MATERIALS MANAGEMENT DEPARTMENT

Ref.: AGM(M)/PA/60100/6731/2014-15 Date: 09-03-2015

Sub: Revised guidelines for procurement of materials

The BEST Committee approved the modifications to guidelines for procurement of materials from time to time in order to achieve more economy in purchasing various materials, establishing uniformity in all Purchase Proposals initiated for obtaining approval of the Competent Authorities and also for timely finalization of the tenders. Eventhough over a period of years, the current guidelines have evolved, there is a need to consolidate and combine the same as one guiding document by incorporating the Undertaking's requirements for making use of modern technological developments in the Computer/Internet field relating to the outside world of Materials Management.

1. Important Definitions:

1.1 VED Analysis:

VED classification of items is done by the User Department depending upon their critical use and impact of stock-out of such items on the operations.

1.1.1 Vital items:

Vital items are Critical items without which the day-to-day work will come to a halt.

1.1.2 Essential items:

Essential items are those which are as important as Vital items but non-availability of the same may not hamper the work immediately (say for a short period of 10 days) but absence of the same could bring down the efficiency.

1.1.3 Desirable items:

Desirable items are those items without which work can be carried out temporarily for more days with use of alternate items or parts and can be replaced as and when available.

1.2 Type of tenders:

1.2.1 Advertised tender:

The tenders which are invited by Public Advertisement for procurement of materials having estimated contractual value exceeding ₹ 3,00,000/- are termed as Advertised tender. Needful procedures are followed as per Section 460M of the MMC Act for such advertised tenders.

1.2.2 **Casual tender:**

The tenders which are invited for procurement of small value item having estimated contractual value upto ₹ 3,00,000/- without Public Advertisement are termed as Casual tenders.

1.2.3 **Letter Enquiry (LE) tender:**

The tenders which are neither Advertised nor Casual but are invited by sending specific Letter Enquiries/e-mails, especially in case of proprietary items or items required from specific sources of supply are termed as Letter Enquiry (LE) tenders.

1.3 **Validity Period (Tender validity & Contract validity):**

Existing practice:

The concept of Tender Validity Period already exists and it is the period (from technical bid opening date) within which the Undertaking is required to enter into contract with the firm. On expiry of such period, the rates quoted in the tender are not binding upon the suppliers.

Proposed revision:

It is, now, proposed to introduce a concept of Contract Validity Period (in addition to Tender Validity) in order to ensure fairness and clarity which would result in competitive bids from the suppliers. The Contract validity period will be displayed in each and every contract and it will be binding on the supplier for the faithful execution of contract as per the contractual terms. This Contract validity period will commence from technical bid opening date and the specific Contract validity period will be declared in the tender document. There will not be legal binding on the supplier to supply the material/give services after the expiry of the contract validity period.

1.4 **Family Concept:**

Certain items procured by the Undertaking are similar in nature and require more or less the same capabilities for production. Such items which are similar in nature shall be considered to be of one family. Sometimes, items within a family though similar, require higher manufacturing/technical capabilities, especially when the items are of higher ratings. The User Department shall declare the list of items conforming to the Family Concept from time to time based on similar technical/manufacturing requirements. The family concept will be applied for classifying the category of vendors as 'Regular' & 'New' suppliers.

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1.5 **Regular Suppliers:**

The Regular Suppliers are those who have supplied the material against trial/bulk orders of the Undertaking with satisfactory performance. The classification as 'Regular' suppliers shall imply that such suppliers should have supplied trial/bulk quantity to the Undertaking against at least one Purchase Order in the last 5 years. The 'Regular' suppliers of items coming under one family shall be treated as 'Regular' suppliers for other items of the family, if they have supplied any one item in trial/bulk in the past. The 'Regular' suppliers for materials of higher rating shall be considered as 'Regular' suppliers for materials of lower rating under one family. Further, Original Equipment Manufacturer (OEM) or their suppliers i.e. Authorized Dealers/Distributors shall be treated as Regular suppliers though they have not supplied such materials to the Undertaking directly. The same concept shall also be made applicable for the items having standardized brands which are field tested and whose performance is found satisfactory.

1.5.1 However, in case of certain critical items, the 'New' suppliers who have supplied the material against trial/bulk orders of the Undertaking which are required to qualify with satisfactory performance in the Undertaking's Field Trial Performance tests (as per pre-declared performance parameters), shall be considered as a 'Regular' supplier only after completion of field trials with satisfactory performance.

1.6 **New Suppliers:**

The 'New' suppliers are those who are having adequate technical capabilities for producing/manufacturing/servicing the goods/services as per the Undertaking's quality requirements and standards but have never supplied to the Undertaking in the past.

A supplier shall also be treated as 'New' supplier, if the tendered item under consideration for procurement is not within the family of such item.

1.7 **Semi-Regular Suppliers:**

The concept of Semi-Regular Suppliers shall henceforth cease to exist and such suppliers (as appearing in earlier guidelines) shall be covered under the classification of 'New' Suppliers.

1.8 **Sister Concern:**

The business entity substantially owned by a persons having common interest in more than one business concern of similar nature as partners/share holders/proprietors.

A need is felt to define Sister Concern especially to curb any tendency of vendors to cheat/defraud the Undertaking in cases such as non-execution of contract by one firm and to avoid penal action, the defaulting firm stops dealing with the Undertaking and participate in future tenders of that particular item through their Sister Concerns.

