MANUAL ON PROCUREMENT OF MATERIALS AND SERVICES

HINDUSTAN SHIPYARD LIMITED
(A Government of India Undertaking)
GANDHIGRAM (P.O)
VISAKHAPATNAM-530005
FOREWORD

There has been a drastic change in the business environment, with the process of liberalization, opening up of global economy, resulting in Shipbuilding organizations world over exposed to intense competition in the market place, and HSL is no exception. HSL, therefore needs to work out various strategies to face the above challenges and to cut down manufacturing costs to remain competitive.

In this context, when nearly 60% of the selling cost of the vessel is being spent on procurement of materials, the importance of proper Management of Materials need hardly be emphasized. It is needless to mention that Purchase Management as an integrated Materials Management can provide opportunities to reduce manufacturing costs.

Thus, Purchase Management is the nerve centre / profit centre of the organization and the Purchase Managers can make a direct contribution in the direction of reducing procurement costs.

At the same time, HSL being a Public Sector Undertaking, any public procurement will not only have to be made in a fair and transparent manner but will also have to fall in line with the cannons of financial propriety.

The Purchase Procedure given in the succeeding paragraphs strives to achieve both these ends and consider being an improved version over the existing one, which was in use long back, aiming at rationalizing the steps in procurement.

This “Purchase Procedure Manual” gives insight into the purchase activities with the basic objectives in view. This procedure manual was compiled after taking into consideration the various directives issued by Government, Central Vigilance Commission, and Company’s Delegation of powers (administrative and financial) and other statutory notifications etc., issued from time to time. This Manual, therefore, supersedes all the previous Circulars / Office Orders issued so far and aimed to perform the procurement activities by all the related departments, efficiently and in a transparent manner.

I was given to understand that while updating this manual, the Purchase Procedures of various ship building units, Defence purchase procedures & the Guidelines issued by CVC from time to time have been taken in to account. If any one feels that any instructions in this Manual require amendment for any valid reason, I welcome them to bring the same to my notice through the proper channel.

(Rear Admiral N.K.Mishra)
Chairman & Managing Director.
HINDUSTAN SHIPYARD LIMITED:: VISAKHAPATNAM / 530005
CHAIRMAN AND MANAGING DIRECTOR SECRETARIAT

Sub: Manual on procurement of material and services

I.O. No.CMD/IO /000012 / 091 /15
Date issued: 05 Feb 15
Date effective: 16 Feb 15

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1. The purchase procedure manual on procurement of material and services has been reviewed and amended. The same is enclosed herewith as Annexure I to this IO.

2. All concerned are to scrupulously adhere to the procurement / purchase manual. The working of this manual will be reviewed after three years or earlier as the case may be.

(NK Mishra)
Rear Admiral (Retd)
Chairman & Managing Director

Encl: As above
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CHAPTER – I
PROCUREMENT OBJECTIVES, SCOPE & ROLE OF PERSONNEL

Main Objectives

1.1 To procure stores and services of right quality, in right quantity, at right price and in right time to support construction & repair activities of ships & submarines, maintenance etc by maintaining transparency and equitable approach in the procurement process through:-

(a) Development of dependable & competitive vendor base and faster, continual improvement in procurement system.

(b) Effective price negotiations with the Vendors.

(c) Using available techniques to determine the right or reasonable price of the material and works / services.

(d) Optimizing the transportation costs.

(e) Minimizing the lead-time for procurement, inventory and cost thereof.

Scope

1.2 This Manual is evolved to cover various activities of Purchase procedures in the organization viz, identifying the demands, vendor development, raising indents, tendering, receiving bids and its evaluation, placement of orders, monitoring of receipt, acceptance and payment.

Role of Related Departments.

1.3 The role of various departments involved in the purchase functions while following the procedures are broadly given as under:

1.3.1 Purchase Department: To comply with the Purchase procedures as envisaged in the Manual.

1.3.2 Design Department. To ensure preparation of the “technical specifications” in line with the requirement of projects and also ensure the reasonability of the cost estimates.

1.3.3 Production Planning Department. To ensure that the quantities / deliveries / warranty / guarantee obligations are drawn as per the stipulations in the contract with the customer or as per the schedules drawn.

1.3.4 User Departments. The User department may not be directly involved in procurement of items except for services.

1.3.5 Inspection Department. To ensure that the Inspection is carried out as per the order specifications and issue of Inspection reports.

1.3.6 Finance Department. To ensure that the payment terms, taxes, duties of various kinds, reasonableness of price are suitably dealt with.
1.4 **Purchase Preference.** At present no Purchase Preference policy exists. However, it shall be applicable as per Government policy as promulgated from time to time.

1.5 **Time limit & Accountability.** The effect of delay in processing and clearance of various procurement activities needs no emphasis. The decentralization of decision-making mechanism and delegation of powers as per Appendix ‘A’ are aimed at facilitating faster decision making and obtaining the best value for money. However, delegation of powers also implies ‘authority with accountability’. Every individual in the chain of the procurement process is accountable for taking action in a specified time period so that the requirements of the yard are met on time. Time frame for various procurement activities shall be as per nature of tender enquiry & urgency of required material.

1.6 **Delegation of Powers.** The powers specified in the manual are governed by Sub Delegation of Powers to Functional Directors and below Board level Officers issued by C&MD from time to time.
CHAPTER – II

GENERAL PRINCIPLES OF ENTERING INTO CONTRACTS

2.1 Some of the salient principles relating to the elements & principles of contract law and the meaning and importance of various legal terms used in connection with the contracts as issued by the Directorate General of Supplies and Disposals are given below for better understanding.

2.2 Elementary Legal Practices

2.2.1 Contract. The proposal or offer when accepted is a promise, a promise and every set of promises forming the consideration for each other is an agreement and an agreement if made with free consent of parties competent to contract, for a lawful consideration and with a lawful object is a Contract.

2.2.2 Proposal or Offer. In a sale or purchase by tender, the tender signed by the Tenderer is the proposal. The invitation to tender and instructions to tenderers do not constitute a proposal.

2.2.3 Acceptance of the Proposal. When the party to whom the offer is made signifies assent thereto, the offer is said to be accepted.

2.2.4 An Agreement. An Agreement is a contract enforceable by law when the following are satisfied: -

(a) Competency of the parties.
(b) Freedom of consent of both parties.
(c) Lawfulness of consideration.
(d) Lawfulness of object

Note: A defect affecting any of these renders a contract unenforceable:

2.2.5 The categories of persons and bodies who are parties to the contract may be broadly sub-divided under the following heads: -

(a) Individuals
(b) Partnerships
(c) Limited companies
(d) Corporations other than limited companies.

2.2.6 Contract with Individuals. Individuals tender either in their own name or in the name and style of their business. If the tender is signed by any person other than the owner, the authority of the person signing the tender on behalf of the owner must be verified and a proper power of attorney authorizing such person should be insisted upon.

2.2.7 Contract with Partnerships. A partner is the implied authority to bind the firm in a contract. However, the implied authority of a partner does not extend to enter into arbitration agreement on behalf of the firm. While entering into a contract with partnership firm care should be taken to verify the existence of consent of all partners to the arbitration agreement.
2.2.8 **Contract with Limited Companies.** Companies are association of individuals registered under the Companies Act in which the liability of the members comprising the association is limited to the extent of shares held by them in such companies. The company after its incorporation is an artificial legal entity. A company is not empowered to enter into a contract for purposes not covered by its Memorandum and Articles of Association. Therefore, in cases of doubt, the company is to be asked to produce its Memorandum and Articles of Association for verification. When tenders are signed by persons other than the Directors, it is necessary to ask for resolution of the board of directors.

2.3 **Validity of Offer.** In case it is not possible to decide a tender within the period of validity of the offer as originally made, the consent of the Tenderer should be obtained to keep the offer open for further period or periods.

2.3.1 **Acceptance to be Identical with Proposal or Offer.** If the terms of the tender, as revised and modified, are not accepted or if the terms of the offer and the acceptance are not the same, the acceptance remains a mere counter offer and there is no concluded contract. It should be ensured that the terms incorporated in the acceptance are not at variance with the offer or the tender and that none of the terms of the tender are left out. In case, the tenderers use uncertain terms, clarifications should be obtained before such tender is considered for acceptance. If it is considered that a counter offer should be made, such counter offer should be carefully worded, as the contract is to take effect on acceptance thereof.

2.3.2 **Withdrawal of an Offer or Proposal.** A Tenderer firm, who is the proposer, may withdraw its offer at any time before its acceptance, even though the firm might have offered to keep the offer open for specified period. It is equally open to the Tenderer to revise or modify his offer before the due date of opening of techno commercial bid in the case of two bid system and the bid in the case of Single bid system.

2.4 **General Principles of Contracting.** The following principles are laid down for the guidance of the authorities who have to issue tender & enter into contracts or agreements involving expenditure from Shipyard funds:

(a) The terms of contract or supply order or work order must be precise and definite and there must be no room for ambiguity or misconstruction therein.

(b) Standard forms of contract or supply order or work order should be adopted, wherever possible, and the terms should be subjected to close prior scrutiny.

(c) As far as possible and where mandatory, particularly if standard format of contract or supply order or work order is not to be adopted, legal and financial advice should be taken in drafting of contracts and before they are finally entered into.

(d) Whenever practicable and advantageous, contracts should be placed only after tenders have been openly invited.

(e) In selecting the tender to be accepted, the financial status of the individuals and firms tendering must be taken into consideration in addition to all other
relevant factors. While fixing the eligibility criteria, the following points to be kept in view: -

(i) Average annual financial turnover, financial standing through latest IT returns,
Annual report (balance sheet and Profit & Loss Account) of last 3 years.

(ii) Capabilities and satisfactory performance with respect to personnel, equipment, establishment, plant and manufacturing facilities according to the requirement of project.

(iii) The quantity, delivery and value requirement shall be kept in view, while fixing the PQ criteria.

(iv) Experience and past performance on similar contracts during last 7 years ending last day of month previous to the one in which applications are invited should be either of the following:-

(aa) Three similar completed works costing not less than the amount equal to 40\% of the estimation cost
Or

(ab) Two similar completed works costing not less than the amount equal to 50\% of the estimation cost
Or

(ac) One similar completed works costing not less than the amount equal to 80\% of the estimation cost. Definition of similar work shall be clearly defined.

(f) Even in those rare cases where a formal written contract is not made, no order for supplies, etc., should be placed without at least a written agreement as to the price.

(g) Adequate provision must be made in the contracts for safeguarding HSL property entrusted to the service provider, where applicable.

Note. Necessary relaxation may be obtained from Competent Authority on case to case basis as required prior tendering.

2.5 Placement of Supply Order or Work order or Signing of Contract. The decision to issue a supply order or work order or sign a formal contract will be taken on the basis of the following broad guidelines:-

(a) Purchase or Supply or work orders containing basic terms and conditions may be issued in the case of purchases up to Rs 10 lakhs.

(b) In case of orders for purchases or services or works valued above Rs 10 lakhs and up to Rs 100 lakhs, issue of the purchase order and the letter of acceptance thereof, will result in a binding contract where the tender documents include the General Conditions of Contract, Special Conditions of Contract and detailed scope of supply and or work.

(c) A contract document should generally be executed for purchases or
Services valuing above Rs 100 lakhs.

(d) However, Purchase or Supply or work orders should be placed in all cases when the purchase is made against Rate Contracts or Price Agreements centrally concluded by the DGS&D or Central Procurement Authorities or Departmental authorities who are empowered to do so.

2.5.1 Contract Effective Date. The contract effective date is normally the date on which the contract is signed by both the parties unless otherwise mutually agreed to and clearly indicated in the contract as per agreed terms and conditions. Unless otherwise specified date of work order or purchase order is the date of commencement of the order. It is suggested to indicate contract effective date while issuing the order.

2.6 Changes in the Terms or Amendment to a Concluded Contract.

(a) Changes in the Terms of a Concluded Contract. No variation in the terms of a concluded contract should normally be made, unless the contract specifically provides for it as per tender terms, in which case this can be done with the specific written consent of the parties to the contract.

(b) Amendment to a Concluded Contract. Amendment to a contract already concluded may become essential in certain situations when either party to the contract requests for an amendment and the proposed amendment is acceptable to other party to the contract, provided the amendment shall not have material effect on tender terms, conditions and or specifications.

