination may be taken back by the contractor either at the station where they were rejected or at the station from which they were sent. If the contract is placed for delivery F.O.R. station of despatch the contractor shall pay the carriage charges on the rejected consignment at Public Tariff Rates from the station of despatch to the station where they were rejected. If the contractor elects to take back the goods at the station from which they were despatched, the goods shall in addition be booked back to him freight to pay at Public Tariff Rates and at owner's risk. The contractor shall be liable to reimburse packing and incidental costs and charges incurred in such return of rejected stores. The goods shall remain the property of the contractor unless and until accepted by the purchaser after inspection.

24. SYSTEM OF PAYMENT

- (1) Unless otherwise agreed upon between the parties, payment for delivery of the stores will be made on submission of bills in the prescribed form (which may be obtained from the purchase officer) in accordance with the instructions given in the Acceptance of Tender, by **E-payment or cheque or demand draft.**
- (2) Payment for the stores or for each consignment thereof will be made to the contractor on submission of bills accompanied by required documents in accordance with the following procedure in contracts where such a facility to the contractor has specifically been agreed to by the Purchaser:
 - (a) 90% Payments for the stores or each consignment thereof will be made

to the firms against submission of proof of inspection and despatch to the consignee. The original Railway Receipt should be sent to the Accounts Officer responsible for payment along with 90% bill advising the particulars of despatch to the consignee. The Accounts Officer after passing the 90% bill should pass on the original Railway Receipt to the Consignee for taking delivery of the consignment. It should, however, be ensured that there is no delay in the Accounts Office transmitting the original Railway Receipts to the consignee.

- (b) The balance of 10% shall be paid on receipt of the stores or each consignment thereof in accordance with the terms of the contract in good condition, by the consignee, with a certificate to that effect endorsed on the copy of the Inspection Note by the consignee which shall accompany the bill submitted by the contractor.
 - (c) In the case of C.I.F. contract 90% of the price will be paid in India on presentation of shipping documents and inspection certificate and the remaining 10% on receipt of the stores in accordance with the terms of the contract in good condition by the consignee, and on producing the certificate of the contract in good condition by the consignee, and on producing the certificate of such receipt endorsed on one copy of the Inspection Note by the consignee, or alternatively at the contractor's opinion, the full value of the stores will be paid after Inspection, on receipt of the consignment in accordance with the terms of the contract in good condition by the consignee and on producing a certificate of such receipt endorsed on one copy of the Inspection Note.
- (3) In all other contracts or in contract where the Inspecting Officer also acts as the interim consignee or where inspection is carried on by the consignee himself at destination and in all cases of local delivery full payment shall be made on submission of 'final 100% bill' supported by the Inspection Certificate and consignee's receipt as the aforesaid to the Account Officer concerned.

Note : (1) The system of 90% and 10% payment is not applicable to claim amounting to Rs.200/- or below . In such cases only a single bill for the value should be submitted.

(2) In the case of running contracts, the system of payment as detailed above will be invariably followed.

25. RECOVERY OF SUMS DUE

- (1) Whenever any claim for the payment of a sum of money arises out of or under the contract against the contract, the purchaser shall be entitled to recover such sum by appropriating in whole or in part, the security if any, deposited by the contractor, and for the purpose, aforesaid, shall be entitled to sell and / or realise securities forming the whole or part of any such security deposit. In the event of the security being insufficient, the balance and if no security has been taken from the contractor, the entire sum recoverable shall be recovered by appropriating any sum then due or which at any time thereafter may become due to the contractor under the contract or any other contract with the purchaser or the Corporation or any person contracting through the Purchaser, if such sum even be not sufficient to cover the full amount recoverable; the contractor shall on demand pay to the purchaser the balance remaining due.
- (2) For the purpose of this clause , where the contractor is a partnership firm, the purchaser shall be entitled to recover such amount by appropriating the whole or in part any sum due to any partner of the firm whether in his individual capacity or otherwise.

26. CORRUPT PRACTICES

- (1) The contractor shall not offer or give or agree to give to any person in the employment of the purchaser or working under the orders of the purchaser any gift or consideration of any kind as an inducement or reward for doing or forbearing to do or for having done or forborne to do any act in relation to the obtaining or execution of the contract or any other contract with the purchaser or corporation or for showing any favour or forbearing to show disfavour to any person in relation to the to the contract or any other contract with the purchaser or corporation. Any breach of the aforesaid condition by the contractor, or any one employed by him or acting on his behalf (whether with or without the knowledge of the contractor) or the commission of any offence by the contractor or by any one employed by him or acting on his behalf under chapter IX of the Indian Penal Code 1860 or the Prevention of Corruption Act

1947 or any other Act enacted for the prevention corruption by Public Servants shall entitle the Purchaser to cancel the contract and all or any other contracts with the contractor and to recover from the contractor the amount of any loss arising from such cancellation in accordance with the provision of clauses 7 and 8.

- (2) Any dispute or difference in respect of either the interpretation effect or application of the above condition or of the amount recoverable there under by the Purchaser from the contractor shall be decided by the Purchaser, whose decision thereon shall be final and binding on the contractor.