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2. **ABC classification:**

2.1 **Existing practice:**

The ABC classification of items procured is based on the Annual Consumption Value of each item and presently the range for each class is as shown below:

Class	Annual Consumption Value	
	Transport Division	Supply Division
A	₹ 2,00,000/- & above	₹ 3,00,000/- & above
B	₹ 50,000/- to ₹ 2,00,000/-	₹ 50,000/- to ₹ 3,00,000/-
C	Upto ₹ 50,000/-	Upto ₹ 50,000/-

2.2 **Proposed revision:**

These limits were fixed way back in the year 1998 and are required to be revised considering the inflation over period of years as well as current Annual Consumption Values of items. It is, therefore, proposed to re-fix the limits as below:

Class	Annual Consumption Value
	Transport & Supply Division
A	₹ 5,00,000/- & above
B	Above ₹ 1,00,000/- & below ₹ 5,00,000/-
C	Upto ₹ 1,00,000/-

3. **Policy for invitation of tenders**:

3.1 **Existing practice:**

3.1.1 All tenders, having estimated contract value more than ₹ 50,000/- for procurement of non-proprietary items are invited by Public Advertisement through the Two-Bid e-tendering system, wherein only price bids of those tenderers, whose offers are found technically suitable are opened.

3.2 **Proposed revision:**

3.2.1 All tenders, having estimated contractual value exceeding ₹ 3,00,000/- for procurement of non-proprietary items will be invited by Public Advertisement in Local Newspapers through Two-Bid e-tendering system, wherein only Price Bids of those tenderers, whose offers are found technically suitable are opened. As per the existing practice, the tenders having approx. estimated contractual value above ₹ 1.0 crore will continue to be advertised on all over India basis.

3.2.2 All tenders, having estimated contractual value upto ₹ 3,00,000/- for procurement of non-proprietary items will be invited by Casual Tender through single bid or Two-bid e-tendering method.

3.2.3 All Advertised as well as Casual tenders shall always be displayed on the Undertaking's e-tender website. E-mails shall also be sent to all vendors whose names exist in the Undertaking's database in case of Advertised as well as Casual tenders. The e-mail ID data base shall be updated on periodical basis.

3.2.4 Proprietary items are those which are manufactured by a particular firm in their own brand and are not easily available in the local market and the Undertaking has to solely depend on them or their Authorized Dealers/Distributors. For such proprietary items, Letter of Enquiry tenders are sent to the manufacturer of that item or their Authorized Dealers/Distributors. However, efforts will be made to develop alternate sources of supply to such items from time to time.

3.2.4.1 However, in case of critical items which need field trials for assessing their performance, the prevailing practice shall be continued to consider such new suppliers as a 'Regular' supplier only after completion of field trial conducted on a particular item for a specific period. The Indenting Department shall identify such items and declare the nature of field trial disclosing the quantity, period and the performance parameters required for considering the field trials as 'satisfactory'.

At the time of opening of technical bids of such items, the representative of Technical Suitability Evaluation Committee from Technical Department is required to put his/her remarks for non-opening of price bid of previous 'New' supplier stating that their field trial is not yet concluded or their field trial performance is not satisfactory and give detailed information about the field trial data as on date for Technical Suitability Evaluation Committee's scrutiny. Here the term 'Not concluded' implies that the representative of User Department is not in a position to ascertain the performance of the item based on the available data of partially completed field trials. However, the representative of User Department may consider the offer of previous new suppliers as 'technically suitable' for opening of price bids considering them as a 'Regular' supplier if the available performance data of field trials which is in process is sufficient and obvious to conclude the Trial Results though the entire 'Trial Process' is not yet completed.

However, if the field trial report is found satisfactory, such 'New' supplier will be considered as a 'Regular' supplier with satisfactory performance. Moreover, it will be the responsibility of the representative of Technical Department to bring the detailed information of all field trials already conducted or which are in process for that particular item at the time of technical bid opening for Technical Suitability Evaluation Committee's scrutiny failing which, the price bid of 'New' supplier shall be opened considering them as a 'Regular' supplier.

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If their field trials are in process or if field trials are concluded and found unsatisfactory as on technical bid opening date of the tender invited for such material, their price bids shall not be opened after making mention of detailed reasons for the same in the Technical Suitability Evaluation Committee report.

Also, all such performance parameters such as service life in kileage, no. of days, etc. and the quantity required and period of field trial which determines the satisfactory performance of the product supplied, shall be clearly defined in the tender document itself as a part of the Technical Specifications and Tender Evaluation Criteria.

3.2.5 As per existing practice, the Tender fees, Earnest Money Deposit (EMD) shall be obtained from Vendors for all tenders except Casual Tenders. This practice shall be continued. In case of vendors registered with National Small Industries Corporation (NSIC), they will have to submit valid Registration Certificate from NSIC instead of EMD to be eligible for participation in the tenders. However, EMD may not be made applicable in certain cases wherever required with approval of the General Manager.

3.2.6 The existing practice of procuring urgent small value requirements to the extent of ₹10,000/- & ₹25,000/- (at each instance) through Cash Purchase & Telephonic Enquiries respectively, will continue as per the existing practice in case of exigencies with proper justification or otherwise such small procurement will also be carried out by inviting Casual Tenders with single bid e-tendering method.