(c) Enhancement in Rates. No enhancement in rates or prices should be made unless the contract specifically provides for it as per tender terms. Such situations may arise in those cases where the contract provides for price variation clauses or the change is due to variation in Excise or Custom Duties and other Government taxes & levies and the contract provides for payment of these duties on the basis of actual rates, provided the supplies and services are made during the original delivery period. Consultation with Associated Finance in such cases would be required if the original contract was concluded with the concurrence of Associated Finance and CA’s approval shall be obtained as per delegation of powers.

(d) Vetting of Price Variation Clause. Associated Finance should be consulted for vetting of price variation clauses and exchange rate variation clauses before issue of tender.

(e) Imposition of LD While Granting Extensions. Any request for extension of delivery schedule shall be made by the supplier or sub contractor preferably before schedule completion date by giving the reasons for extension. While granting extensions of delivery period or schedule completion of work on an application of the vendor / contractor, the letter and spirit of the application should be kept in view in fixing a time for delivery and it must be decided while granting extension whether it would be with or without imposition of Liquidated Damages. Competent Authority’s approval shall be obtained as per delegation of powers before communicating the extension to the supplier or contractor for extension of delivery period with or
without LD.

(f) **Liability on Account of Taxes etc in the Event of Grant of Extension of Delivery Period.** While granting extension of delivery period, any increase in the taxes and levies would not be payable, unless the contract specifically provides for it as per tender terms or it is expressly agreed to with the concurrence of the Associated Finance.

(g) **Consultation with Associated Finance.** All amendments to contracts, which have financial implications, including short closing and delivery period extensions (with or without LD), should be approved by the CA as per delegation of powers.

(h) **Amendments of Minor and Non-financial Nature.** Amendments of minor nature concerning Drawing No., Part Nos., etc., which do not have financial implication, may be approved by an authority one step below the contract approving authority.

(j) **Termination of a Concluded Contract.** A contract may also be terminated in the following circumstances with the approval of competent authority as per delegation of powers:

(i) When the supplier or contractor fails to honour any part of the contract including failure to deliver the contracted stores or render services in time.

(ii) When the contractor or supplier is found to have made any false or fraudulent declaration or statement to get the contract or he is found to be indulging in unethical or unfair trade practices.

(iii) When the item or services offered by the supplier or contractor repeatedly fails in the inspection and the supplier or contractor is not in a position to either rectify the defects or offer items conforming to the contracted quality standards.

(iv) Any special circumstances, which must be recorded to justify the cancellation or termination of a contract.
CHAPTER - III

PROCEDURE FOR INDENTING

3.1 Indent. Indent is a felt need or demand for procurement of Stores or Material or Equipment for use on Vessels under construction or Capital budget items for yard maintenance or any other materials and services. Indenting is the process by which the concerned departments are advised to procure any goods or services.

3.2 Procurement of supplies / services / works implies expenditure. Hence the provisioning of the stores or material or equipment need to be done with utmost care taking into account the available stock, outstanding dues or supplies, the past consumption pattern, average life of the equipment or spares. The requirements also need to be clubbed so as to get the most competitive and best prices. The requirements should not be intentionally bifurcated or split to avoid approval from higher authority.

3.3 Classification of Stores or Material or Services or Works to be procured. In order to provide the adequate and timely supply of material / services / works to meet the corporate objectives and targets set for the completion of the projects, the materials / services / works being procured in HSL for the purpose of Indenting are classified as under:-

(a) Project Purchases. Each project undertaken by the Company is assigned a unique Yard number by the PP&PM Department and the procurement of Indigenous & Imported Materials or Equipments, Steel required for Vessel Construction, Repairs, Retrofit, etc. shall be under these yard numbers apart from job nos.

(b) Consumables. Electrodes, oils, lubricants, gases and timber etc.

(c) Standard Stock items (S.S Items). These are standard stock items or general purpose items common across the projects including Steel and Timber.

(d) Civil Engineering Items. Procurement made for use in civil works comprise of works of capital and Revenue nature.

(e) Yard Maintenance Items. These are purchases made for general requirements or services common across the projects and or or for internal use for shops or facilities or maintenance.

(f) Capital Budget Items. The purchases for developing infrastructure facilities & for yard use for execution of various Projects.

(g) General Items. Stationery, medicines etc.,

(h) Outsourcing jobs for building & repair activity of ships and submarines, plant maintenance, infrastructure & other administrative activities.
3.4 Departments or Officers Authorized to raise Indents. Purchase Indents will be initiated in the prescribed FORM by the under mentioned Departments and Authorities:

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<th>Authorized Officer</th>
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<tr>
<td>A</td>
<td>All material or equipment required for Design office</td>
<td>GM (D&amp;DO) or AGM(D&amp;DO)</td>
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<tr>
<td>B</td>
<td>All Vessel Construction Items including Steel</td>
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<tr>
<td>C</td>
<td>All Maintenance items of capital budget and spares</td>
<td>GM (Production) / GM (EKM) or Sr. Manager (Maintenance) as per delegation of powers</td>
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<tr>
<td>D</td>
<td>Steel and Timber covered in the Standard Stock</td>
<td>AGM (Purchase &amp; Material) or HOD as per delegation of powers</td>
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<tr>
<td>E</td>
<td>All Standard Stock items</td>
<td>AGM (Purchase &amp; Material) or HOD as per delegation of powers</td>
</tr>
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<td>F</td>
<td>Material required for Civil Engineering works</td>
<td>SE(M) (Civil Engg) or Authorized officer</td>
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<tr>
<td>G</td>
<td>Medicines, Hospital Equipment</td>
<td>GM (P&amp;A) or HOD(Personnel)</td>
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<td>H</td>
<td>Office or Computer Stationery &amp; consumables, procurement including printing of all official forms etc., Furniture &amp; Transport</td>
<td>DGM (P&amp;A) or Chief Welfare Officer- in-Charge General Dept.</td>
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<td>J</td>
<td>Material or Equipment for ship/ submarine repair works</td>
<td>GM (Ship Repairs) / GM(EKM) or his Authorised officer</td>
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<td>K</td>
<td>Data Processing Material</td>
<td>DGM (IT) or HOD</td>
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<tr>
<td>L</td>
<td>Material required for Security and Fire Service</td>
<td>AGM (P&amp;A) or Authorised officer</td>
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<tr>
<td>M</td>
<td>Any other material not covered above</td>
<td>Respective GM or Authorised officer of the concerned Department to whom the material is required</td>
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3.5 Purchase department will deal with procurement of Material for Vessels under construction, Standard stock items and New Plant & equipment including spares only. Consequently all other activities vested with Purchase department will be decentralized as detailed below which may not be comprehensive.

3.6 Outsourcing. Shipbuilding works contracts (except EKM works) viz., sandblasting, shot blasting, chipping, grinding, painting, flooring and insulation etc., not handled departmentally will be outsourced through Shipbuilding Outsourcing department in addition to all other labour and labour plus material contracts presently being handled by them.

3.7 Office Stationery, I Cards / Computer Stationery & Consumables. Procurement including printing of all official forms, medicine, welfare items viz., tea dust, sugar etc., and furniture, will be handled by General department based on annual estimates of requirement and budget provision.
3.8 Maintenance and Service Contracts. Maintenance department is responsible for all repairs and preventive and routine maintenance of plant & office machinery in the entire yard. Consequently all AMCs required by various administrative and yard departments will be informed to maintenance department by concerned departments by raising necessary PRQs with relevant job / technical specifications and maintenance department will draw up the necessary AMC contracts in consultation with indenter. Further, works, which involve material and labour components, have to be handled by maintenance and civil departments by issuing tenders as per the existing guidelines and finalize the contracts. The material requirement may preferably be included to hasten the work process. The material for civil works be sourced by the respective department.

3.8.1 However, where spares are to be procured, maintenance department will raise the necessary PRQs for procurement action by purchase department under the relevant budget as at present.

3.9 EKM Infrastructure. Equipment proposed for infrastructure of EKM Cell other than what has already been initiated for procurement by Purchase department, will be indented by EKM Division by raising PRQs with necessary administrative approvals and henceforth procurement action will be taken by EKM purchase wing for all EKM requirements.

3.10 Buffer Stock Purchase of Steel for DDS&R. DDS&R purchase will be responsible for procurement of short term (3 months & below) steel requirements for undertaking ship-repair jobs and the main purchase department will only deal with bulk steel procurement for DDSR for maintaining buffer stocks. DDS&R shall arrange for the PRQ for its bulk requirement well in advance so as to enable purchase department to initiate the procurement action by clubbing with the requirement of Yard.

3.11 Bulking of Demand of Electrodes, Gases and Paints etc. While “Requesting for Quotation / Inviting Bids” from probable suppliers, the requirement of Industrial Gases, Electrodes and paints etc of DDS&R and Retrofit Division are consolidated and included along with the requirement of “Shipbuilding” and order finalized by purchase department against competitive bidding obtained. A copy of the rate contract order will be sent to HODs of DDS&R and Retrofit Division, with a stipulation in the order copy that DDS&R and Retrofit Divisions will place a separate order for their requirement, with the same terms and conditions and would be dealt with by them / operated, separately. A legally valid contract would come into existence with the placement of individual orders in the prescribed “Format” by the authorized procurement centers of the DDS&R and Retrofit division.
CHAPTER-IV

TECHNICAL SPECIFICATIONS & PROCEDURE FOR RAISING INDENTS

4.1 The indents for the items as indicated vide Chapter-III of this manual shall be raised by the designated department(s) and sent to Purchase Department along with the Technical Specifications.

4.2 The characteristics of procurement largely depend upon the accuracy and adequacy of the information contained in the technical specifications of any item or service. The Indent or Technical Specification shall contain the following (as applicable):-

(a) "The PRQ (Indent) shall be raised in the ERP system as per procedure duly indicating all required details."

(b) Broad description of stores and scope of supply.

(c) Specifications, including technical parameters and product requirements.

4.3 In respect of Proprietary items, a Certificate in the prescribed Proforma needs to be signed by the HOD (General Manager / AGM). Concurrence of concerned functional director is required to be obtained for issue of PAC.

Proprietary Article Certificate
(Description of Goods or services): ____________________________

It is certified that:
(i) The goods are manufactured or services are provided by

…………………………….. (name of the OEM)

(ii) No other make or model or service provider is acceptable for the following reasons:

(a) ………………………….

(b) ………………………….

(c) ………………………….

(iii) M/s ………… (name of the firm) are the authorized dealer or stockiest or distributor of the OEM or original service provider.

(iv) Concurrence of integrated finance to grant this PAC has been obtained vide _____________.

(v) Grant of this PAC has been approved by _____ as the competent authority, vide……………………….

(Signature with date and designation of the Officer signing the PAC)

4.4 The details of past supplies of same and similar stores, if made (Previous order no., and previous purchase rate) name and address of previous Supplier.

4.5 Appropriate range of estimated cost for deciding the mode of tender, amount of EMD and tender fee by Purchase department, in case cost estimates are not furnished along with the Indent.
4.6 **Manufacturing Drawings.** Wherever necessary, required number of drawings shall be enclosed, alongwith a soft copy in CD invariably including the technical specifications.

4.7 **IS or ISI or IRS or ABS or LRS or DNV or MMD (etc) mark,** where applicable needs to be provided.

4.8 **Requirement of sample,** if any to be supplied along with the bid.

4.9 **In some cases it may be necessary to ask for samples along with the bids as prequalification criteria of bids or bidders.**

4.10 **In cases,** where it is necessary to provide a basis in respect of indeterminable parameters such as shade, feel, finish, workmanship etc.

**Note,** Reference may be made to the samples kept with the purchaser or with the Indenter for guidance.

4.11 There may be requirement of: -

   (a) **Advance sample if any at post contract stage before bulk production.**

   (b) **Special requirements of packing and marking,** if any.

   (c) **Inspection procedure and criteria of conformity.**

   (d) **Eligibility criteria for tenderers.**

   (e) **Technical bid evaluation and the rejection criteria.**

   (f) **In case there are certain quantifiable factors required to be loaded while evaluating the prices quoted by the tenderers,** such factors should be mentioned in the Indent by the Indenter.