27. INSOLVENCY AND BREACH OF CONTRACT

The Purchaser may at any time by notice in writing, summarily determine the contract without compensation to the contractor in any of the following events:

- (a) If the contractor being an individual or a firm, or partnership thereof, shall at any time, be adjudged insolvent or shall have a receiving order or order for administration of his estate made against him or shall take any proceeding for conveyance or under any Insolvency Act for the time being in force or make any conveyance or assignment of his effects or enter into any arrangement or composition with his Creditors or suspend payment or if the firm be dissolved under the Partnership act, or
- (b) If the contractor being a company is wound up voluntarily or by the order of a court or a Receiver, Liquidator or Manager on behalf of the Debenture-holder is appointed or circumstances shall have arisen which entitled the Court or Debenture-holders to appoint a Receiver, Liquidator or Manager, or
- (c) If the contractor commits any breach of the contract not herein specifically provided for. Provided that always such determination shall not prejudice any right of action or remedy which shall have accrued or shall accrue thereafter to the purchaser and provided also the contractor shall be liable to pay to the purchaser for any extra expenditure he is thereby put to and the contractor shall under no circumstances be entitled to any gain on re-purchase.

28. LAWS GOVERNING THE CONTRACT

- (1) This contract shall be governed by the laws of India for the being in force.
- (2) Irrespective of the place of delivery, the place of payment under the contract, the contract shall be deemed to have been made at the place from which the acceptance of tender has been issued.
- (3) Jurisdiction of Courts : The court of the place from where the acceptance of tender / purchase order has been issued shall alone have jurisdiction to decide any dispute arising out of or in respect of the contract,
- (4) Marking of Stores : The marking of the stores must comply with the requirements of the laws relating to Merchandise Marks for the time being in force in India.

29. HEADINGS

The headings conditions hereto shall not affect the construction thereof.

30. ARBITRATION

In the event of any dispute or difference of opinion between the Heavy Engineering Corporation or any of its units / division and the contractors as to the respective rights and obligation of the parties hereafter or to the true intent and meaning of these presents and the many articles of conditions thereto, such dispute of difference of opinion shall be referred to the many articles of conditions thereto, such dispute of difference of opinion shall be referred to the sole arbitration of the Chairman, Heavy Engineering Corporation and his decision shall be final, conclusive and binding on the parties.

31. POWERS

All powers reserved by the chairman under the above conditions shall be exercise by the Managing Director or the executive Director of the Heavy Engineering Corporation Limited.

Enquiry Proposal

Purchase File No.

date ...

Indent / DAP No	Work Order	Name of W/O	Customer	Cont. Delivery dt.

Items Required to be procured :

Sl	Item Code / Item Description	Qty	Estimated Value	Remarks
1				
2				
3				
	Total			

Basis of estimate: Ref. to Clause 2.5.2

If the items are other than production item, reason for requirement / area of requirement to be given in the remarks column justifying the requirement.

For bulk production items (Fero-alloys etc.) consumption norms should also be specified.

- Mode of Tender :**
- Open / Global
 - LTE
 - STE with PAC (PAC enclosed at Page No.)
 - STE without PAC (Justification given at Page No.)

Recommended suppliers:Selected from the vendors' register / data base only Out side the vendors' register / data base also

Sl. No	Name of vendor	Registered / Listed / customer's preferred / Others

Procurement Plan :

Date of material requirement as per MPIC / Indent :

Plan of Purchase activity : Tender Opening date :

TC date :

Order placement date :

Enquiry being issued as per noting below satisfying condition:

1 (a) 1 (b) 1 (c) 1 (d)

Sd/- Purchase Group Head

Note :1. *In case of :*

a. *Limited Tender for indent upto estimated value of Rs. 25 Lakh, if all the suppliers of that item group / category (subject to not less than 4) selected including the last supplier or last lowest bidder (excepting the banned / barred ones).*

b. *Single Tender with PAC of estimated value upto Rs. 10 Lakh ;*

c. *Single Tender without PAC (with proper justification) upto value Rs. 5 Lakh;*

d. *Open tender upto a value of Rs.1500 Lakh*

*where the indent has already routed through Finance and approved by Chief of the plant, the **Purchase Group head can issue enquiry directly without any further approval.***

2. Financial concurrence at the pre-enquiry stage mainly stresses correctness of the estimate and the basis to arrive at it. At pre enquiry stage it will be the responsibility of purchase department to work out the estimated value based on factors listed at clause - 2.5.2, and on additional market information gathered by the purchase executive so that an realistic and as far as correct estimate is done
3. However due to any reason, if Purchase Group Head want to get the estimate checked by finance before floating enquiry, he / she may do so and Finance Department will extend full cooperation.
4. The above will not be applicable in case of BM and DAP.

Tender Enquiries

Annex- 8



Heavy Engineering Corporation (A Govt of India Enterprises)

Units : HMBP / FFP / HMTP
PURCHASE DEPARTMENT
DHURWA, RANCHI-4

No. <Unit>/Pur..... Dated :

To

M/s

.....

.....