3.2.7 Whenever there is a single technical responsive offer or Nil response in the Two-bid Advertised tender in the first call, the tender shall be cancelled without opening the price bids. The tender shall be re-invited with revised Technical Specifications and pre-qualification criteria, if required and if single offer is received even after re-tendering, the single bid will be considered for award of tender with the approval of Competent Authority. However care will be taken to ensure that during the second call, publicity is adequate, suitable amendments are made in bid specifications/tender conditions (if required to have more clarity and less restrictiveness). While re-inviting the tender, all the participating tenderers who have paid EMD and tender fee, shall be exempted from the same in the re-invited tender. Whenever single offers are received frequently due to lack of clarity of stringent Technical Specifications or restrictive eligibility criteria, the Indenting Department shall review the same and apply generalized Technical Specifications and relaxation in stringent eligibility criteria.

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However, exceptions to this procedure of single bid tender processing could be made with due diligence for tenders invited for procurement of proprietary/specially designed/project items and items having very few known sources of supply or for tenders specifically invited for development of alternate sources of supply.

3.2.8 The Undertaking will continue the existing practice of procurement of critical chassis spare parts from chassis/vehicle manufacturers and certain spares/assemblies from their Original Equipment Manufacturing (OEM) firms by availing the rates from their price list instead of inviting tenders as per approved BCR No.416 dtd.02-09-1997 & 542 dtd.16-03-2009.

3.2.9 The Automobile and Electricity Distribution equipment technology have undergone a vast change in the last 20 years. The use of embedded hardware and IT software in most of the recent vehicle models and equipments has made buying restricted to only certain manufacturers/suppliers who have precision manufacturing skills and are specialized in the field. This is especially true for spares required in sophisticated systems of Power Steering & their linkages, Axles, Braking system, Auto transmission, CNG engines and its allied systems like ignition system, fuelling system, storage system, regulator, Gas Pipe Circuit, Ring Main Units, OLTCs, VCBs, etc. and are manufactured by certain very reputed national or international OEMs only. Many a times, for imported items, the foreign manufacturers supply the materials only through a single or few authorized dealers in India and the Undertaking has to depend only on them for their spare parts. There being no other alternative but to procure material from them only, such proprietary firms show very little/no response to quote for the Undertaking's tenders especially due to reluctance in paying tender fees, EMD and Security Deposit and accepting the Undertaking’s tender conditions. As such, inviting tenders for procurement of such items does not serve any useful purpose except delaying the procurement process as well as adding to the Administrative cost. Hence for procurement of such items, Purchase Orders will be placed on such firms by -

i) Availing the rates from their price list or

ii) Obtaining quotations by e-mails from the OEM, if price list is not available.

iii) Obtaining quotations by e-mails from the Authorized Dealers of OEM (wherever the OEM manufacturer communicates only through their Authorized Dealers), if price list of OEM is not available.

iv) Placing orders as per ASRTU/DGS&D Rate Contract.

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However, such orders will be placed only after comparing the rates received with that of last purchase rates/price list of chassis manufacturers and wherever applicable the same shall be reported to the BEST Committee under Section 460M & 460 K(d) of the Mumbai Municipal Corporation Act, 1888.

3.2.10 Some tenders are invited for procurement of multiple items (mostly of one family) in respect of Annual Recoupment Schedules. Such tenders are evaluated on the basis of individual item-wise rankings (and not as a whole group adding gross rates of each item and giving ranking based on the total value of each item). Sometimes, the tenderers do not quote for all items for the simple reason that the item may not be in their manufacturing range and this could result in one or two out of the multiple items having only one single offer against the tender at first call.

It is proposed to open the price bids of all items eventhough only suitable offer is received in the first call for some items. However, the tender processing, evaluation and its finalization shall be carried out as mentioned below:

i) After opening of the price bid of the item having only suitable offer, if rates received are found realistic and reasonable, the tender shall be processed for all items.

ii) After opening of the price bid of the item having only suitable offer, if rates received for a particular item are found to be abnormally higher, then that particular item shall be deleted and tender shall be finalized for the remaining items.

iii) If a particular item is to be deleted as mentioned at (ii) above and the same is required urgently by the User Department, then minimum 2-3 months quantity shall be procured by availing the tender rates in order to cater the urgent requirements of the User Department and thereafter, a fresh tender shall be invited for the deleted item for the quantity required by the User Department.

3.2.11 Subsequent to placement of bulk orders for a particular item, many a times, new vendors approach with cheaper and good quality products of the same item. However, such vendors are required to wait for a period of one year for participating in the tenders to be eligible for placement of orders. The Undertaking also loses a good source who can quote competitively and accrue more savings to the Undertaking by supplying bulk quantity against the next tender, when the trial results could be ready. In order to obviate such a procedural delay, the Administration shall place small orders with approval of the Competent Authority on such vendors whose products are found to be primarily suitable to the Undertaking's requirements and specifications, subject to their rate being lower than that of the existing regular suppliers and confirmation of technical suitability from the User Department of their product sample submitted by them on Free of Cost basis.

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3.2.12 As per the existing practice in the emergency situations, whenever the buses are on-hold for want of materials or continuity of electric supply is endangered and the tender finalization is delayed due to unforeseen and unavoidable reasons, Miscellaneous Purchase Orders shall be placed by availing rates of LAO in the main tender to meet the User Department's urgent requirements and wherever required, same will be treated as a separate contract. However, the same shall be reported to the BEST Committee under Section 460 K(d) of Mumbai Municipal Corporation (MMC) Act, 1888, if required.