   (g) **Classification certification or Inspection requirements, stages of inspection,** names of inspection authorities such as IRS, LRS, ABB, DNV, MMD SGS or other such inspection agencies, acceptance criteria.

   (h) **Requirement of special tests,** if any.

   (j) **Requirement of type test certificate,** if any.

   (k) **Requirement of type approval for compliance.**

   (l) **Warranty requirements.**

   (m) **Training, technical support, after sales service and annual maintenance contract requirement,** if any.

   (n) **Any other requirement.**
4.12 The specifications shall be drawn based on actual needs of the users for the products available in the market. Specifications should not over specify the actual requirements. Specifications of stores or materials or equipments for ship building shall be drawn in line with the latest technology based on the technical parameters of the contract or agreement with the owner's or the Classification Society requirements. In order to ensure that the above aspects are taken care of and if considered necessary, the specifications may be finalized in consultation with the TRADE.

4.13 In case where Indian Standards do not exist, International Standards (DIN, JIS etc) or Departmental standards may alternatively be adopted. Where no standards exist, specification shall be drawn in a generalised and broad based manner. Care shall be taken to ensure that specifications are not proprietary of any manufacturer (except where the requirement is specific and proprietary in nature). Reference to any brand, make or catalogue number must be avoided and where it is unavoidable it should only be as a bench mark and should be followed with words or at least “equivalent” allowing products which are equivalent or better in performance, also to be quoted.

4.14 In case the items in the Indent are matching parts of an equipment or machinery and are required to be supplied by one supplier (OEM) only, the Indenter shall specify this in the Indent.

4.15 The specifications shall define the requirements completely without any ambiguity. Technical parameters shall be specific, measurable or verifiable. Drawings may be supplied where necessary to show arrangement and finer details.

4.16 For most of the stores or material, it should be possible to lay down detailed specifications and drawings for procurement and there should not be any necessity of procurement of samples. Wherever, the specifications or drawings have been laid down, no samples should be asked for along with the tenders.

4.17 The Indenter has to obtain the approval of technical specifications for indents as following:

<table>
<thead>
<tr>
<th>Sno</th>
<th>Estimated Value</th>
<th>Authority for approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>For estimated value up to Rs 1 Crore</td>
<td>Respective GM.</td>
</tr>
<tr>
<td>(b)</td>
<td>For estimated value above Rs 1 Crore and below Rs 5 Crores</td>
<td>Respective Functional Director</td>
</tr>
<tr>
<td>(a)</td>
<td>For estimated value of Rs 5 Crores and above</td>
<td>C&amp;MD</td>
</tr>
</tbody>
</table>

Note : Acceptance of necessary administrative approval prior initiating PRQ shall be obtained from competent authority not below the rank of AGM.

4.18 The indents shall be raised progressively, considering the date of receipt and the sequence of the requirement of materials or equipments in the yard, in close coordination with the PP&PM Department and in due appreciation to the administrative and external lead time of the items. As far as possible, the indenter should avoid early indenting as well as late indenting for materials required.

4.19 The names of the suggested, registered manufacturers or suppliers or traders or contractors, as the case may be, may be indicated by the Indenter in
the Indent on the basis of past experience of parties along with order references, if any. Indenter while suggesting the names of the vendors should take care that they are proven and acceptable suppliers for items specified in the indent.

4.20 Mutually Agreed List of Makers. In respect of ship/submarine building contracts, it is customary to establish a mutually agreed list of Vendors or Suppliers between the Builder and the Owner for major equipment or material, which implicitly restricts the issue of tender to those approved vendors or suppliers only. Hence, the Design Office, while arriving at the approved list of makers, may take enough care to see that the equipments or materials falls within the range of the respective approved makes or makers, so as to facilitate generation of more competition.

4.21 In case, it is considered essential to split the order on more than one party, as one party cannot supply the quantity involved, the Indenter shall specify so in the Indent. This apart, Purchase department may also consider including in the Tender conditions that HSL reserves the right to accept or reject any quotation in full or part or accept in part for placing the order depending on the competitiveness of the offers or on item wise lowest basis.

4.22 In respect of most equipment, it is necessary to obtain split-up or break-up prices of the main equipment and its components or spares or optional, service engineer requirements and third party inspection charges ETC., separately. The Design Office or Indenter, therefore, have to evolve a suitable “Price Format” and send to Purchase Department along with the Indent and Technical Specifications. A model “Price Format” evolved is placed at Annexure-1 in order for the D.O. or other Indenters for guidance and modifies the same depending on the equipment and its requirements for the purpose of computing the price in respect of each “BID”.

4.23 General Stores should invariably maintain the standard stock items required for entire yard i.e., for building & repair of ships & submarines. In order to ensure effective inventory management, various inventory levels i.e. ROL, MOL, EOQ etc., shall be fixed for all standard stock items basing on the consumption and requirement from the concerned departments. Indents shall be raised as per the requirement of the concerned department & the stock position shall be updated in ERP regularly to facilitate the user department to know the availability of items.

4.24 The indenter, before sending the indent to Purchase Dept, shall forward to General stores, to consider taking into account the available stock. In case, the material is meant for vessel use, the indenter shall take clearance from both General and Bond Stores, so as to facilitate taking into account the available stock and accordingly adjust the indented quantity, if required.

4.25 For all capital budget items or Materials to be procured under plan scheme, the indenter shall, along with the Indent, send photo copy of the approval by the competent authority to Purchase Department. In respect of all Indents for capital items not covered in the plan scheme, the approval of C&MD along with the fund allocation to meet the expenditure shall be furnished.
CHAPTER – V

COST ESTIMATES

5.1 It will be the prime responsibility of the Indenter to prepare judicious estimate of the current value of the Indent using the scientific and technical methods. Correct estimation of rates is vital for determining the type of tender, Competent Authority and establishing the reasonability of the offers received from the bidders. It is, therefore, important that the rates are worked out in a realistic, objective and professional manner on the basis of the prevailing market rates through market survey, last purchase price or Budgetary quote to be obtained from one or more prospective firms, economic indices for raw material or labour, other input costs and assessment based on intrinsic value or any other method as may be appropriate in the context of a particular purchase proposal. These methods are not mutually exclusive. i.e., for arriving at effective cost estimate, two or more methods shall be considered instead of choosing only one method. The detailed working of cost estimates as approved by the head of the indenting department will be forwarded to the concerned purchase and outsourcing department as the case may be and clearly super scribing the PRQ number on the sealed envelope preferably along with the Indent. For any major deviation in the estimate, the indenter shall give proper justification for the same. This sealed cover is to be opened by the tender committee on the same date of opening of the price bid of the tender but not in the presence of the bidders including PAC offer received through e-mails as well.

5.2 The cost estimates in respect of equipment and material required for building and repair of ships and submarines will be prepared by respective Design Department and approved by the GM (DDO). The cost estimates for outsourcing works for building and repair of ship and submarines will be prepared by respective planning departments (with the help of User Dept.) and to be approved by the HOD.

5.3 The cost estimates in respect of Capital items and Maintenance thereof required for Yard, will be prepared by Maintenance Dept & approved by GM (CP) / HOD.

5.4 In respect of IT related equipment and services, the cost estimates will be prepared by DPD and approved by HOD/Director. Similarly in respect of civil works, cost estimates will be prepared by Civil Engineering Dept and approved by GM (CP) / HOD.

5.5 While preparing estimates, care is to be taken to ensure the following: -

(a) The specifications & requirements are clear.

(b) The estimates should cover total requirement of Technical Specifications or Indent and should be up to the delivery at HSL Yard.

(c) For purchase of frequently purchased items (i.e., items purchased at least twice during last three years), estimate shall be based on the last purchase price obtained through normal tendering and competitive bids with adjustment for variations in relevant factors such as labour and material indices and any other relevant inputs including current market conditions.
(d) For purchase of slow moving or new items & new technology, scientific or technical estimate shall be prepared taking into consideration of all factors viz., last purchase price, current market prices, transportation, applicable taxes & duties and other main cost elements. If required, for guidance, budgetary quotations may be obtained by the Indenter only. The Indenter shall also take the help of Engineering Services of Premier Institutes and Centralized Agencies, in case of necessity. Wherever, the estimates are prepared based on the budgetary quotes, copies of such quotes need be enclosed to the cost estimates forwarded to Purchase Department.

(e) For the procurement of proprietary items, supplier’s price lists or rates along with the applicable discounts shall be obtained for preparing the estimates. Such list should be obtained directly from the manufacturer only and the list supplied by dealers or authorized agents should not be considered unless directed by the manufacturers. The Indenter shall clearly certify the reasonableness of price for proprietary items and items to be procured on nomination basis.

(f) For job contracts, fresh estimates shall be prepared for each Indent and not only the last order value shall be considered as the basis. For the preparation of estimates, the proposed job contract may be split into:-

(i) Job elements
(ii) Free issue of supplies
(iii) Mobile equipments or tools and tackles to be provided.
(iv) Number of Man days & Man day cost for each element of the job, fee against statutory obligations, over heads etc.

(g) If it is not possible to prepare cost estimates and forward along with the Indent, due to inadequacy of past data, technical expertise or non-availability of relevant financial yard sticks, prior approval of the Functional Director shall be obtained for not preparing the cost estimate and a copy of the same forwarded along with the Indent to the concerned Purchase Department. However, under all circumstances, the cost estimates are to be made available to the Purchase Department, well in advance before the closing date of the Tender.

(h) In all cases, where the cost estimates are to be given (irrespective whether the cost estimates in sealed cover is enclosed to the Indent or not), the Indenter shall indicate the approx range of estimated cost from following options to enable Purchase Department to decide on the mode of tendering (L.T.E, Website, and Press notification), amount of EMD and tender fee :-

<table>
<thead>
<tr>
<th>SNo</th>
<th>Range of Estimated cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>More than Rs 5 Lakhs up to Rs 10 Lakhs</td>
</tr>
<tr>
<td>II</td>
<td>More than Rs 10 lakhs but less than Rs 25 lakhs</td>
</tr>
<tr>
<td>III</td>
<td>More than Rs 25 lakhs but less than Rs 50 lakhs</td>
</tr>
<tr>
<td>IV</td>
<td>From Rs 50 Lakhs to less than Rs 75 Lakhs</td>
</tr>
<tr>
<td>V</td>
<td>From Rs 75 Lakhs to less than Rs 100 Lakhs</td>
</tr>
<tr>
<td>VI</td>
<td>From Rs 100 Lakhs to less than Rs 200 Lakhs</td>
</tr>
<tr>
<td>VII</td>
<td>From Rs 200 Lakhs to less than Rs 500 Lakhs</td>
</tr>
<tr>
<td>VIII</td>
<td>From Rs 500 Lakhs to less than Rs 1000 Lakhs</td>
</tr>
<tr>
<td>IX</td>
<td>From Rs 1000 Lakhs and above</td>
</tr>
</tbody>
</table>
(j) The Cost Estimate Cells of various Divisions & Project Cell of Design Department shall share the data or information collected or compiled on the basis of standard norms or rates periodically. In addition, this information data shall be always accessible to the cost estimate cells of various divisions in HSL to ensure that a uniform cost estimate structure is followed in the Yard.

(k) Purchases of the following nature are exempted from preparing cost estimates:

   (i) Cash Purchases
   (ii) Emergency procurements & Procurements of low value items

5.6 Design Office shall furnish to Purchase Department, the complete estimates for the materials for each Project and Purchase department, will keep a record of the actual estimate on each item vis-à-vis the actual cost of the equipment or material ordered. Purchase Department shall submit a periodic report to C&MD on the material cost of each project.
CHAPTER-VI

RECEIPT, SCRUTINY & REGISTRATION OF PURCHASE INDENT

6.1 The concerned procurement division shall on receipt of the ink signed PRQ (Purchase requisition for quotation) generated in ERP system from indenter, mark the same to the concerned Section or group dealing with the item for further necessary action. The officer designate or staff in the Section shall immediately on receipt of the Indent, scrutinize the same and ensure that the particulars are complete as enumerated at Chapter-IV of this manual and shall register the same in the centralized “Purchase Indent Register or computer, project-wise.