Dear Sir,

We request you to submit your most competitive offer for the following items / services as per the given schedule:

ENQUIRY SCHEDULE

Sl. No.	Item Code	Description of Stores	Unit of measure	Nos. of unit required	Remarks

Schedule of Tender receipt : by / / 201_, upto 1:00 PM

Opening of Tender : on / / 201_, at 3:00 PM

TENDERS must be submitted in sealed cover with Tender No. and the Due date superscribed on it failing which Tenders may be ignored.

Earnest money : Rs. _____

Offers to be submitted in single part / two parts / three parts [strike out whichever is inapplicable]

In case of Two / Three part bids (as mentioned above, the qualification, technical and commercial aspects to be sealed in a separate envelope superscribing Part- 1, Part – 2 or Part - 3)

Special condition if any :

NOTE:

1. The rate quoted shall be inclusive of all packing & forwarding. Freight charges to be mentioned separately.
2. The Price quoted by the tenderer should be exclusive of sales tax. The rate and nature of sales tax applicable should be shown separately. Sales tax will be paid to the seller at the rate at which it is liable to be assessed or has actually been assessed on the date of supply provided the transaction of sale is legally liable to sales tax and within the delivery period. Any change on the taxes & duty structure beyond the delivery period will not be considered by HEC.
3. The rates quoted must be firm and the offers made must remain open for acceptance upto three months from the date of opening of the tender.
4. Quotations erased or over written are likely to be rejected unless all corrections are authenticated with the tenderer's signature.
5. Delivery date offered must be specified and guaranteed.
6. Full payment will be made after 30 days of the receipt of supplies at destination duly inspected.
7. Full particulars i.e. specification, literature and / or drawing wherever applicable should be submitted along with the quotation. The brand and 'Make' name must be Indicated.

8. The Corporation does not pledge itself to accept the lowest or any tender and reserves to itself the right of accepting the whole or any part of tender or portion of the quantity offered and you shall supply the same at the rate quoted.
9. Supplies will be subject to Inspection by our Inspection wing / or inspection agencies prescribed by us.
10. Order placed as a result of this tender will be subject to the Corporation's General Terms and Conditions of contract which can be down loaded from our website (www.hecltd.com)
11. Corporation reserves the right to call for and examine at any time the books of accounts and other documents and papers of the firm for the purpose of ascertaining whether any excess payments has been made or the firm likely to be received / received undue benefit out of execution of the particular contract.
12. Earnest Money – Earnest money as specified in the document will have to be deposited by demand draft from any nationalised bank in favour of Heavy Engineering Corporation Ltd. payable at State Bank of India, Hatia Branch
13. Security Deposits –successful tenderers will have to deposit security equal to 5 percent of the value of the contract within the desired period. Failing this, the contract will be cancelled at the risk and expenses of the suppliers.
14. Delivery : The time for and the date of delivery of the Stores stipulated in the acceptance of tender shall be deemed to be the essence of the contract and delivery must be completed not later than the dates specified therein. Otherwise:
 - a) The purchaser to recover from the contractor a sum of 0.5 % per week (completed week) of the price of the stores(upto maximum 10 %) as liquidated damages, which the contractor has failed to deliver as aforesaid or
 - b) The purchaser may procure the undelivered stores / similar items from elsewhere, without notice to the contractor at the risk of the contractor without cancelling the contract in respect of the consignment not yet due for delivery or,
 - c) to cancel the contract or a portion thereof.

15. Income Tax Clearance Certificate – All tenderers shall submit along with their tender an Income Tax Clearance Certificate duly countersigned by the Income Tax Officer of the circle concerned under the seal of the office. Failure to produce the requisite certificate will render their quotation liable to be rejected.
16. There is no obligation on our part to accept delayed / late tenders. Tenders received after the due date of opening are liable to be summarily rejected.
17. The rates quoted shall also be inclusive of embossing on the material. The Ownership namely HMBP / FFP / HMTP should be at a predominant place of the material to a size / thickness upon the volume of the material.

Signature of Purchase Executive

Annex - 9

Comparative Statement (Price)

Work Order No.

Indent No.

Tender No.

Opened on .

Sl No	Description of Stores	Quantity	Offered Price / Rate (in Rs)			Remarks, (LPP rate, date, supplier etc.)
			Bidder -1	Bidder -2	Bidder -3	
1						
2						
3						
...						
A	Prices are (FOR ...)					
B	Payment Terms					
C	Delivery					
D	Validity					
E	Packing & Forwarding					
F	Excise Duty					
G	Sales Tax					
H	Price Escalation					
I	Landed rate / value					



Heavy Engineering Corporation Ltd.
(A Govt. of India Enterprise)
Ranchi 834004 (India)

Format of Purchase Order

Annex - 10

<Name of unit> FFP / HMBP / HMTP
Materials Management Division
Tel.No.
Fax No.
e-mail :
web site : www.hecltd.com

To M/s Supp. Code :	Sub : Our Enquiry No. & date: Your Quotation No. & date : Your Letter No. & date: Acceptance letter No. & date : Dear Sirs, <p style="text-align: center;">Please arrange to supply the materials detailed below in accordance with your offer subject to special terms and conditions of contract specified herein and important instructions printed overleaf read along with general conditions of contracts of purchase (refer to our web site).</p>
----------------------------	--

TIMELY DELIVERY IS THE ESSENCE OF THIS CONTRACT

P.O.No.	Date :			Number of items :		
P.O. value : Rs.	Total discount :			Net P.O. value Rs.		
Sl.No	Mat.Code	Item Description	Unit	Quantity	Value (Rs)	T.O.T
			Rate/unit (Rs)	Delivery dt.	Discount (Rs)	

Special terms & conditions

1. Terms of delivery
2. Material booked
3. Mode of transport
4. Inspection place
5. Inspection agency
6. Packing & Forwarding
7. Any other charges
8. Payment terms

Special instruction

Consignee

(Signature)
For Heavy Engineering Corporation Ltd.