3.2.13 The procurement of High Speed Diesel (HSD), Motor Spirit (MS) and Superior Kerosene Oil (SKO) will be carried out from Government Oil Corporation viz. BPCL, HPCL, IOCL, etc. as per practice in vogue. The Compressed Natural Gas (CNG) will be procured from Mahanagar Gas Ltd. (MGL) as a proprietary item. In case of non-availability of gas pipelines near the depots, the CNG shall be filled at the nearest Private/Oil Corporation-owned filling stations with the approval of Competent Authority.

4. **<u>Allocation of Quantity</u>**:

4.1 **<u>Allocation of tender quantity to Regular suppliers:</u>**

It is proposed to rationalize and reduce the number of steps in which the quantity is divided between two regular suppliers as under:

4.1.1 **<u>Existing practice</u>:**

The tender quantity is allocated among two regular suppliers based on their quoted price differential at the time of tender opening (prior to rate matching) as under:

Price difference	**% of tender qty. distribution**
Identical offers	50:50
Price difference upto 1%	55:45
Price difference between 1% and 5%	70:30
Price difference between 5% and 10%	80:20
Price difference between 10% and 15%	85:15
Price difference between 15% and 20%	90:10

The above quantity allocation shall be made applicable to all 'Vital' items, whereas in case of 'Essential' items, subject to rate matching with LAO, the quantity allocation shall be restricted upto a price differential of 10% only and tender quantity will not be divided in case of 'Desirable' items.

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4.1.2 **<u>Proposed revision</u>**:

Price difference	% of tender qty. distribution
Identical offers	50:50
Price difference upto 1%	55:45
Price difference above 1% upto 5%	60:40
Price difference above 5% upto 10%	70:30
Price difference above 10% upto 20%	80:20

The above quantity allocation shall be made applicable to all Class i.e. 'A', 'B', 'C' of 'Vital' items, whereas in case of 'Essential' items of 'A', 'B' & 'C' Class, above quantity allocation shall be restricted upto 10% price difference only. For Desirable items, the above quantity allocation shall be made applicable to 'A' & 'B' Class only and shall be restricted to price difference upto 5% and there shall be no quantity division for 'C' Class Desirable item. <u>The primary condition for quantity division shall be matching of their rates with that of LAO</u>.

4.1.2.1 For certain critical and high value items for which tenders are invited with specific condition of Tender Evaluation Criteria based on the Performance Index Method, the Indenting Department is required to obtain approval of the Management for the Performance Index Method giving all details such as various performance parameters and the weightages given to them to arrive at performance index considering their quoted gross rates for evaluating tender on scientific base to award larger share of business to those tenderers whose performance is better.

4.2 **<u>Allocation of tender quantity to New suppliers:</u>**

4.2.1 **<u>Existing practice:</u>**

Currently, New and Semi-Regular suppliers are considered for the allocation of trial quantity to the extent of 10% & 20% (i.e. total 30%) of the tender quantity, respectively if such sources are available against a tender at rates lower than those quoted by the lowest regular suppliers who participate in the tender.

However, it is observed that this condition of New/Semi-Regular suppliers quoting lower than the Regular suppliers in order to be eligible for trial quantity is coming in the way for developing them as alternate sources of supply.

4.2.2 **Proposed revision:**

In order to develop more alternate sources of supply so as to get competitive rates for achieving economy, it is now proposed to modify the concept of allocation of trial quantity to New suppliers, by considering even those offers received from New suppliers whose offers are higher than those of the Regular suppliers, subject to fulfillment of the following criteria:

i) The primary condition of matching of their rates with that of LAO.

ii) Total trial order quantity to all New suppliers shall not exceed 30% of the tender quantity.

iii) New suppliers quoting 'higher' than Regular suppliers shall be eligible for trial orders only if price difference between their rates and LAO is less than or equal to 10%.

iv) Only one New supplier higher than Regular supplier shall be considered for allocation of trial order.

v) The trial order quantity allocated to any New supplier shall not be more than the quantity allocated to any Regular supplier and order of allocation of trial quantity shall be in logical order from lower to higher.

vi) If there are two or three eligible New suppliers (wherein LAO is also New supplier) who have matched their gross rates with LAO and not a single Regular supplier has matched their gross rates with LAO, then the tender quantity division shall be carried out between the lowest two New suppliers only and that too based on the revision proposed at para (4.1.2) above.

4.3 **Allocation of tender quantity to more than two Regular suppliers:**

Generally, the bulk quantity is divided mostly amongst two lowest acceptable regular suppliers. However, in case of peak demand (seasonal) items like tyres, hot & cold resoling of tyres, cut repairs of tyres, cable jointing kits, energy meters, etc. where demand goes up suddenly during monsoon season or the items for which the consumption increases during the fair season, it is very much necessary to provide more than two regular sources as only two sources cannot cope up with the requirement of the Undertaking during such limited period of peak consumption. For such items, the tender quantity may be allocated between three or four regular sources as shown overleaf:

4.3.1 **Formula for quantity allocation:**

To distribute the tender quantity amongst three price-wise lowest rank selected bidders, the distribution will be done in accordance with the following methodology:

The percentage difference in gross rate of the selected bidders and the gross rate of LAO (Lowest Acceptable Offer) is worked out. If this percentage difference is D_1 and D_2 for the second lowest and third lowest bidders respectively, then the quantity allocation will be as mentioned below:

Sr. No.	Bidder		Qty. allocation (in %)
1.	Lowest bidder among three selected bidders	**:**	Say X, then
2.	2nd lowest bidder among three selected bidders	**:**	$X - D_1$
3.	3rd lowest bidder among three selected bidders	**:**	$X - D_2$

The total quantity (in %) for distribution equation works out as:

$X + (X - D_1) + (X - D_2) = 3X - (D_1 + D_2) = 100$

'X' is worked out from above equation and quantities of all the bidders are then worked out accordingly.