6.2 If any deficiencies / discrepancies are found in the Indent, the same shall be returned to the Indenter indicating the deficiencies / discrepancies for compliance or clarification as the case may be.

6.3 The dealing officer shall consider various modes of purchase and recommend appropriate mode of tendering that may be adopted against indent in question, having regard to the nature of stores, cost & lead time involved, knowledge about source of supply, prevailing market scenario, date or urgency of the requirement, for the approval of the Competent Authority, as per the delegation of the powers, shall be processed. The proposal seeking the approval of the competent authority shall also envisage the following:-

(a) Cost of Tender documents, amount of EMD to be obtained if required, list of suppliers to whom the tender enquiry is proposed to be issued in case of Limited Tender Enquiry, time allowed for submission of bids by the tenderers, in case of open or global tender, the starting and finishing date for sale of tender documents & any other information that may be required to facilitate appropriate decision by the approving authority.

(b) Requirement of Sample. In case, the Indenter specifies in the requisition or Indent regarding the requirement of “Sample” at the stages as mentioned vide Para 8 to 11of Chapter-IV, the dealing Purchase Officer shall include a suitable provision in the “Tender Enquiry”. The samples so received shall be sent to the Indenting Department for acceptance. In case of rejection, the Indenting Department should state the reasons for rejection.

(c) User may associate with the Inspection department whenever the specification data is not clear e.g., “As per Sample”. The Inspection in such cases will be carried out with reference to the sample approved by HSL.

(d) In case it is considered inevitable to deviate with regard to the mode of tendering prescribed as per the procedure and delegation of powers, due to exigency, the administrative approval of C&MD is to be obtained recording the valid reasons.

(e) Tender Enquiry shall be generated through ERP by the section dealing with the procurement of the item, after receipt of approval of the competent authority.
CHAPTER-VII

MODE OF TENDERING & METHODS OF PURCHASE

7.1 Procurement of goods or Services by obtaining bids: Except for cases covered by paragraphs 53 to 68 (purchase of goods against Rate contracts) and 69 to 75 (Local purchase) of this chapter, goods should be procured by adopting one of the following standard methods of obtaining bids:-

(a) Public Tender (also known as Open / Global / advertised tender)
(b) Limited Tender
(c) Single Tender

7.2 A tender notice published in a leading newspaper is referred to as a Public Tender enquiry (also known as Open / Global / advertised tender). Waiver from publication of advertisement in newspapers under extraordinary circumstances can be put up to C&MD for approval complying with the following conditions:

(a) Tenders will have to be uploaded in govt. tenders portal and central public procurement portal.
(b) The delegation of powers as per limited tenders are required to be exercised.

7.3 Issue of advertised tenders may also be considered in the following cases except for Proprietary, owner nominated or preferred sources:-

(a) When reliable manufacturers or suppliers or traders as well as latest technology are not known.
(b) When it is felt that advertising may elicit better response.
(c) When it is felt that formation of cartel or ring like situations etc. exist.
(d) Where the estimated value of the tender for procurement of material is more than Rs 25 lakhs.
(e) Procurement of common use items of generic or commercial specifications which are really available off-the-shelf in the market from a wide range of sources or vendors or sub contractors.
(f) For goods or services of the required quality, specifications etc., may not be available in the country and it is necessary to also look for suitable competitive offers from abroad.

7.4 Open tender should be invited through publication of Tender notice, in at least one national daily newspaper having wide circulation. The Purchase officer shall forward the request to P.R.O for publication in the Newspaper. A minimum period of three days is to be considered for publishing the advertisement.

7.5 A copy of each of the tender notice should also be sent to Registered or known
or probable suppliers or reputed trade houses etc.

7.6 Where it is felt necessary to also look for suitable competitive offers from abroad, tender notice may be published in ITJ (Indian Trade Journal), Published by the Director General of Commercial Intelligence & Statistics, Kolkata, besides sending copies of the tender notice to the Indian embassies abroad as well as to the foreign embassies in India. The selection of the embassies will depend on the possibility of availability of the required goods in such countries.

7.7 There should be clear instructions for the bidder to pay the prescribed Tender fee etc., by demand draft etc., at the time of submission of the application form and bid documents.

7.8 The website address of HSL must be published in the Tender Notice published in the newspapers and also be published in leading Newspapers once in a year advising the suppliers to check HSL website for tenders relating to Shipbuilding, Ship repair and retrofit materials etc.,

7.9 With a view to generate more competition, the web based publicity may be extended for limited tenders also, except for items, value less than Rs 5,00,000 and / or owner's nominated vendors.

7.10 Tender Notice. The tender notice to be published in the newspapers must be carefully worded containing brief description of the stores or material or equipment or works or services and the governing specification along with cost of tender documents, place and timing of sale of tenders, deadline for tender submission; place, time & date for opening of bids. Superfluous or irrelevant details should not be given in the tender notice as it will increase the cost of the advertisement.

7.11 Tender Fee. Tender fee as prescribed below in respect of Tender Enquiry, shall be collected from the bidders:-

<table>
<thead>
<tr>
<th>S No.</th>
<th>Estimated value of the Tender</th>
<th>Tender Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>From Rs 10 lakhs to less than Rs 50 lakhs</td>
<td>Rs 500</td>
</tr>
<tr>
<td>(b)</td>
<td>From Rs 50 lakhs to less than Rs 1 Cr</td>
<td>Rs 800</td>
</tr>
<tr>
<td>(c)</td>
<td>From Rs 1 Cr to less than Rs 5 Cr</td>
<td>Rs 1,000</td>
</tr>
<tr>
<td>(d)</td>
<td>Rs 5 Cr &amp; above</td>
<td>Rs 1,500</td>
</tr>
</tbody>
</table>

7.12 Tender fee amount as indicated above shall be collected in the form of crossed demand draft or pay order drawn in favor of HSL, payable in Visakhapatnam and should be enclosed to Part–I bid or offer from bidders who download the tender enquiry from HSL Website.

7.13 Limited Tender Enquiry (LTE). The method of procurement of Material or Services or Works through LTE should be adopted in cases of stores or material or equipment, the estimated value of which is below Rs 25.00 lakhs.

7.14 LTE shall be issued to the known and registered manufacturers or past successful suppliers, traders and other new suppliers, if any, by generation of tender documents through ERP. The list of suppliers to whom the tender enquiry is proposed to be sent shall be approved by the Competent Authority of the concerned department as per delegation of powers. However, the mode of LTE can be adopted even when
the estimated value of the stores or material or services or works is more than Rs 25.00 lakhs by recording the reasons in the following circumstances, with the approval of C&MD after due recommendation of concerned Functional Director and concurrence of D(F&C):-

(a) For processing limited tender enquiry for more than Rs 25 lakhs the competent authority should certify that the demand is urgent and any additional expenditure involved by not procuring through public tender enquiry is justified in view of urgency. The department should also put on record the nature of the urgency and reasons. Also reasons are to be recorded in writing by the competent authority indicating that it will not be in public interest to procure the goods through advertised tender enquiry. In such cases, the sources of supply should be known and possibility of fresh sources should be remote. However procurement can be progressed in cases of Owner’s choice or Customer nominated sources.

(b) In respect of contracts with HSL’s Customers, it is customary to establish a mutually agreed list of Vendors or suppliers by the Builder and the Owners for major equipment or material, which by contract or agreement, implicitly restricts the issue of tender to those approved vendors or suppliers only.

7.15 The selection of suppliers for issue of Limited Tender Enquiries shall be in such a way that sufficient competitive quotations are received from parties. The copies of bidding document should be sent directly to the Supplier on the address of the firm as available in the records of the company, by speed post or registered post or courier or e-mail and also publish the complete downloadable tender documents on the website.

7.16 The delegation of powers for approval of list of suppliers for issue of LTE against indents received shall be as follows:-

<table>
<thead>
<tr>
<th>Value of Indent</th>
<th>Competent Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than Rs 2 Lakhs</td>
<td>Manager</td>
</tr>
<tr>
<td>Rs 2 Lakhs to Rs 5 Lakhs</td>
<td>Sr. Manager</td>
</tr>
<tr>
<td>More than Rs 5 Lakhs to Rs 10 Lakhs</td>
<td>DGM</td>
</tr>
<tr>
<td>More than Rs 10 Lakhs to Rs 25 Lakhs</td>
<td>AGM</td>
</tr>
<tr>
<td>More Than Rs 25 Lakhs to 50 Lakhs</td>
<td>GM / HOD</td>
</tr>
<tr>
<td>More Than Rs 50 Lakhs to Rs 1 Cr</td>
<td>Functional Director</td>
</tr>
<tr>
<td>More than Rs 1 Cr</td>
<td>C&amp;MD</td>
</tr>
</tbody>
</table>

7.17 In case of response from unregistered vendors (of HSL) against advertised tender, such bids are to be considered if received in time. If the responded firm is registered with any procurement / registering authority for the manufacture / supply of the tendered goods / services will be eligible for evaluation. However, such bidders should be advised to get registered with HSL in due course of time. Firms not meeting above criteria will have to be assessed for capacity / competency prior to price bid opening.

7.18 **Single Tender Enquiry (STE).** Single Tender is a type of limited tender. Single tender refers to a case where a Purchase Enquiry is sent to only one selected vendor.
Procurement from a single source may be resorted to in the following circumstances:-

(a) The goods and related services are available only from a particular supplier or a particular supplier has exclusive rights in respect of these items and no reasonable alternative or substitute exists.

(b) There is an urgent need for the goods, and engaging in tendering proceedings or any other method of procurement would therefore be impracticable, provided that the circumstances giving rise to the urgency were neither foreseeable by the procuring entity nor the result of dilatory conduct on its part.

(c) The Company having procured goods, equipment, technology or services from a supplier considers that supplier for reasons of standardization or because of the need for compatibility with existing goods, equipment, technology or services, taking into account the effectiveness of the original procurement in meeting the needs, the limited size of the proposed procurement in relation to the original procurement, the reasonableness of the price and the unsuitability of alternatives to the goods or services in question.

Where the procurement of items like steel, oils & lubricants, Industrial gases etc., are resorted to from the Government or Govt. of India undertakings or Enterprises like SAIL, VSP, HPCL, BPCL, IOC etc.

Procurement on the basis of the Proprietary Article Certificate (PAC).

(a) PAC Tendering. Certain items, particularly equipment, are the propriety product of a manufacturing firm. Such items are only available with that firm or their dealers, stockiest or distributors as the detailed specifications are not available for others to manufacture the item. Situations may also arise when, for standardization of machinery or ensuring compatibility of spare parts with the existing sets of equipment, as per the advice of the competent technical expert, goods and services have to be obtained from a particular source. In such situations, a Propriety Article Certificate (PAC) may be issued to the Original.

Equipment Manufacturer (OEM) & items procured on PAC basis from that particular firm or its authorized dealers, stockiest or distributors. While PAC is issued only in respect of the concerned OEM, the item may be bought from any dealer stockiest or distributor specified in that particular PAC on the basis of the information provided by the OEM, provided the purchase is accompanied by a proper manufacturer certification. PAC once issued will be valid for two years from the date of issue unless cancelled earlier by the CA.

(b) Repairs or Servicing on the basis of PAC. The provisions of paragraph 21 (a) above would also apply to repairs and servicing of equipment through the sole dealer or servicing agency, authorised by the OEM, if the main equipment was purchased on the basis of PAC.

Caution to be exercised while granting PAC: PAC bestows monopoly and obviates competition. Hence, PAC status must be granted after careful consideration of all factors like fitness, availability, standardization and value for money. Many OEMs do
not manufacture assemblies, subassemblies and components but outsource these items. Hence, such items may be available at cheaper prices with the actual manufacturers. The procurement officers must, therefore, keep abreast of the proper source knowledge and procure items from the right source to protect the interest of the State. However, the spares have to be sourced from OEM or OEM approved or recommended manufacturers only in order to make the OEM responsible for the malfunctioning of the main equipment in which the spares have been fitted.

7.23 Particulars of purchases or contracts finalised based on single tender will be recorded separately by Purchase Department in the context of related party transactions.