Important instructions:

1. General Conditions of Contract of purchase : Unless otherwise specified in the special terms & conditions (appearing overleaf), this order shall be governed by our General Conditions of Contract of purchase (refer to www.hecltd.com).
2. Supplier's identification : Material supplied by you shall be suitably marked / embossed to identify the item and source supply as and when required. The method and contents of such marking / embossing shall be mutually agreed with within two weeks of placement of the order.
3. Excise Duty : Excise Duty shall be paid extra as per actual, if applicable during the period from the date of purchase order to date of delivery envisaged in the said purchase order on production of documentary evidence. If there is any increase and / or fresh imposition of ED after the said delivery period, this will be borne by the supplier and not recoverable from the purchaser.
4. Sales Tax : Concessional Sales Tax deduction Form C / IX B shall be issued by Manager (Purchase) after receipt of a statement from you indicating the invoice no., date, LR / RR No. date, quantity, value, purchase order no. & date etc. for all supplies made during the financial year, as and when the supplies are completed. If there is any increase and /or fresh imposition of S.T. after the delivery period envisaged in the P.O., the same will be borne by the supplier and not recoverable from the purchaser.
5. Packing & Forwarding (P&F) : P&F charges shall be borne by you unless otherwise specifically stipulated in the order. You shall be responsible for the stores being sufficiently and properly packed for transported by rail // road / sea and also for suitable preservation to avoid deterioration during transit and storage at our stores at least for one year.
6. Transit Insurance to be arranged by the supplier, if otherwise not specified.
7. Pre-despatch inspection as per **Special terms & conditions** given overleaf. Final inspection will be done by the plant after receipt of the goods at works / stores.
8. Terms of payment : (a) if otherwise not specified 100% payment shall be made within 30 days after receipt of the material in satisfactory condition at site against CRV. (b) Paying authority : Manager (Finance), HEC, <unit>, through SBI, Hatia. All bank charges and demurrage / wharfage if any due to late delivery

of the documents through Bank and or faulty presentation of documents shall be on suppliers account. An advance copy of the bill shall be sent to Manager (Accounts – Purchase)for necessary action.

9. Important Billing Instructions:

- a) Bill shall be submitted in triplicate duly pre-receipted on the revenue stamp along with the following documents:
 - i. Inspection Certificate
 - ii. Guarantee Certificate
 - iii. Test and rate certificate wherever applicable.
 - iv. Challan / Delivery advice.
 - v. Packing List
- b) Following Particulars shall be given in the bill:
 - i. Purchase Order No. and date
 - ii. Item No. and Catalogue No.
 - iii. CRV No. and date
 - iv. Supplier's Central Excise Registration No and name of the Collector.
 - v. Sales Tax Registration No.
 - vi. Permanent Income Tax No. of GIR.
- c) CENVAT : In order to enable HEC to avail CENVAT credit the Supplier shall ensure submission of duplicate copy (Transporters' Copy) of proper invoice under rule 52(A) of the Central Excise Rule,1944 or any other document in lieu thereof duly approved by the Central Board of Excise and custom as provided under this Rule, to Finance, Stores Bill Section alongwith the Bill. Unless this is submitted, payment of the Bill shall be withheld to the extent of excise duty covered by the Consignment/ Purchase Order.
- d) If supply is affected after the date of delivery, amendment to purchase order extending the delivery period should be obtained from this office and reference to the amendment should be given in the bill. Otherwise, liquidated damage @ 0.5% per week (completed week) subject to a maximum of 10% will be recovered from the bill.

10. Despatch/Delivery Instruction:
- a.) consignee : Dy. General Manager (Stores)
Heavy Engineering Corporation Ltd., Ranchi – 834 004
 - b) Destination : Hatia (S.E.Railway)/Consignee Stores/Transporters' Godown, Ranchi.
 - c) LR/RR copy, Inspection certificate and relevant challans with complete particular shall be sent to the consignee by registered post.
 - d) Mode of dispatch :
 - i. Supplier's Responsibility :
By goods Train/Passenger Train/Road Transport by you.
 - ii. HEC Responsibility :
 - By Road through our authorized road transport contractor :
M/s.....
 - The materials, suitably packed to withstand transit hazards, shall be handed over to our transport contractor free of charge for dispatch to the consignee.
 - By Goods Train/Passenger Train/Road Transport.
 - iii. Materials should be dispatched only after compliance clause unless otherwise waived.
11. DEMURRAGE/WHARFAGE CHARGES : The supplier shall not only ensure the timely presentation of documents by their bankers to the purchaser's banker i.e. State Bank of India, Hatia but also that documents are complete in all respects as per the requisites laid down in the purchase order. The demurrage and wharfage charges accruing on account of delay in presentation of documents to purchaser's Bank or due to any discrepancy in the documents or of delay in retirement thereof, the same shall be solely to the supplier's account. The Purchaser shall have the right either to claim or to retain /settle of or to adjust the amount of demurrage and wharfage out of any amount due to the supplier or which may become due to the supplier under this or any other purchase order/contract.