5. **Matching of Gross Rates concept:**

In order to achieve economy on materials cost, the existing practice of Matching of Gross Rates shall be in line with BCR No.375 dtd.06-11-2006, by virtue of which all tenderers will have option to match their gross rates within 3 working days with the Lowest Acceptable Offer (LAO) after opening of the price bids. Thereafter, allocation of quantity amongst various tenderers will be carried out as proposed at para (4) above, provided the recommended tenderers match their rates with the LAO.

An indicative chart showing few possible combinations under various circumstances of allocation of trial quantity based on the effective rankings among the participating tenderers who have matched their rates with LAO is shown in the attached Annexure.

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6. **Tender Sample Clause**:

As per Central Vigilance Commission (CVC) and World Bank Procurement Guidelines, as far as possible, tender sample as a pre-qualification eligibility criteria needs to be discouraged and absolute clarity in the tender specifications is vital to ensure transparency and fairness in tender processing. In many cases, manufacturing a tender sample involves capital expenditure without assurance of business in the tender. The calling of tender samples, therefore, shall be made applicable only under exceptional and unavoidable conditions. All efforts shall be put in to prepare detailed drawings of the materials being procured instead of having tender samples as pre-qualification eligibility criteria.

However, if the Tender Sample Clause is incorporated in the tender, the tenderers will be allowed to witness the testing of tender sample submitted by them. Accordingly, the participating tenderers who have submitted tender samples and who desire to witness their samples being tested shall be allowed to do so, provided they (or their authorized representatives) remain present at the testing venue on the date and time which shall be informed to them via e-mail, at least one day prior to testing. However, if the bidder remains absent on the date of testing for any reason whatsoever, then any request for re-testing of his tender sample will not be entertained.

7. **Pre-bid conference:**

For sophisticated technology/Project items like Energy Meters, etc. many technical aspects of the product are required to be clarified to the vendors and hence the Pre-bid conference can be arranged, if required by the Indenting Department and the suitable date of Pre-bid conference shall be intimated to all participating tenderers as well as displayed on e-tender website. The minutes of the Pre-bid conference will be documented by the Indenting Department and the same will be filed in the corresponding tender file. The representatives of Indenting Department, Materials Management Department and Audit Department shall also remain present during Pre-bid conference. The minutes shall also be sent to all present. The necessity of Pre-bid conference will be informed by the Indenting Department to the Materials Management Department while giving quantity requirement or alongwith the Indent.

8. **Operation of ±25% Quantity Variation Clause**:

8.1 **Existing Clause:**

The tenderers may note that the quantity awarded to them is subject to ±25% variation, at the option of the Undertaking.

8.2 **Existing Practice:**

At present, in most cases, ±25% Quantity Variation Clause is operated after opening of a new tender or in case of urgent requirements/exigencies of work. The general rule is to amend the existing order by +25% or -25% Quantity if rates received in the new tender are higher or lower than that of the existing order, respectively. Usually, the -25% amendment is resorted to, for the balance quantity on order post-tender opening and is not insisted upon if the supplier matches to the lower rate received in the new tender. Operation of +25% Quantity Variation Clause, which is usually at the fag-end of the delivery schedule (after opening of the new tender), sometimes evokes negative responses from suppliers, mainly due to increased raw material prices or lack of 'economical batch quantity' for production. This reluctance results in non-supply of material leading to stock-outs. This happens eventhough the supplier has supplied the material in full quantity against the Purchase Order in satisfactory manner.

8.3 **Proposed revision:**

i) It is proposed to operate +25% Quantity Variation amendment compulsorily if rates received in the new tender are higher than that of the existing order within contract validity period only. Hence the delivery schedule of +25% Quantity must be intimated giving sufficient time period so as to receive the material before expiry of contract validity period. However, after expiry of contract validity period, +25% Quantity Variation amendment may be operated, only if it is mutually agreeable by the supplier and the Undertaking.

ii) Similarly, it is proposed to operate -25% Quantity Variation amendment compulsorily if rates received in the new tender are lower than that of the existing order. However, the same shall not be insisted upon if the supplier matches to the lower rate received in the new tender or if the materials are already manufactured against delivery schedule given before opening of the tender.

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iii) If the rates received in the new tender are lower than the existing order and if the supplier denies to match the lower rates received in the new tender, the ordered quantity of the existing order shall be reduced by 25% or for the balance quantity on order and a separate order shall be placed for the same quantity on the Lowest Acceptable Offer received in the new tender by availing the rates received, irrespective of the contractual value by obtaining the approval of AGM(M). This transaction shall be reported to the approving authority while initiating the Purchase Proposal for the new tender.