7.24 **Single Bid System.** Single bid system is normally resorted to, when the specifications are adequately defined and also the items being procured are standard equipments, designed and manufactured as per general Industry standards and also in respect of relatively straight forward procurement of fairly standard technologies with ISI specifications or off the shelf items and ancillary services etc of a value up to Rs 50000/-. However, even for such items, there may be certain deviations in tender specifications vis-à-vis bidder’s offers. In order to compensate for such deviations, loading criteria to be adopted, for evaluation purpose should invariably be indicated in the bid documents. In all other cases Two Bids System may be followed.

7.25 In a single bid system, tender enquiry containing detailed functional and technical requirements is issued and the suppliers shall submit their tenders containing their technical, commercial and financial proposal at the same time. After evaluation of the bids by the Indenter, the Purchase Department places the orders on the lowest bidder according to the method and criteria specified in the subsequent para of this manual.

7.26 **Two Bid System.** In Two Bid System, tenders should be invited in two parts namely:-

(a) Techno- Commercial Bid (excluding Price), and
(b) Price Bid

7.27 Both the bids should be invited simultaneously with the same date and time of receipt but with the stipulation that the price bid of only responsive bidders will be opened only after the techno-commercial evaluation of the offers is completed. Both the bids sealed in separate covers should be put in a single sealed cover, which should be super scribed with the details of the tender as per the bidding document.

7.28 The technical bids should be opened first on the prescribed tender opening date and time. The price bids (in sealed cover), after opening of the technical bids, should all be placed in an envelope which should then be sealed and kept in the safe custody till the date of opening of price bids.

7.29 Further, the tender opening officers, one each from Purchase and Finance (Accounts Department) should sign on the price bids envelope. The price bids should be opened after technical evaluation has been completed and technically acceptable bids are arrived at, on a specified time and date which should be made known to those firms which are technically qualified.
7.30 Whereas incomplete technical bids and those having major deviations may be ignored, the bids having minor deviations can be further processed and clarifications can be sought or technical discussions held or undertaken to determine finally, the technical suitability of the bid (s) before opening price bids.

7.31 Technical specifications, qualification or eligibility criteria should be finalized and indicated in the bidding documents. However, if, based on techno-commercial evaluation of bids, major changes are considered inescapable, the preferred course, if time permits, would be to scrap the tender and re-invite the bids. However, in case of urgency of requirement, all the bidders’ may be given or informed the changes proposed in the technical and other particulars, deviations observed or clarifications needed in their offer and should be asked to submit their response along with revised prices within a reasonable period. If the response needed is simple affirmation, or otherwise, of the technical questionnaire or details but having price implications, the replies including revised prices may be obtained in one cover. However, if the response to technical details is again required to be evaluated and responsiveness decided it may be desirable to again ask the response in two covers but with a short time limit and processed accordingly.

7.32 Two bid systems afford independent and objective evaluation of technical proposals as well as commercial terms and conditions and also permits revision or addenda to the technical requirements and bidding documents if considered necessary in the light of first stage techno-commercial evaluation. It is more suitable for the procurement of highly technical nature and those requiring extensive technical services.

7.33 Two bid system may also be adopted in other cases where tenders are to be evaluated to specific technical parameters and qualification or eligibility criteria prescribed in the tender documents and if the experience indicates that non-complying or non-serious bidders might try to subvert the bidding process by quoting unreasonably low prices.

7.34 Three Bid System or Expression of Interest. In the cases of procurement of items, services where the technical specifications are not fully frozen or the technical requirements are likely to undergo changes during the scrutiny of offers or technical negotiations or due to technological developments etc, which may ultimately lead to non-finalization of purchase orders within the original validity period of offer, HOD, Design department may recommend for three bid system. The Indenter or Purchase department with the prior approval of C&MD can resort to three bid system to undertake a transparent consultation process with the Industry or probable suppliers for finalizing the technical details and other criteria taking into consideration the technical advancement and obsolescence, availability in market of the competitive products etc during Part –I of the bidding.

7.35 Alternatively purchase department, with the prior approval of C&MD will publish Expression of Interest in the newspapers or HSL website or issue the same to nominated or limited vendors depending upon the type of tendering action proposed. Publication of EOI is to expand the vendor base.

7.36 The Dealing Section will forward the technical specifications finalised by Design department or User department to the intending bidders advising them to submit only the technical offers to HSL.
7.37 **Single Bid System.** Single bid system is normally resorted to, when the specifications are adequately defined and also the items being procured are standard equipments, designed and manufactured as per general industry standards and also in respect of relatively straight forward procurement of fairly standard technologies with ISI specifications or off the shelf items and ancillary services etc of a value up to Rs 50000/-. However, even for such items, there may be certain deviations in tender specifications vis-à-vis bidder’ offers. In order to compensate for such deviations, loading criteria to be adopted, for evaluation purpose should invariably be indicated in the bid documents. In all other cases Two Bids System may be followed. After detailed scrutiny of offers, vendors may be called if required, for technical discussions with Design Department or User Department with a view to understand the offered scope.

7.38 Based on all the inputs and in consultation with Owner, the Design department will finalize and freeze the technical specifications and short list the potential vendors.

7.39 Design Department will then forward the finalised technical specifications along with indent to Purchase Department to float the tender enquiry only to the short listed bidders for submission of offers in two bid system.

7.40 Since the technical specifications are frozen and bidders are short listed, the validity of offers may be shorter say 8 or 10 weeks within which the Purchase Department should ensure finalization of the order.

7.41 **Repeat Order.** Repeat Order is an order placed on the basis of earlier order to meet additional requirement of the same item which can be resorted to the advantage of time and cost. After recording the reasons leading to placement of repeat order, the proposal for repeat order on same terms and conditions and specifications may be considered on the following, with the approval of competent authority, as per delegation of powers:-

(a) The original order must have been placed on lowest tender basis against competitive bidding obtained;

(b) The earlier order was not placed on delivery preference basis.

(c) Not more than two years have elapsed from the date of original order on competitive tender basis;

(d) No price escalation for firm price orders shall be given

(e) No repeat order shall be placed, if there is a downward trend in prices

(g) The quantity considered for ordering is not more than 100% of the original ordered quantity, for each repeat order

(h) A copy of the repeat order(s) placed shall be filed along with the initial order.

7.42 **Rate Contract (R.C).** The Rate Contract (RC) enables procurement officers to procure indented items or services promptly and with economy of scale and also cuts
down the order processing and inventory carrying cost. The RC system takes care of supply chain management and enables an efficient transaction both for the purchaser or service receiver and the supplier or service provider. Rate Contracts are preferable for all standard stock items, common user items or Services which are regularly required in bulk by the users and whose prices are likely to be stable and not subject to considerable market fluctuations.

7.43 A Rate Contract (commonly known as RC) is an agreement between the purchaser and the supplier or contractor for supply of specified goods and or services at specified price and terms & conditions (as incorporated in the agreement) during the period covered by the Rate Contract. No quantity is mentioned nor is any minimum draw guarantee in the Rate Contract. The Rate Contract is in the nature of a standing offer from the supplier or contractor firm. The firm and / or the purchaser or service receiver is/are entitled to withdraw or cancel the Rate Contract by serving an appropriate notice on each other, of not less than thirty days. However, once an order is placed on the supplier or contractor for supply of a definite quantity or defined services in terms of the rate contract during the validity period of the rate contract that order becomes a valid and binding contract and the supplier or contractor is bound to supply or render services as per the order.

7.44 Price Agreement. While procuring goods and services, it may be expedient to enter into a Price Agreement (PA) or Fixed Price Quotation (FPQ) with the Original Equipment Manufacturers (OEMs). The PA or FPQ may be finalised after due negotiation and market survey. Such PA or FPQ may be normally valid for a period up to three years and may be extended further suitably with next higher CA's sanction.

7.45 Types of Items suitable for RC. The types of items which may be considered for RC are:-

(a) Items or services required by several users on recurring basis and having clear specifications.

(b) Fast moving items with short shelf life or storage constraints.

(c) Items with minimum anticipated price fluctuation during the currency of the RC. Items with high probability of considerable price fluctuation should not be considered to be covered by RC except for short term contract.

(d) Items that take long gestation period to manufacture and for which there is only one source for manufacturing.

7.46 Items already on DGS&D Rate Contract. No Rate Contract should normally be concluded for items in respect of which DGS&D Rate Contracts are already in place. If, however, it becomes necessary to enter into contracts for items which are already on DGS&D Rate Contract, the reasons for doing so should be recorded and CA's approval taken after consulting associated finance.

7.47 Authorities Competent to Conclude Rate Contract or Long Term Product Support. Rate Contract or Price Agreement for goods and services should be concluded only by the main purchase or main outsourcing division with the approval of C&M with the concurrence of D(F&C).
7.48 **Long Term Product Support.** The Price Agreement for long term product support should be concluded with the approval of the authorities to whom such powers have been specifically delegated.

7.49 **Period of Rate Contract.** A Rate Contract should normally be concluded for one year. However, in special cases, shorter or longer period, not exceeding three years, may be considered. Any extension of the existing RC or conclusion of an RC beyond a period of three years would need the approval of the Board of Directors.

7.50 **Estimate or Indent or Requisition.** A Rate Contract can be concluded based on estimated annual requirements of various users. Main purchase or Main outsourcing division must scrutinize the estimates for their completeness in terms of authority for raising the indent, specification of the item, desired delivery schedule, packing & preservation, etc.,

7.51 **Selection of Firms.** Rate Contracts should be normally concluded only with the registered firms based on their capacity assessment by the designated Registering or Inspecting Agency. In respect of new items being bought on Rate Contract for the first time, RC can be awarded to unregistered firms also on the basis of favourable technical capability, capacity & financial capabilities. Past performance of a firm will be a major consideration while awarding a Rate Contract. The following aspects should normally be kept in mind:-

(a) No new RC should be placed with firms having backlog, which is likely to continue for major portion of the year.

(b) Performance of the contractor for the last 3 years should be taken into consideration.

(c) If the contractor does not have current RC, performance against earlier two immediate rate contracts should be considered.

(d) If the RC holder is a defaulter in furnishing drawal report, this should be looked into, if the defaulter is bidding.

(e) The minimum performance level or performance criteria should be specified in the bid documents.

7.52 **Price Negotiation.** While concluding RC, it is preferable to conduct price negotiations by the PNC in order to obtain best value for money and also to clarify all aspects of the RC to avoid ambiguity and dispute at a later stage. All Rate Contracts and Price Agreements should be processed through the committee CA or the PNC so as to ensure best value for money, quality assurance and transparency. Participation of finance member in all deliberations, particularly regarding the pricing and conditions of contract, is mandatory.

7.53 **Conclusion of Parallel RC.** In case it is observed that a single supplier does not have enough capacity to cater to the entire demand of an item or where it is desirable to have a wider vendor base due to criticality of the items, it may become desirable to conclude parallel RCs with more than one firm. The CA, based on the merit of each case, may decide the number of firms to be awarded RC for an item so that users will have a wider choice. Efforts should be made to conclude parallel RCs with firms
located in different parts of the country to cater to users over a wider geographical spread.

7.54 **Special Conditions Applicable for Rate Contract.** Some conditions of rate contract differ from the usual conditions applicable for other contracts. Few such important special conditions of rate contract are as under:

(a) Earnest Money Deposit (EMD) is not applicable for registered firms or vendors, but will apply in case of bids from unregistered firms.

(b) In the Schedule of Requirement, no quantity is mentioned; only the anticipated drawl may be mentioned without any commitment.

(c) HSL reserves the right to conclude more than one rate contract for the same item.

(d) HSL as well as the supplier or contractor may withdraw the rate contract by serving suitable notice to each other. The prescribed notice period is generally three months.

(e) Usually, the terms of delivery in rate contracts are FOR dispatching station or without VAT or CST or Service taxes. This is so, because the rate contracts are to take care of the users spread all over the country. However, wherever it is decided to enter into RCs which are FOR destination, the cost of transportation or applicable taxes should be separately asked for.

(f) The purchaser and the authorized users of the rate contract are entitled to place supply orders upto the last day of the validity of the rate contract and, though supplies against such supply orders will be effected beyond the validity period of the rate contract, all such supplies will be guided by the terms and conditions of the rate contract.

(g) The rate contract will be guided by “Fall Clause”.