12. FITMENT CERTIFICATE : Please furnish a certificate at the time of inspection and alongwith supplies that the spares supplied are exactly as per the requirement specified the order and shall fit into the mother equipment for which they have been ordered, without posing any problem and shall give satisfactory performance.
13. DELIVERY : Delivery schedule as given overleaf is deemed to be essence of the contract.
14. GUARANTEE : The stores supplied by you shall be guaranteed for a period of 12 months from the date of commissioning or 18 months from the date of supply, whichever is earlier, against defective materials and or workmanship. During the guarantee period you shall repair, if necessary or replace at your own cost any part which proved to be defective in accordance with clause 18 of the addendum to conditions of contract governing supply contracts' (HEC).

15. ARBITRATION :

The Arbitration Clause as given below apply to this contract :

Except where otherwise provided for in the contract all questions of dispute or difference, whatsoever, arising out of or relating to or in connection with the contract shall be referred to the Sole Arbitrator to be appointed by the Chairman, Heavy Engineering Corporation Ltd. There will be no objection if the Sole Arbitrator so appointed is an employee of HEC Ltd. If the sole Arbitrator is unable to act for any reason, Chairman as aforesaid may appoint another person to act as Sole Arbitrator on the request of any of the parties to the arbitration. Such a person shall be entitled to proceed with the reference from the stage at which it was left by his predecessor subject as aforesaid. The provisions of the Arbitration & Conciliation Act, 1996 or any statutory modification or re-enactment there of and the rules made there under and for the time being in force shall apply to the arbitration proceeding under this clause.

It is a term of the contract that the party invoking arbitration shall specify the dispute of disputes to be referred to arbitration under this clause together with the amount claimed in respect of each such dispute. The said Sole Arbitrator may from time to time with consent of the parties shall fix the date of the first hearing.

The Arbitrator shall be deemed to have entered on the reference on the date he issues notice to both the parties fixing the date of the first hearing.

The Arbitrator shall give a separate award in respect of the each dispute or difference referred to him. The venue of arbitration proceeding shall be Ranchi. Award of the said arbitrator shall be final conclusive and binding on all the parties to the contract. In supersession to arbitration clause in general conditions of Contract/HEC, the above shall be applicable.

16. The purchaser reserves the right to take 10% more or less of the qty. covered by this purchase order at the same rate/s terms and conditions.
17. JURISDICTION : This contract is deemed to have been executed at HEC Ltd., Dist. Ranchi and only the court at will have the jurisdiction to try and suit or proceeding arising out of this contract.

Signature of Purchase Executive



HEAVY ENGINEERING CORPORATION LIMITED
(A Government of India Enterprise)

APPLICATION FORMAT FOR VENDOR REGISTRATION
(AS APPROVED SUPPLIERS)

To

Manager Registration Cell,
Central Purchase
Heavy Machine Building plant
PO. Dhurwa,
Ranchi – 834004

From : (Full address for correspondence along with Fax. No. Telephone No.
e-mail address)

Sub : Request for enlistment as Registered Vendor with HEC Ltd.

1. Name of the Firm :
Full Address along with Fax, Telephone
No., E-mail etc.
Registered / Head Office :
Regional / Branch offices in any:
2. Item or Items of stores for which
enlistment is desired.

- 3 **Organisational setup of the firm:**
Specify under which law / regulation your firm is incorporated giving details.
- a) registered under the Companies Act. 1956 .
 - b) registered under the Indian Partnership Act.1932
 - c) any other
 - d) Is factory registered under the Indian Factories Act.1948 ? If yes give details.
4. Does your firm come under the scope of the industries (development and regulations) Act, 1951 and if so, the No.& date of registration of Licence held under the Act.
5. If the firm is registered under the Companies Act. 1956 .
- (a) The name in which it is registered:
 - (b) The Registrar with whom it is registered and his address.
 - (c) The date of such registration and the numbers of registration Certificate (copy to be enclosed):
 - (d) Subscribed Capital:
 - (e) Certified copies of Memorandum of Association and Article of Association.
 - (f) Name address and particulars of Directors.