9. **Factory Inspection of New supplier:**

New firms, who have not supplied the tendered item to the Undertaking and if found eligible for placing Trial/Bulk Purchase Orders against the tender, shall be liable to have their factories inspected by a team of two officers of the Undertaking (provided, the contractual value of the Purchase Order to be placed on them is above ₹ 10.0 lakhs) for assessing their technical/commercial capacity for ensuring smooth and uninterrupted supplies to the Undertaking.

In case the new firm is being considered against the tender, subject to satisfactory factory inspection, the cost towards to and fro travelling, lodging and boarding for the two inspecting officers shall be borne by the firm. However, Daily Allowance for the inspecting officers shall be borne by the Undertaking.

10. **Inspection of Prototype unit:**

In case of Prototype inspection when the Undertaking's officers are required to visit the firm's factory premises to inspect quality of Prototype produced, the firm will bear the expenditure of to and fro travelling, lodging and boarding for the two inspecting officers. However, the Administrative charges shall not be made applicable for the Prototype inspection visit. This Prototype Inspection clause will be incorporated in the tender document for only those critical items for which the Indenting Department has specifically mentioned their requirement of Prototype unit and its inspection.

11. **Lot Inspection:**

In case of Lot inspection (which is to be carried out for high value tenders having the critical applications) when the Undertaking's officers are required to visit the firm's factory premises to inspect quality of lots produced, the firm will bear the expenditure of to and fro travelling, lodging and boarding for the two inspecting officers. However, the Administrative charges shall not be made applicable for the first lot inspection visit. For subsequent visits, if any, the Undertaking will bear the expenditure.

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12. **Witness Testing or Third Party Inspection:**

The suppliers shall be allowed to witness their supplies tested in the Undertaking's laboratories, if they wish to do so. Necessary charges towards such witness testing shall be levied as per the testing charges declared by the Indenting Department from time to time. Further, Witness Testing Charges shall be deducted from the firm's bills.

In case of disputed rejection cases where the supplier shows readiness, Third Party Inspection shall be allowed at laboratories decided by the Undertaking at the cost of the suppliers. The Third Party Inspection report shall be binding on both viz. the firm as well as the Undertaking.

13. **Complaint Redressal Committee to mitigate the complaints/ grievances of bidders on tenders/bids invited by the Undertaking:**

With the aim to bring complete transparency in the tendering process and to have free and fair competition amongst the tenderers/bidders by eradicating any possible complaints/grievances from bidders about the tendering process in the Undertaking, it is decided to form a Complaints Redressal Committee comprising of seven members of the BEST Committee headed by the Chairman of the BEST Committee.

The Terms of Reference of the Complaints Redressal Committee are as under:

i) The Complaints Redressal Committee will examine the written complaints, if any, received by them from the bidders with regard to the tenders/bids floated by the Undertaking. If the said Committee prima-facie finds that there is a substance in the said complaints, will seek necessary clarifications/details thereof from the officers of the concerned departments dealing with the said tender.

ii) On receipt of clarifications/details, if the Complaints Redressal Committee feels that any corrective action is required to be taken without vitiating the sanctity of the tender/bid, a report to that effect will be forwarded to the General Manager, specifying the action required to be taken.

iii) On receipt of report from the Complaints Redressal Committee, the General Manager will take appropriate action on the report of the said Committee and thereafter the Administration will put up the proposal for tender contract for approval of the Competent Authority.

iv) In any case, care will be taken by all the concerned that the tendering process is not delayed for want of the report of the Complaints Redressal Committee.

14. **Reverse Auction:**

Moving towards a highly digitized world, the Information Technology advantage, if implemented properly, could definitely help achieve immense savings to the Undertaking. Taking the same concept forward, the Reverse Auction would be a step forward to 'Matching of Rates' and being an on-line concept, would help determine the best possible price. It is proposed to introduce Reverse Auction after developing necessary application software for procurement of high value material such as Chassis, Bus Body Building, Fully Built Buses and Transformers in future in order to achieve economy by obtaining the competitive rates by developing such application software.

15. **Penal action against the defaulting firms:**

15.1 **Penal action against the defaulting firm who backs out from the tender within the tender validity period:**

Sometimes, the tenderers back out from the tender or submit revised rates after opening of the tender within the tender validity period. In such cases, the following actions will be taken:

i) For genuine cases (not done deliberately like typographical errors, oversight, etc.), the Earnest Money Deposit of the firm shall be forfeited and their offers shall be overlooked in addition to their debarment for the next one year for that particular item from the date of opening of the tender. However, their debarment shall be waived if the firm agrees to pay a penalty amount of 5% of the contractual value of that tender, subject to maximum of ₹ 1.0 lakh. However, such defaulting firms shall be allowed to execute the existing contracts.

If the defaulting firm is exempted from the payment of EMD being registered with NSIC, then such defaulting firm shall be asked to pay amount equivalent to EMD of the respective tender (or the amount equivalent to 1% of the estimated contractual value of that tender, in case of Casual Tenders) as a penalty amount within the reasonable time. If the firm fails to pay the amount equivalent to EMD, then the firm shall be debarred from participation in the Undertaking's tenders for the next two years for that particular item. However, the period of debarment shall be waived if the firm agrees to pay a penalty amount of 5% of the contractual value of that tender subject to maximum of ₹1.0 lakh in addition to amount equivalent to EMD.