7.55 **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 currency of the rate contract, the rate contract price will be automatically reduced with effect from that date for all the subsequent supplies or services under the rate contract and the rate contract amended accordingly. Other parallel rate contract holders, if any, are also to be given opportunity to reduce their price as well, by notifying the reduced price to them and giving them 15 (fifteen) days’ time to intimate their revised prices, if they so desire, in sealed cover to be opened by tender committee on the specified date and time and further action taken as per standard practice. On many occasions, the parallel rate contract holders attempt to grab more orders by unethical means by announcing reduction of their price (after getting the rate contract) under the guise of Fall Clause. It is, however, very necessary that the contract processing division Main purchase or Main outsourcing division keep special watch on the performance of such rate contract holders who reduce their prices on one pretext or other. If their performances are not up to the mark, appropriately severe action should be taken against them including deregistering them, suspending business deals with
them, terminating the contract, etc. with the approval of CA.

7.56 **Performance Security.** Depending on the anticipated overall drawl against a rate contract and, also, anticipated number of parallel rate contracts to be issued for an item or service, the division concluding the Rate Contract(s) may consider obtaining performance security of reasonable amount from the Rate Contract holders. A suitable clause to this effect is to be incorporated in the tender enquiry documents. Performance Security shall, however, not be demanded in the supply or work orders issued against rate contracts.

7.57 **Renewal and Extension.** It should be ensured that new rate contracts are made operative right after the expiry of the existing rate contracts without any gap for all rate contracted items. In case, however, it is not possible to conclude new rate contracts due to some special reasons, timely steps are to be taken to extend the existing rate contracts with same terms, conditions etc. for a suitable period, with the consent of the rate contract holders. Rate contracts of the firms, which do not agree to such extension, are to be left out of consideration for renewal and extension. Period of such extension should generally not be more than three months. Also, while extending the existing rate contracts, it shall be ensured that the price trend is not lower.

7.58 **Termination and Revocation of RC.** RC is in the nature of standing offer and a legal contract comes into being only when a supply or work order is placed by the HSL. Being just a standing offer, embodying various terms of the offer, the contract holder may revoke it at any time during its currency. However, reasonable opportunity should be given to the supplier or contractor to represent against any revocation or cancellation of RC.

7.59 **Local Purchase**

(a) The Purchase Department, through its Local Purchase Section, is authorized to make purchase locally in Vizag for certain items, which are available in Vizag, in case of urgency against an Indent.

(b) For arranging procurement, the dealing officer or Assistant of local purchase section accompanied by a representative of the Indenter, wherever necessary, shall make a visit to the city, as and when the demand for local purchase arises.

(c) An imprest advance amount of Rs.25,000 can be issued by Accounts department for each local purchase account codes viz., VC 31 & SS 29.

(d) Purchase of goods and services up to Rs.25,000 or purchase of goods and services may be made from either imprest amount drawn from A/c department or on credit basis as per delegation of powers by collecting quotations or bids or price lists from 2 or 3 sources. A certificate to be recorded by the Competent Authority duly signed by concerned indenter and local purchase assistant or dealing officer in the following format for the goods value more than Rs. 5,000 against each indent.

"Certified that we, _____________________, members of the local purchase committee are jointly and individually satisfied that the goods or services 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."
(e) The material so procured, supported by delivery Challan, Invoice (copies) shall be handed over in the General Stores (after due fulfillment of formalities at the Security gate for bonding), for necessary Inspection and accounting and issue Goods Received Note (G.R.N).

(f) Monthly statement of purchases of materials or services through LP or imprest amount shall be submitted to the concerned HOD not less than the rank of AGM in the following format for review and reduction of such procurement.

Item Procured (Code No.), Qty, Rate, Amount, Supplier Name & Remarks.

(g) The dealing Assistant / Officer, shall submit a statement of account of the local purchases made through cash duly signed by the competent authority as per delegation of powers, to A/cs department along with the Indent, delivery Challan, supplier’s Invoice, the money receipt duly stamped and the GRN issued by Stores department (all in Original), once in a month or as and when the value of cash purchases account is more than the Imprest cash drawn by the Local Purchase Asst. / Officer, whichever is earlier, and may draw further cash as replenishment of Imprest amount of Rs.25,000/-

(h) The local purchase Section shall ensure reasonableness of the rate at which the material are procured from the local market.

7.60 **Spot purchase.**

(a) For arranging procurement of goods costing above Rs 25,000/- only on each occasion may be made on the recommendations of a duly constituted Spot Purchase Committee consisting of three members of an appropriate level as decided by following:-

(i) For indents up to Rs 1.5 Lakhs: Concerned Functional Director.
(ii) For indents above Rs 1.5 Lakhs: C&MD.

(b) The committee will be required to survey the market to ascertain the reasonableness of rate, quality and specifications and identify the appropriate supplier. Before recommending placement of the purchase order, the members of the committee should jointly certify as under, while recording the details of the market survey (suppliers contacted and the rates quoted by them):

"Certified that we, _____________________, members of the Spot purchase committee are jointly and individually satisfied that the goods or services 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."

(c) Depending on the circumstances, suitable methodology may be evolved as to the procedure of obtaining of spot quotations, technical evaluation of offers and verification of physical availability of materials and finalization of orders at the best possible market rates may be got approved by the authority constituting the spot purchase committee.
(c) Delegation of powers for approval of purchase proposals against offers received through spot purchase will be same as indicated for “To accept Limited tenders – where more than one acceptable quotation is available (Lowest basis)

(d) Repeat orders on orders placed through spot purchase can be issued by following procedure as indicated at clause no. 7.41

7.61 **DGS&D RATE CONTRACT.** DGS&D enters into rate contract for a number of items of wide demand, some of which are also purchased by HSL. Though HSL is not a Direct Demanding Office under the DGS&D contracts, it is possible for HSL as a Public Sector Undertaking to avail of the attractive prices and terms of the DGS&D Rate Contracts. Enquiries may, therefore, be issued to the parties having DGS&D Rate Contracts as per the Delegation of Powers for the procurement of the relevant items.

7.62 **E-Procurement or Reverse Auction.** E-Procurement, the new buzzword doing the rounds in the enterprise world. E-Procurement helps both buyers and the suppliers to reduce the cycle time, unnecessary paper work and simultaneously maintain the transparency in the entire process. E-procurement is one of the vehicles that can be gainfully used in reaching the corporate goal of economic buying. Reverse auction is to be implemented on availability of the facility from NIC.

7.63 Wherever it is found to be feasible and practical, procurement or sale may be resorted to, through e-procurement or e-sale and may consider adopting the strategy of reverse auction with the following precautions:-

(a) The specifications will have to be frozen before the auction process starts.

(b) The suppliers will have to be critically examined and short-listed. Once these two steps have been taken, there should be a limited reasonable window for reverse auction.

(c) The technology of reverse auction involves masking the name of the bidders and therefore while the process is transparent so far as the prices and offers of the bidders are concerned, the parties making the bid are not known and the whole process of reverse auction also provides for a perfect audit trail so that later on if there is any complaint about corruption, verification of the facts becomes easier.

(d) The reverse auction process must be stored in the computer memory and properly archived so that inquiries will be possible even years later.

(e) The tender fee in case of E-tendering will be based on agreements with service providers.

7.64 Guidelines: Please find the following guidelines to be followed for processing of tenders through E-Procurement:

(a) **Floating of e-Tenders.**

(i) For floating of tenders through e-Procurement portal, approval to be obtained from the competent authority as per Delegation of Powers.
(ii) Suppliers / Contractors will upload the scanned copies of Tender Fee’s / EMD’s / Bank Guarantee’s while submitting the online offers. The Vendors / Contractors shall forward the original copies of Tender Fee’s / EMD’s / Bank Guarantee’s to the Tender Inviting Authority.

(b) **Opening of e-Tenders.** Tenders are to be opened on the cut off day as stipulated in the tender document. Using the bids submitted option, number of bids received can be known. Accordingly approval shall be obtained from the competent authority to be taken for opening of the techno-commercial bids as per purchase procedure manual.

(c) **Evaluation of tenders:**

(i) Soft copies of the tenders downloaded, should be forwarded to the concerned technical division on the same day through intra e-mail.

(ii) The Cheques / Demand Drafts received from the Supplier’s / Contractor’s towards the Tender Fee and Earnest Money Deposit shall be forwarded immediately to the Bills Section by the concerned.

(iii) Technical evaluation report from the user departments should be furnished within 15 days from the date of receipt of bids from the purchase department and the technical comparative statement duly approved by the DGM (DDO) / AGM (D&DO) to be forwarded to the purchase department, which shall be kept in purchase file.

(iv) After receipt of technical evaluation report, approval for the price bid opening to be obtained from the competent authority as per delegation of powers.

(v) After obtaining approval for opening of price bids, scanned copies of technical evaluation report and commercial comparative statement to be uploaded against the specific tender and a date and time to be fixed up for price bid opening.

(vi) BOQ comparative chart to be generated in the portal and necessary proposal to be put up to the competent authority for the placement of order as per the as per the delegation of powers.

(d) **Uploading Award of Contract.** After obtaining approval for the placement of order from the competent authority, purchase order to be generated from the ERP and the same to be uploaded in the AOC page of e-Procurement portal.
CHAPTER– VIII

MATERIAL PACKAGE

8.1 Proper grouping of Items for Procurement of Materials / Equipments By Packaging. Where procurement of material / equipment is resorted through a package because of the multiple advantages like single point responsibility, saving in the ordering cost & time, uninterrupted & timely supplies etc., proper care is to be taken to group the items of similar nature / category in each package to facilitate relevant makers / suppliers participate in the tender, thereby generate more competition Eg: Package no. (1) All Electronic items, (2) Deck machinery, (3) Accommodation material, etc. However, it must be clearly understood that as in the case of any other procurement of material / equipment, reasonableness of the price should be the criteria in procuring the material through a package also.

8.2 Procurement of Material & Equipment Through Customer Identified Material Package Supplier. The emerging concept is that the Customers / Clients, while inviting the bids on global tender basis from the Shipbuilding Yards, for construction and delivery of vessels, intends that Builders to procure major material, equipment, Steel Plates & Profiles etc., from “Client identified Sources” at the cost of Client. As such, the Builders have no option than to quote according to the needs of the Customers, in order to keep pace with the global tendencies and HSL is no exception.

8.3 The Contract shall clearly specify the scope of goods and services covered under package and the scope of supply under the purview of HSL viz., exclusive list of items which will be procured by HSL by resorting to the tendering as per the existing procedure for procurement of materials / equipments.

8.4 The Contract shall also specify that the items which are not covered either in “exclusive list” or in “material packages” shall be procured at Client’s cost and Client shall provide sufficient lead time for such procurement.

8.5 The related departments have to closely monitor such contracts placed with the material package suppliers, for ultimate receipt, Inspection and accounting of material, payments, Storage, documentation, shortage / rejections / replacements / claims etc.,
CHAPTER-IX

PREPARATION AND ISSUE OF TENDER ENQUIRIES

9.1 Tender Enquiry is an important document as the “offers of Vendors” to be received in response thereto would be based on the information given and called for therein.

9.2 The tender issued for procurement of material or equipment should be in the same format and uniformity in tenders is to be maintained. Each tender enquiry shall be assigned unique identification number and details namely tender number with date, due date and time, tender type viz., single bid or two bid.

9.3 The tenders shall be prepared by the Officer concerned or Staff in the dealing section based on the Indent with utmost care setting out in unambiguous terms and conditions, the requirements, quantity, quality, delivery, destination etc., and any information which may be helpful to the Tenderer in the submission of the offers, complete in all respects and approved by the in-charge of the section i.e., Manager or Sr. Manager.

9.4 These details shall be entered in tender issues register maintained. Normally the tender shall be prepared or generated through ERP within 3 to 4 working days after receipt of the completed indent with all enclosures.

9.5 **Technical Specification – Standard Conditions and Rejection Stipulations.**

   Technical Specification enclosed to the PRQ as well as the Technical Evaluation Statement will have to include these Standard Conditions and Rejection Stipulations:

   (a) Bidders of Machinery & Equipment both for Capital or Vessel items shall quote only for proven machinery or equipment and shall enclose list of Buyers to whom similar equipment were supplied along with certificates on the performance of the equipment from the buyers.