6. If the firm is registered under the Indian partnership Act.1932 or any other act requiring the Registration of firm / Partnership
 - (a) The name and / or style in which it is registered:
 - (b) The place of the registrar of firms with whom registered:
 - (c) The date of such registration and the number of registration.
 - (d) The name and address of all the partners and the extent of their shares.
 - (e) Whether under the partnership deed any one partner has been authorised to sign and bind the firm in all contractual obligation including power to refer cases for arbitration: If not, whether a separate power of attorney exists in favour of particular partner to Perform such functions in the latter case a copy duly attested by a Notary Public should be submitted:
7. In any other case:
The name(s) and address (es) of the proprietor and / or all the partners and the nature and extent of their interest in the joint business (in the case of joint Hindu Family firm, give this information regarding all persons who have any interest in the business).
8. The **Income-Tax** circle / ward / district in which the concern and each of its proprietor (s) / partners (s) is / are assessed to Income Tax and the G.I.R.No. of each.
9. If you are a **manufacturer**:

- (a) Location of Manufacturing works / Factory/ Factories owned by you (documentary evidence to ownership must be produced)
- (b) Brief description of the factory i.e. area, covered accommodation departments into which it is divided, Laboratory etc.
- (c) Whether the firm comes under the scope of Industries (Development & Regulations) Act.1951 and if so, the no. & date of registration of Licence should be enclosed.
- (d) Details of Plant Machinery erected and functioning in each department (Monographs and descriptive pamphlets should be supplied if available).
- (e) Number of persons working in the factory (supervisory and workers separately).
- (f) Details of stores of class of stores which the factory, as equipped, is capable of producing: (specifying each item separately).
- (g) Details of arrangements or quality control of products such as laboratory etc.
- (h) Whether stores were tested to any standard specification, if so copies of original test certificates should be submitted in triplicate.
- (i) Indicated the name of the firm whose factory is being utilised. (In case you do not own the factory but utilise the factory of some other firm for manufacturing/ fabrication of the stores for which you apply for registration)
Lease or valid legal agreement the factory showing that it has been put at your Disposal for the manufacturing / fabrication of the stores for which registration has been applied for.

10. You are accredited agents of any manufactures give:-
 - (a) Name and address of manufacturers:
 - (b) Articles for which you have agencies.
 - (c) Average stocks carried by you.
11. If you are stockist:
 - (a) Items stocked:
 - (b) Approximate value of your stocks and approximate value of annual sales:
 - (c) Address of your Shop or shops:
(Where stocks can be inspected)
 - (d) Address of your godown (s) where your stocks can be inspected:
12. Articles imported by the firm and sources of supply
13. Classes of imported articles normally stocked by the firm and sources of supply.
14. State details of contract executed by your firm during past 12 months (of considerable magnitude) with number and date of contracts name and full address of the party/ parties, items supplied and value of the supplies, (If this information is not adjustable against this column a separate sheet may be attached). Photocopies of such contracts / orders to be enclosed.
15. Units recognised by the National Small Scale Industries Corpn. and Small Scale Industries under the State Govt. should submit the photo state copy / copies of their registration certificate along with the application.

16. Whether you are registered with any Central / State Govt. Undertaking or any Pvt. Limited concern? If so, a photo copy of the same be enclosed.
17. Name and full address of your Bankers:
18. Please enclose photo copy of Permanent Account Number (PAN) Card (Income Tax) . PAN should in the name of firm.
19. Demand Draft No. & Date for the amount of Rs.500/-. (non-refundable) towards application fee. (In favour of Heavy Engineering Corporation Ltd. payable at Ranchi) DD No.
Drawn on :
20. Copy of the partnership deed/ Memorandum and Article of association, Balance Sheet Profit & Loss A/C and Trading A/C of the three last year should be enclosed.
21. Major supply to PSU during the last 5 years.
22. Legal dispute with PSU during last 5 years if any.
23. Photocopy of Excise Registration Certificate/E.C.C. Code No. and confirmation of furnishing CENVAT Documents.
24. Valid Sales Tax Registration Certificates (Central & State both):
25. Remarks, if any

I / We do here by declare that the entries made in this application form are true to the best of my / our knowledge and also that we shall be bound by the acts of my / our duly constitute Attorney. The same will be applicable to any person who may be appointed / become successor to carry on business on my / our behalf.

All subsequent changes in the Constitution or Working of a firm effecting the accuracy of the answers given above should be promptly communicated to the H.E.C.

.....
(Signature of Proprietors/Parteners/Manager etc.)

Place : with seal

Dated: (Name & Designation of person signing)

- N.B.**
1. Correct and complete information must be given failing which the application is liable to be ignored/rejected.
 2. Submission of this application does not guarantee registration of the firm.
 3. Application fee of Rs.7500/- (non – refundable) in the form of demand draft must accompany the application form.

General Guidelines for Purchase Executives

Indian agent

While dealing with Indian agent of foreign vendors ensure :

- Either the Indian agent on behalf of foreign principal or foreign principal directly could bid in a tender but not both.
- Copy of agreement
- Nature of service which would be available from Indian agent particularly after sales service.
- Principal's proforma invoice indicating commission payable to Indian agent and examine the genuineness of the price quoted by the Indian agent.
- Enlistment of Indian agent with DGS&D (under compulsory registration scheme of Ministry of Finance) may be checked for credential of the agent.
- Compliance of tax laws by the Indian agent.

Tender / Bid document

- All important clauses (e.g. Ernest Money, payment terms, performance warranty / BG, Pre-despatch inspection, arbitration, LD / penalty etc.) need to be incorporated in the bidding document to fully safeguard corporation's interest and to help evaluation of bids on equitable and transparent basis.