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ii) In cases of knowingly and deliberately indulging in malpractice or backing out from the tender, it is proposed to forfeit the Earnest Money Deposit of the firms and in addition to debar them from participation in the Undertaking's tenders for the next three years for all procurements. However, the period of debarment shall be reduced to one year, if the firm agrees to pay a penalty amount of 10% of the contractual value of that tender subject to maximum of ₹5.0 lakhs.

If the defaulting firm is exempted from the payment of EMD being registered with NSIC, then such defaulting firm will be asked to pay amount equivalent to EMD of the respective tender (or the amount equivalent to 1% of the estimated contractual value of that tender, in case of Casual Tenders) as a penalty amount within the reasonable time. If the firm fails to pay the amount equivalent to EMD, then the firm will be debarred from participation in the Undertaking's tender for the next six years for all procurements. However, the period of debarment shall be reduced to one year if the firm agrees to pay a penalty amount of 10% of the contractual value of that tender subject to maximum of ₹5.0 lakh in addition to amount equivalent to EMD.

15.2 **<u>Penal action against the defaulting firm who fails to execute the contract:</u>**

If a firm is found to be failing in honouring the contractual obligations, they shall be called upon to submit an explanation by giving final notice as per the contractual terms. If the part or full ordered quantity is purchased from somewhere else at the risk and cost of the defaulting contractor, the difference in the price shall be recovered from their outstanding payment or their EMD, Security Deposit, etc. If the amount to be recovered against Risk Purchase action is not available with the Undertaking, the firm will be asked to pay the difference. If the defaulting firm fails to pay the difference amount, they will be debarred from participating in the Undertaking's tender for five years for all procurements and their bad performance shall be recorded.

As per the existing practice, we used to approach the Court of Law for recovering outstanding amount from the defaulting firm. However, considering the past experience in Legal litigations, it is observed that the money, time and manpower utilized in recovering the amount far outweighs the recovery amount. Moreover, the outcome is uncertain; as such it is decided not to adopt the Legal actions in the Court of Law for such cases.

The Risk Purchase action shall be to the extent of the cost difference for non-supplied quantity only. Besides, no procurement shall be made from them as well as from their sister concerns.

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15.3 **Penal action against the defaulting firm who is involved in fraud/malpractice incurring heavy loss to the BEST Undertaking:**

When a firm is found to be indulging in malpractice in their dealings with the Undertaking, such as intentional and repeated supply of spurious goods, non-genuine materials or indulging in corrupt practices or where the gravity of default is extremely serious and it is definitely established that the firm has knowingly and deliberately indulged in malpractice due to which, the Undertaking may or may not have incurred loss by way of default or malpractices and the firm is not prepared to reimburse the loss, they shall be called upon to submit an explanation for their actions for the one or more defaults that the firm may have indulged in. In such cases, the firm will be blacklisted permanently and in addition to this, legal action, if required, shall be initiated for recovery of the monetary losses to the Undertaking. In assessing the gravity of the default, the previous good/bad performance of the supplier shall also be taken into account. The decision of permanent blacklisting of a firm will be taken after a consensus is reached between the User Department, Audit Department & Materials Management Department and will be implemented after taking approval of the Competent Authority.

16. **Procedure for Negotiations**:

Normally, there will be no negotiations with the tenderers. However, in exceptional cases, if it becomes necessary in the interest of the Undertaking to have negotiations, the same will be done with prior approval of the GM and if required, in the presence of the Addl.GM or General Manager only.

17. **Exceptions:**

The above guidelines (which are not rules) will generally be followed in almost all cases. Due to certain unavoidable circumstances, however they may be required to be deviated. Due justifications for such deviations will be submitted to the approving authority while putting up such proposals.

ANNEXURE

ILLUSTRATIVE EXAMPLES FOR RECOMMENDING THE OFFERS WITH QUANTITY DIVISION BASED ON EFFECTIVE RANKING

Table-1

Original Ranking	Status of firm (New/Regular)	Whether Rates were matched with LAO (Y/N)	Effective Ranking	Recommendations
L_1	New	LAO	L_1	10%
L_2	New	N	-	-
L_3	New	N	-	-
L_4	Regular	N	-	-
L_5	New	N	-	-
L_6	Regular	N	-	-
L_7	Regular	Y	L_2	90%
L_8	Regular	N	-	-
L_9	New	N	-	-
L_{10}	Regular	N	-	-

Table-2

Original Ranking	Status of firm (New/Regular)	Whether Rates were matched with LAO (Y/N)	Effective Ranking	Recommendations
L_1	New	LAO	L_1	100%
L_2	New	N	-	-
L_3	New	N	-	-
L_4	Regular	N	-	-
L_5	New	N	-	-
L_6	Regular	N	-	-
L_7	Regular	N	-	-
L_8	Regular	N	-	-
L_9	New	N	-	-
L_{10}	Regular	N	-	-

Table-3

Original Ranking	Status of firm (New/Regular)	Whether Rates were matched with LAO (Y/N)	Effective Ranking	Recommendations
L_1	New	LAO	L_1	10%
L_2	New	Y	L_2	10%
L_3	New	N	-	-
L_4	Regular	Y	L_3	*
L_5	New	Y	#L_4	10%
L_6	Regular	N	-	-
L_7	Regular	Y	L_5	*
L_8	Regular	N	-	-
L_9	New	N	-	-
L_{10}	Regular	N	-	-

* Division if permissible and as per revised guidelines between these 2 Regular suppliers on the basis of price difference between their original gross rates.