   (b) In case of Bidders for Welding Machines or Equipment, the list of Buyers shall be exclusively of Shipyards to whom similar equipment were supplied along with certificates on the performance of the equipment from the buyers.

   (c) In case of each item of the technical specification Bidders must clearly indicate compliance of technical specifications by writing “We Accept and will comply”.

   (d) Merely writing ‘YES’ or putting a tick mark against the item cannot be considered as acceptance.

   (e) Any deviations of the equipment offered from the Tender Technical Specifications will have to be clearly spelt out in clear & unambiguous terms.

   (f) Rejection. Bids failing to comply with these stipulations are liable for rejection.
9.6 Indenters are to include the above conditions in the Technical Specifications and ensure strict compliance. Purchasers will have to verify and ensure that the technical specifications received have included the above standard conditions.

9.7 All the important clauses relating to “Eligibility criteria, Evaluation & Rejection Criteria, Loading Factors, Delivery Schedule, Pre-despatch Inspection, Arbitration, Liquidated Damages or Penalties for delayed supplies (LD) etc” should be incorporated in the Bid documents so as to fully safeguard the interest of the Company & for evaluation of bids on equitable and fair basis.

9.8 The due date and time for submission of tender and tender opening date & time shall be mentioned in the tender document.

9.9 The clauses in the Tender enquiry having financial implications such as payment terms, price variation, exchange rate variation, taxes & duties, delivery period, loading factors for evaluation of price bids, EMD or Security deposit, guarantee or warranty, performance guarantee, PBG, price bid format may at the discretion of the HOD (Purchase & Material).

9.10 **Bid Rejection Criteria**. The bidders shall be informed about the bid rejection criteria in the tender enquiry itself. The following criteria for rejection of the bids may be incorporated in all the tender enquiries:-

   (a) Bids received after tender closing date and time.

   (b) Bids received without EMD (other than those who are exempted from payment of EMD), as specified in the tender.

   (c) Bidders not agreeing to furnish required PBG towards proper performance of the order or contract and to cover guarantee period of the equipment or material supplied where it is specified in the document.

   (d) Bidder’s failure to submit sufficient or complete details for evaluation of the bids even after reasonable time.

   (e) Incomplete or misleading or ambiguous bids in the considered opinion of Technical negotiation Committee or Purchase Committee.

9.11 Items for which prices are administered by the Government or Govt. of India Enterprises, items for which longer validity period cannot be given by the vendors due to price fluctuation in the market are however exempted.

9.12 **Loading Criteria for Normalizing the Price Bids for Ranking**. The Purchase Department shall state the loading criteria in the tender documents in regard to variations in payment and other commercial terms, etc for ranking bids, to be adjudged as L1.

9.13 **Pricing**. Details of pricing in respect of Indigenous & foreign bidders are to be appropriately mentioned in the tender enquiry. As far as possible, prices of the offers invited shall be firm and fixed for delivery in HSL Stores or site or FOR destination, in the case of Indigenous bidders and for delivery at the port of dispatch or loading on FOB basis only, in the case of foreign bidders irrespective of the
country from where the bidder is offering the material. However, prices on CIF basis must also be invited to ascertain the cost of transportation. If the freight and insurance charges are not quantified by the foreign bidder and in case of competition among Indian and Foreign bidders, the lowest vendor will be established by comparing the FOR HSL stores price of Indian bidders and FOB price of foreign bidders plus freight 5% and 0.25% insurance charges for sea consignments. In case of air consignments, 10% freight charges plus 0.25% insurance charges shall be loaded. Further, in case of CFR / CIF / CPT / CIP price, 0.5% extra charges to be loaded towards customs clearance and transportation charges from discharge port to HSL stores. However, in the event of taking FOB / FCA price, these charges need not be considered as 5% (Ocean freight) / 10% (Air freight) is already considered / loaded towards freight charges.

9.14 **Payment Terms.** It is desirable that the bidder accepts the Standard Payment terms of HSL, indicated in the tender document i.e. 100% payment within 30 days after receipt and acceptance of material or 100% payment by proforma invoice i.e., the cheque details will be informed on receipt of proforma and the cheque will be released on receipt, inspection and acceptance of material. For foreign suppliers, 100% payment less agency commission, if any will be arranged through LC opened before cargo readiness. Varied payment terms quoted by the bidders as compared to the terms stated in the tender document like advance payment, shall be normalized by adopting the Prime Lending interest rate of 15% per annum for the delivery period offered by the bidder.

9.15 **Stage payments proposed or accepted with reference to achieving the stipulated milestones or physical progress against the certification by nominated Inspection Agencies or Production departments shall be treated as interest free advance and hence are not interest bearing. However, the amounts paid will have to be covered by Bank Guarantee or Indemnity Bond, as the case may be, till receipt of deliverables or job completion.**

9.16 It is required to state clearly in the tender document as to when and how the interest free advance is adjustable.

9.17 Interest bearing advance will carry interest till it is adjusted either against the installments or stage payments or the amount payable when supplies are received, in accordance with the terms of Order or Contract. Tender document need to state this clearly.

9.18 Tender document shall also clearly state as to how and when interest on interest bearing advance is adjustable or payable by vendor.

9.19 **VAT or CST.** The rate of applicable VAT or Central Sales Tax on the supplies by the vendor depends on:

(a) Whether the supply is from within the State of Andhra Pradesh or from outside the State of A.P

(b) Whether the supply is for use in cost plus contract or for use in fixed price contract and the Classification of goods for VAT or CST purpose into which the supply falls.
(c) The issue of prescribed Forms. CST at the relevant rate (as would have been specified in the tender document) will be loaded.

9.20 The value on which VAT or CST is reckoned is the aggregate amount of price quoted. For the purpose of normalization, the rates applicable based on the issue of required ‘C’ Form or ‘D’ Form shall be adopted. In respect of procurement of items from within the state of Andhra Pradesh, the estimated VAT input tax credit, if any, expected to accrue out of VAT paid on purchases and supported by vendor’s Tax invoice shall be excluded for the purpose of ranking of bids. Finance Division will notify the Tax structure every year or as and when changes occur.

9.21 Octroi Duty. If payable, at applicable rate (as would have been specified in the tender document) will be reckoned on the aggregate amount of price quoted and added to quoted price. Finance division will notify the Rate every year or as and when changes occur.

9.22 Freight. As a matter of policy, delivery of the goods at HSL premises should be the responsibility of the vendor. However, for unavoidable reasons, if bids are exclusive of transport and / or insurance, the same will be loaded at the cost to be incurred by HSL.

(a) In the case of Indian bidders, if packing and forwarding charges are applicable and not quantified by the bidder, the loading factor of 2% or higher as offered by the other bidders in the fray will be considered. Similarly in the event of freight charges not quantified by the bidder 5% towards freight on basic price and 0.25% for insurance charges on the total value of the material offered will be considered for comparison purpose to make the offers on par with other bidders.

(b) In case of offers quoted on FOR Visakhapatnam basis / Ex-works, Visakhapatnam basis, 0.25% loading factor shall be applied towards transportation of material from transporter go-down / suppliers’ warehouse at Visakhapatnam to HSL stores.

(c) In case of Foreign bidders if the quote is on ex-works basis and the bidder did not quantify the applicable F.O.B charges, the loading factor of 2% on the ex-works value or higher as offered by the other bidders in the fray will be considered.

(d) In the event of Foreign bidders, sea consignments not indicating the freight amount and Insurance, the loading factor of 5% towards freight irrespective of the country where the goods are supplied and 0.25% for insurance charges will be taken for comparison purpose if the situation arises as stated at para 9.13.

(e) In case of Air consignments, the loading factor of 10% towards freight irrespective of the country where the goods are supplied and 0.25% for insurance charges will be taken for comparison purpose if the situation arises as stated at para 9.13 above.

(f) In case of CIF contract, the insurance ceases at destination port as per INCOTERMS. Hence, the supplier shall be insisted to cover insurance from supplier’s warehouse to Hindustan Shipyard warehouse. If not agreed, CFR price shall be considered and loading factor shall be applied to make the bid on par with other bids.
9.23 **Income Tax or Service Tax.** Some bids for Technical Services or Service Engineers, may be inclusive of income tax and service tax while other bids may be exclusive of such taxes or limited up to a specified quantum. In such cases, normalization shall be done in respect of the amount of tax that may have to be borne by the Company. Requisite information of this can be had before opening the price bids from Finance department by explaining the facts of the subject.

9.24 **Adoption of Foreign Exchange Rate for Conversion Foreign Currency into Indian Rupees.** Conversion of foreign currency into Indian Rupee shall be made (as would have been specified in the tender document) at the B.C. selling exchange rate on the date of opening the price bids. If the date of opening of the price bids happens to be holiday or non-transaction day, the exchange rate on immediate previous working day will be adopted. The rate could be obtained from Foreign Exchange Section of State Bank of India before or after opening of the price bids as the case may be.

9.25 **Performance Bank Guarantee.** Variation regarding the quantum of Performance Bank Guarantee is not necessary to be loaded when the deviation is treated as Bid Rejection Criteria. If it is not a bid rejection criterion, the variation shall be normalized by loading the quoted price with the quantum of variation. The performance of execution of orders assumes utmost importance in case of Steel, consumables like Electrodes, Industrial gases, oils and hence Bank guarantee for 10% of the basic value of the order towards order execution shall be insisted upon and in such cases the guarantee period of PBG shall cover the delivery period of the material plus 30 days after receipt of materials in the yard. In the event of deviation to the above, offered basic price will be loaded by 5% for comparison purpose to make the offer on par with others who agreed to the tender condition. In case of part BG, i.e., bidder accepting for submission of PBG for 5% of the order value the loading will be 2.5% and accordingly the loading will be on pro-rata basis. The PBG towards guarantee period for the aforesaid items viz Steel, consumables like Electrodes, Industrial gases, oils need not be insisted. However for other Material and Equipment, PBG shall be insisted upon to cover the period of order execution as well as Material guarantee as per the tender and in case of any deviation above loading factors shall be applied for comparison purpose.

9.26 **Material Guarantee.** In respect of the requirement for Equipment Performance or Warranty (specified number of months from date of supply or specified number of months from the date of commissioning of equipment or specified number of months from commissioning of ship whichever is earlier), the question of loading factor does not arise when the non-compliance is a bid rejection criteria. If it is not a bid rejection criteria, the variation shall be normalized by loading the quoted price by an amount equivalent to 10% of quoted price minus the quantum, if any, for which portion of guarantee is agreed to by the bidder. For example if the equipment performance is required for 30 months from the date of supply and any bidder finally offered the same as 20 months, their price will be loaded by applying the formula as 10%\times(30-20) / 30 i.e 1 or 3\textsuperscript{rd} of 10%(the deficient period \times 10%) as bidders compliance with the required guarantee period assumes utmost importance in case of Long lead high value items like Main Engines, DG Sets, Main Switch board etc. However suitable exemption to the guarantee period in respect of electronic, other small items may be given and hence necessary clause in due consultation with indenters is to be incorporated in the tender terms while floating tenders on need based.
9.27 Liquidated Damages. Deviations sought in respect of rate per week and or maximum ceiling in respect of liquidated damages shall be loaded to the quoted price. For example, the maximum ceiling towards liquidated damages stipulated in the tender is 5% and the bidder seek to limit it to say, 3.5% then the price quoted will be loaded by 1.5%. If the rate of LD per week is 0.5% per week or part thereof as per tender and the bidder seeks it as, say, 0.4% per week or part thereof, the maximum ceiling on LD as per tender will first be equated to week (10 weeks in this case) and the rate proposed by the bidder i.e 0.40% will be multiplied by the so equated maximum period (which works out to 4%) and the quoted price will be loaded accordingly by 1%. Delivery being the essence of the contract, it is desirable if the bidder(s) adhere to the stipulated clause. However if the supplier fail to deliver the material or any part thereof within the period prescribed for such delivery the purchasers shall have recourse to the terms specified in the tender besides recovering from the supplier as agreed liquidated damages and not by way of penalty a sum equivalent to ½% (one half of one percent) of the price of undelivered portion for each week of delay or part thereof. In the event of delayed deliveries, sum to be recovered / deducted from the supplier’s bill as agreed liquidated damages and not by way of penalty a sum equivalent to 0.5% (one half of one percent) of the contractual price for each week of delay or part thereof subject to a maximum of 5% (five) of contract price of equipment or 5% (five) of undelivered portion in respect of bulk materials during which the delivery of material or any part thereof may be in arrears. The delay in weeks shall be calculated from the eighth day of delivery period as per purchase order. However, the LD would not be levied in the event of delay in issuance of cheque details / retirement of documents.