If L1 bidder withdraws his offer before placement of order / before supply / before execution of contract it is preferred to go for re-tendering. The situation can be to a great extent avoided if two bid system is followed so that a proper assessment of offers as well as the vendor is possible before placement of order.

Consultant appointment

- Consultant appointment only when absolutely essential
- Appointment should be in a transparent manner based on competitive tendering.
- Information regarding their capability, experience and preference to be collected.
- Consultant should not takeover departments function. Their role should be well defined and appointee to check outcome / decision arrived at by the consultant at every stage.

Contents of Bidding document

All the terms, conditions stipulations and information to be incorporated in the bidding document / NIT are to be shown in appropriate chapters / sections, for example:

- Instruction to the bidder
- Conditions of Contract
- Schedule of Requirements
- Specification and allied Technical details
- Price Schedule / Format for quoting price and other formats for use by bidder.
- Sample Contract form

Annex – 8 may be referred

Advance Payment:

Ordinarily payments to be released only after supplies made / services rendered however in case of necessary advance payments not exceeding the following limits:

- 30% of the contract value to private firms
- 40% to Public Sector Undertakings
- Amount payable for six months in case of maintenance contract.

Depending on the terms of delivery incorporated in the order / contract, part payment to the supplier may be released after it despatches the goods from its premises in terms of contract.

Others

- One agent can not represent two supplier or quote on their behalf in a particular tender.
- Purchases preferably be made directly from the manufacturers.

Annex - 13

< Non Judicial Stamp Paper of Rs. 100 >

INTEGRITY PACT

Between

Heavy Engineering Corporation Ltd.(HEC) hereinafter referred to as “The Principal”,

and

.....hereinafter referred to as “The Bidder/ Contractor”

Preamble

The Principal intends to award, under laid down organizational procedures, contract/s forThe Principal values full compliance with all relevant laws of the land, rules, regulations, economic use of resources and of fairness / transparency in its relations with its Bidder(s) and/ or Contractor(s).

In order to achieve these goals, the Principal will appoint an Independent External Monitor (IEM), who will monitor the tender process and the execution of the contract for compliance with the principles mentioned above.

Section 1 – Commitments of the Principal

1. The Principal commits itself to take all measures necessary to prevent corruption and to observe the following principles :-
 - a) No employee of the Principal, personally or through family members, will in connection with the tender for, or the execution of a contract, demand, take a promise for or accept, for self or third person, any material or immaterial benefit which the person is not legally entitled to.
 - b) The Principal will, during the tender process treat all Bidder(s) with equity and reason. The Principal will in particular, before and during the tender process, provide to all Bidder(s) the same information and will not provide

to any Bidder(s) confidential/ additional information through which the Bidder(s) could obtain an advantage in relation to the tender process or the contract execution.

- c) The Principal will exclude from the process all known prejudiced persons.
2. If the Principal obtains information on the conduct of any of its employees which is a criminal offence under the IPC/PC Act, or if there be a substantive suspicion in this regard, the Principal will inform the Chief Vigilance Officer and in addition can initiate disciplinary actions.

Section 2 – Commitments of the Bidder(s) / contractor (s)

1. The Bidders(s) / Contractor (s) commit himself to take all measures necessary to prevent corruption. He commits himself to observe the following principles during his participation in the tender process and during the contract execution.
 - a) The bidder(s) / Contractor(s) will not, directly or through any other person or firm, offer promise or give to any of the Principal's employees involved in the tender process or the execution of the contract or to any third person any material or other benefit which he/ she is not legally entitled to, in order to obtain in exchange any advantage of any kind whatsoever during the tender process or during the execution of the contract.
 - b) The Bidder(s)/ Contractor(s) will not enter with other Bidders into any undisclosed agreement or understanding, whether formal or informal. This applies in particular to prices, specifications, certifications, subsidiary contracts, submission or non-submission of bids or any other actions to restrict competitiveness or to introduce cartelisation in the bidding process.
 - c) The Bidder(s) / Contractor(s) will not commit any offence under the relevant IPC/PC Act; further the Bidder(s)/Contractor(s) will not use improperly, for purposes of competition or personal gain, or pass on to others, any information or document provided by the Principal as part of the business relationship, regarding plans, technical proposals and business details, including information contained or transmitted electronically.
 - d) The Bidder(s)/Contractor(s) of foreign origin shall disclose the name and address of the Agents/ representatives in India, if any. Similarly the Bidder(s) /Contractors(s) of Indian Nationality shall furnish the name and address of the foreign principals, if any. Further details as mentioned in

the “Guidelines on Indian Agents of Foreign Suppliers” (enclosed) shall be disclosed by the Bidder(s) / Contractor(s). Further, as mentioned in the Guidelines all the payments made to the Indian agent/ representative have to be in Indian Rupees only. Copy of “Guidelines on Indian Agents of Foreign Suppliers” attached.

- e) The Bidder(s) / Contractor(s) will, when presenting his bid, disclose any and all payments he has made, is committed to or intends to make to agents, brokers or any other intermediaries in connection with the award of the contract.
- 2 The Bidder(s) / Contractor(s) will not instigate third persons to commit offences outlined above or be an accessory to such offences.