New supplier, who have quoted higher than Regular supplier and matched with LAO, but the price difference between their rates and LAO is less than or equal to 10%.

Table-4

Original Ranking	Status of firm (New/Regular)	Whether Rates were matched with LAO (Y/N)	Effective Ranking	Recommendations
L_1	New	LAO	L_1	10%
L_2	New	Y	L_2	10%
L_3	New	Y	L_3	10%
L_4	Regular	Y	L_4	*
L_5	New	N	-	-
L_6	Regular	N	-	-
L_7	Regular	Y	L_5	*
L_8	Regular	N	-	-
L_9	New	N	-	-
L_{10}	Regular	N	-	-

* Division if permissible and as per revised guidelines between these 2 Regular suppliers on the basis of price difference between their original gross rates.

Table-5

Original Ranking	Status of firm (New/Regular)	Whether Rates were matched with LAO (Y/N)	Effective Ranking	Recommendations
L_1	New	LAO	L_1	*
L_2	New	Y	L_2	*
L_3	New	Y	L_3	Nil
L_4	Regular	N	-	-
L_5	New	N	-	-
L_6	Regular	N	-	-
L_7	Regular	N	-	-
L_8	Regular	N	-	-
L_9	New	N	-	-
L_{10}	Regular	N	-	-

* Division if permissible and as per revised guidelines between these 2 New suppliers on the basis of price difference between their original gross rates.

Table-6

Original Ranking	Status of firm (New/Regular)	Whether Rates were matched with LAO (Y/N)	Effective Ranking	Recommendations
L_1	New	LAO	L_1	10%
L_2	New	Y	L_2	10%
L_3	Regular	Y	L_3	*
L_4	Regular	Y	L_4	*
L_5	New	Y	#L_5	10%
L_6	Regular	N	-	-
L_7	Regular	N	-	-
L_8	Regular	N	-	-
L_9	New	N	-	-
L_{10}	Regular	N	-	-

* Division if permissible and as per revised guidelines between these 2 Regular suppliers on the basis of price difference between their original gross rates.

New supplier, who have quoted higher than Regular supplier and matched with LAO, but the price difference between their rates and LAO is less than or equal to 10%.

Table-7

Original Ranking	Status of firm (New/Regular)	Whether Rates were matched with LAO (Y/N)	Effective Ranking	Recommendations
L_1	Regular	LAO	L_1	*
L_2	New	Y	#L_2	10%
L_3	Regular	Y	L_3	*
L_4	Regular	Y	L_4	-
L_5	New	Y	L_5	-
L_6	Regular	N	-	-
L_7	Regular	N	-	-
L_8	Regular	N	-	-
L_9	New	N	-	-
L_{10}	Regular	N	-	-

* Division if permissible and as per revised guidelines between these 2 Regular suppliers on the basis of price difference between their original gross rates.

\# New supplier, who have quoted higher than Regular supplier and matched with LAO, but the price difference between their rates and LAO is less than or equal to 10%.

Table-8

Original Ranking	Status of firm (New/Regular)	Whether Rates were matched with LAO (Y/N)	Effective Ranking	Recommendations
L_1	New	LAO	L_1	*
L_2	Regular	N	-	-
L_3	New	Y	L_2	*
L_4	Regular	N	-	-
L_5	New	N	-	-
L_6	Regular	N	-	-
L_7	Regular	N	-	-
L_8	Regular	N	-	-
L_9	New	N	-	-
L_{10}	Regular	N	-	-

* Division if permissible and as per revised guidelines between these 2 New suppliers on the basis of price difference between their original gross rates.

Table-9

Original Ranking	Status of firm (New/Regular)	Whether Rates were matched with LAO (Y/N)	Effective Ranking	Recommendations
L_1	Regular	LAO	L_1	90%
L_2	New	Y	L_2**#**	10%
L_3	New	Y	L_3	-
L_4	Regular	N	-	-
L_5	New	N	-	-
L_6	Regular	N	-	-
L_7	Regular	N	-	-
L_8	Regular	N	-	-
L_9	New	N	-	-
L_{10}	Regular	N	-	-

New supplier, who have quoted higher than Regular supplier and matched with LAO, but the price difference between their rates and LAO is less than or equal to 10%.

Table-10

Original Ranking	Status of firm (New/Regular)	Whether Rates were matched with LAO (Y/N)	Effective Ranking	Recommendations
L_1	Regular	LAO	L_1	100%
L_2	New	N	-	-
L_3	New	N	-	-
L_4	Regular	N	-	-
L_5	New	N	-	-
L_6	Regular	N	-	-
L_7	Regular	N	-	-
L_8	Regular	N	-	-
L_9	New	N	-	-
L_{10}	Regular	N	-	-

ADDENDUM

While approving the Procurement Guidelines vide BCR No.242 dtd.11-11-2014, it was agreed to examine the suggestions given by the Hon'ble Committee Members during the discussion to have more clarity. Accordingly, after discussing in the Sub Committee, the following paras have been incorporated as an Addendum and shall be considered as a part of the guidelines for procurement of materials:

Para No.	Description
1.5.1	Definition of Regular suppliers for certain critical items which need field trials for assessing their performance.
3.2.4.1	Policy for invitation of tenders in respect of certain critical items which need field trials for assessing their performance.
4.1.2.1	Proposed quantity allocation for certain critical and high value items for which tenders are invited with specific condition of Tender Evaluation Criteria based on the Performance Index Method.