Section 3 – Disqualification from tender process and exclusion from future contracts

If the Bidder(s) / Contractor(s), before award or during execution has committed a transgression through a violation of Section 2, above or in any other form such as to put his reliability or credibility in question, the Principal is entitled to disqualify the Bidder(s) / Contractors) from the tender process or take actions like Banning of business dealings etc.

Section 4 – Compensation for Damages

- (1) If the Principal has disqualified the Bidder(s) from the tender process prior to the award according to Section 3, the Principal is entitled to demand and recover the damages equivalent to Earnest Money Deposit / Bid Security.
- (2) If the Principal has terminated the contract according to Section 3, or if the Principal is entitled to terminate the contract according to Section 3, the Principal shall be entitled to demand and recover from the Contractor liquidated damages of the Contract value or the amount equivalent to Performance Bank guarantee.

Section 5 – Previous transgression

- (1) The Bidder declares that no previous transgressions occurred in the last 3 years with any other Company in any country conforming to the anti corruption approach or with any other Public Sector enterprise in India that could justify his exclusion from the tender process.
- (2) If the Bidder makes incorrect statement on this subject, he can be disqualified from the tender process or action can be taken against the bidder.

Section 6 - Equal treatment of all Bidders / Contractors / Subcontractors

- (1) The Bidder(s)/ Contractor(s) undertake (s) to demand from all subcontractors a commitment in conformity with this Integrity Pact, and to submit it to the Principal before contract signing.
- (2) The Principal will enter into agreements with identical conditions as this one with all Bidders, Contractors and Subcontractors.
- (3) The Principal will disqualify from the tender process all bidders who do not sign this Pact or violate its provisions.

Section 7 – Criminal charges against violation by the Bidder(s) / Contractor(s) / Subcontractor(s)

If the Principal obtains knowledge of conduct of a Bidder, Contractor or Subcontractor, or of an employee or a representative or an associate of a Bidder, Contractor or Subcontractor which constitutes corruption, or if the Principal has substantive suspicion in this regard, the Principal will inform the same to the Chief Vigilance Officer.

Section 8 – Independent External Monitor / Monitors

- (1) The Principal appoints competent and credible Independent External Monitor for this Pact. The task of the Monitor is to review independently and objectively, whether and to what extent the parties comply with the obligations under this agreement.
- (2) The monitor is not subject to instructions by the representatives of the parties and performs his functions neutrally and independently. He reports to the CMD, HEC.
- (3) The Bidder(s) / Contractor(s) accepts that the Monitor has the right to access without restriction to all Project documentation of the Principal including that provided by the Contractor. The Contractor will also grant the Monitor, upon his request and demonstration of a valid interest, unrestricted and unconditional access to his project documentation. The same is applicable to subcontractors. The Monitor is under contractual obligation to treat the information and documents of the Bidder(s) / Contractor(s)/ Subcontractor(s) with confidentiality.
- (4) The Principal will provide to the Monitor sufficient information about all meetings among the parties related to the Project provided such meetings could have an impact on the contractual relations between the Principal and the Contractor. The parties offer to the Monitor the option to participate in such meetings.

- (5) As soon as the Monitor notices, or believes to notice, a violation of this agreement, he will so inform the Management of the Principal and request the Management to discontinue or take corrective action, or to take other relevant action. The monitor can in this regard submit non-binding recommendations. Beyond this, the Monitor has no right to demand from the parties that they act in a specific manner, refrain from action or tolerated action.
- (6) The Monitor will submit a written report to the CMD, HEC within 8 to 10 weeks from the date of reference or intimation to him by the Principal and, should the occasion arise, submit proposals for correcting problematic situations.
- (7) Monitor shall be entitled to compensation on the same terms as being extended to / provided to Independent Directors on the HEC Board.
- (8) If the Monitor has reported to the CMD HEC, a substantiated suspicion of an offence under relevant IPC / PC Act, and the CMD HEC has not, within the reasonable time taken visible action to proceed against such offence or reported it to the Chief Vigilance Officer, the Monitor may also transmit this information directly to the Central Vigilance Commissioner.
- (9) The word 'Monitor' would include both singular and plural.

Section 9 – Pact Duration

This Pact begins when both parties have legally signed it, it expires for the Contractor 12 months after the last payment under the contract, and for all other Bidders 6 months after the contract has been awarded.

If any claim is made / lodged during this time, the same shall be binding and continue to be valid despite the lapse of this pact as specified above, unless it is discharged / determined by CMD HEC.

Section 10 – Other provisions

- (1) This agreement is subject to Indian Law , Place of performance and jurisdiction is the Registered Office of the Principal, i.e. Ranchi.
- (2) Changes and supplements as well as termination notices need to be made in writing. Side agreements have not been made.
- (3) If the Contractor is a partnership or a consortium, this agreement must be signed by all partners or consortium members.
- (4) Should one or several provisions of this agreement turn out to be invalid, the

remainder of this agreement remains valid. In this case, the parties will strive to come to an agreement to their original intentions.

(For & On behalf of the Principal)

(For & On behalf of Bidder / Contractor)

(Office Seal)

(Office Seal)

Place.....

Date.....

Witness 1 :

(Name & Address)

Witness 2 :

(Name & Address)