9.28 Non Loading Factors. Non supply of onboard spares will be bid rejection criteria and hence no need to propose any loading factor. Deviations in LC charges for amendments, price variation formula, Exchange Rate Variation formula, Arbitration, Force Majeure, Risk purchase etc., being non quantifiable on a rational basis at the time of bid evaluation and are contingent on events occurring post-order placement may be ignored for loading at the bid evaluation stage but may be negotiated with L1 bidder by Price Negotiation Committee (PNC) or respective Purchase Committee.

9.29 Loading Procedures.

Basic Price-
Packing & Forwarding Charges (on basic price only)
Excise Duty on (Basic + P&F)
Sales Tax on (Basic + P&F + ED)
Freight on (Basic + P&F)
Insurance on (Basic + P&F+ED+ST)
Payment Terms loading (Basic + P&F+ED+ST)

9.30 Variable Price. In case of variable prices, variable Excise duty etc., the following norms or systems will be taken into consideration as at Para 31 to 34 below.

9.31 In case of price variation clause (without specific mention of quantum), 10% price escalation per annum may be presumed and accordingly on the basis of delivery period the same may be proportionately loaded.
9.32 Variable Excise Duty. In case of bidder stipulates Excise Duty as applicable at the time of dispatch & specifies the present rate of Excise duty (a numeric percentage or nil), in such case, the offer shall be evaluated considering the maximum rate of ED applicable for the product as per Tariff of Govt. of India or as evident from other bids received in the tender.

9.33 However, the liability of HSL shall be as per actual ED applicable at the time of dispatch, subject to production of Excise Invoice. Further the rate of ED shall be restricted to as applicable within the contractual delivery period only. Increase in ED rate, if any due to delay in supply beyond the contractual delivery period shall not be payable by HSL. However, the benefit of any decrease in ED shall be passed on to HSL.

9.34 In case bidders quote with ‘Fixed Rate’ of ED or Specify ED as NIL “the offer shall be evaluated accordingly and payment shall be restricted accordingly”. This will be subject to submission of Excise Invoice copy of having actually paid the Excise Duty or otherwise but claim for any upward revision will not be accepted at a later stage.

9.35 Sales Tax. Sales tax is a tax on the seller. The vendor is given an option to pass on the burden to the purchaser. If the vendor quoted his price inclusive of Sales tax, he shall not be eligible for payment of sales tax.

9.36 Sales tax is payable as per the AP VAT Act on purchases made within the State and CST Act on purchases made from outside the State.

9.37 HSL shall avail concessional Central Sales tax in respect of material or stores purchased from outside the State of A.P and “C” forms shall be issued if the material or stores in question is entitled for concessional rate of CST.

9.38 Exact rate of Sales tax, whether AP VAT or CST as applicable shall be taken into consideration while evaluating the cost and the same shall be specified clearly in the purchase order.

9.39 Where the vendor indicated in his offer or quoted that any statutory variation in the taxes will be to the account of the purchaser, the same shall be highlighted in the Comparative statement or purchase proposal and also incorporate the same in the purchase order for acceptance, if the Govt. increases the rate of tax during the currency of the contract.

9.40 Adverse loading in each factor to be done for comparison purposes. In case vendor has not mentioned specifically, however, for placement of order the lowest or beneficial terms will be indicated.

9.41 Needless to state that each of the cases of normalization need to be evaluated with reference to the emerging deviations by exercising due diligence and the approval of C&MD is obtained in respect of any deviations not covered herein and orders of Competent Financial Authority obtained on any divergent views in regard to the basis for normalization.

9.42 Pre-Bid Conference. The Purchase Officer, if necessary, in consultation with
the indenting department shall initiate a proposal for the approval of HOD on the requirement of pre-bid conference with the prospective bidders well before the last day of submission of tender to clarify any doubts of the bidders on any conditions and requirements of the tender if considered necessary, depending upon the nature of item or service being outsourced. A suitable date, time and venue shall be indicated to the prospective bidders in the tender enquiry. The pre-bid conference must be attended by the Indenter.

9.43 It may be ensured that bidders are fully and clearly aware of all the requirements in the tender the loading factors proposed for normalisation of the deviations in commercial terms through tender document and also in the discussions before submitting the price bids. Revision of price bids on the reason of lack of clarity on loading factors shall not be allowed.

Validity of Offer or Bid.

9.44 The validity period of the tender shall depend on the stipulated requirement of delivery period or completion schedule of the supplies or work or services being tendered and therefore shall vary from tender to tender. The validity forms one of the vital factors affecting the price and therefore utmost care is to be exercised by the Purchase officer to indicate a realistic validity period where the tender can be processed and order placed. This shall avoid revalidation of the offers at a later date and also curb the probability of bidders increasing or changing their prices to the minimum.

9.45 The validity period should not ordinarily be more than three months from the date of opening of the technical bids. For complicated or sophisticated items, this period may be more than three months. The required duration of the validity in each case should be decided on merits of each case at the time of planning the purchase.

9.46 Bidders shall be requested to submit the bids, valid for a period specified in the Bid document. The validity period should be sufficient to enable the purchaser to complete evaluation of bids, decide placement of order or award contract.

9.47 The tendency to request the bidders to extend the period of validity of offers should be curbed. This is of considerable importance, for, apart from the delay in receiving the item or completion of work, there is also a risk of the firms declining to accede to the request for extension or withdrawing the offers or extending the offer with revised rates, all of which might lead to avoidable and questionable increase in the expenditure.

9.48 Where seeking extension of offers becomes inescapable, action should be taken before the expiry of offers and the letter asking for extension should be issued to the firm ors sufficiently in advance. Such an extension should not however allow price bid revision. The Purchase department may please keep in mind that the validity period should not be too long, because longer period may push up the quoted prices.

9.49 A bidder agreeing to the request of HSL for extension of validity period, will not be required or permitted to modify his bid but will be required to extend the validity of his bid security or Bid bond or Bank guarantee (submitted in lieu of EMD) in line with the extension.
9.50 The tender section or dealing section, while issuing or disbursing the tender must also ensure the following:-

(a) Format for quoting prices, wherever applicable, shall be provided with the tender document. (Refer: Price Bid Format – Annexure 1)

(b) The name and address of the bidder to whom enquiry is proposed to be sent, the time and closing date for submission of tender, time for opening of the bid and the tender enquiry number shall be legibly written on the cover letter of the tender or bid document.

(c) As far as possible, the tender document shall be sent to the Manufacturer or Principal supplier or Trade House, directly.

(d) In case the tender has to be issued to any Indian representative of a foreign firm, proper authorisation to collect such tender shall be insisted.

(e) The tender documents, for its proper delivery, are to be sent by Registered Post with AD or Speed Post or Courier etc., and the acknowledgement or proof of delivery (POD) shall be properly filed in the relative file. The tenders may also be sent by e-mail wherever possible.

9.51 The dealing section shall closely monitor and pursue with the bidders for receipt of bids within the due date and avoid extension of the due date.

9.52 While the time to be given to quote by the Tenderer will depend upon various factors like nature of item or stringent technical specification, source of supply (Foreign or Indigenous), delivery requirement, mode of tender etc., the following guide lines may be kept in view:-

<table>
<thead>
<tr>
<th>Type of Tender</th>
<th>Time Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertised or Open or Public or Global tender</td>
<td>not less than 3 weeks from date of publication</td>
</tr>
<tr>
<td>Limited tender aiming at global participation along with Indigenous</td>
<td>3 weeks</td>
</tr>
<tr>
<td>Limited tender (Indigenous)</td>
<td>2 weeks</td>
</tr>
<tr>
<td>Limited tender restricted to local market</td>
<td>1 week</td>
</tr>
<tr>
<td>Single tender for Proprietary items &amp; Govt. controlled price items</td>
<td>1 week</td>
</tr>
</tbody>
</table>

Note. In cases where complete set of tender documents are placed in website, Purchase department may consider reducing the time period for submission of the offers considering the urgency etc.,

9.53 The Tender Section be given a complete set of the tender document together with the list of vendors to whom the tender has been issued to by the dealing Section, for their information and further necessary action of receiving the bids and opening of the bids at the appropriate time. A copy of the tender document shall also be sent to the Indenter for their information.

9.54 At times, necessity may arise to modify or amend or clarify the bidding documents. Amendment should be clear, unambiguous and specify the
clauses or provisions being amended. Further, the amendment may modify the requirement in a major way and or where much time is not left for the bidders to respond to such modification and to prepare revised bids. Requests for the postponement of tender opening date received from the tenderers should normally be discouraged but where necessary, for reasons to be recorded with appreciation to the date of requirement of material in the yard, the HOD shall decide on postponement of tender opening date on the individual merits of each case. Extension of due date may also be necessary in case of inadequate response from the bidders. In all such cases of necessity, the date of submission and opening of bids should also be extended sufficiently to enable the suppliers to respond.

9.55 Whenever it is considered necessary to postpone the tender opening date, quick decision must be taken and amendment issued by the Section which issued the tender.

9.56 In case of LTE, copies of amendment should be sent to all the suppliers to whom the tenders were sent. In case of Advertised or Open or public or global tender, such intimation or notifications should invariably be through the publication of corrigenda in the media and also through individual intimation of those firms who had purchased the tender documents within the original tender sale date through speed post or courier or fax or e-mail and attached prominently in all the unsold copies. Such notice of extension of date of opening of tenders should also be published in web site without delay.

9.57 However, in case the extension is regarding submission of first bid like pre-qualification documents in case of single bid system and techno-commercial bid in case of two-bid systems, the tender sale date should also be extended suitably so as to allow new participants in the bid, in order to increase the competition.

9.58 The Tender Section in close coordination with the dealing sections, shall maintain a “Tender Register” for the tenders issued by various sections, with the columns as at (Annexure-9)

9.59 The tender section shall put up to GM (P&M) or AGM (P & M) or DGM (P & M) or Sr. Manager (Purchase), the above tender register, once in a fortnight for information, review and any decision depending on the situation if warrants.

9.60 Integrity Pact: Threshold value of contracts for signing integrity pact needs to cover 90% value of the transactions. At the moment, tenders having estimation value more than Rs 1 Cr. are being covered under integrity pact. DPSU / CPSU are excluded from submission of the Integrity pact.

9.61 Agents / Agency commission. The bidder shall confirm and declare that the Bidder is the original manufacturer or authorized vendor of original manufacturer or Government sponsored / designated export agencies (applicable in the case of countries where domestic laws do not permit direct export by OEMs) of the stores or firm, whether Indian or foreign whatsoever, to intercede, facilitate or in any way to recommend to buyer or any of its functionaries whether officially or unofficially, to the award of the contract / purchase order to the seller; nor has any amount been paid, promised or intended to be paid to any such individual or firm in respect of any such intercession, facilitation or recommendation. The seller agrees that if it is established at any time to the satisfaction of the Buyer that the present declaration is any way
incorrect or if at a later stage it is discovered by the Buyer that the seller has engaged any such individual / firm, and paid or intended to pay any amount, gift, reward, fees, commission or consideration to such person, party, firm or institution, whether before or after the signing of this contract / purchase order, the seller will be liable to refund that amount to the Buyer. The seller will also be debarred from participating in any RFQ / tender for new projects / program with Buyer for a minimum period of five years. The buyer will also have a right to consider cancellation of the contract / purchase order either wholly or in part, without any entitlement or compensation to the seller who shall in such event be liable to refund all payments made by buyer in terms of contract / purchase order along with interest rate at the rate of 2% per annum above LIBOR (London Interbank offer rate) (for foreign vendors) and Base rate of SBI plus 2% (for Indian vendors). The buyer will also have the right to recover any such amount from any contracts / purchase orders concluded earlier with Buyer.
CHAPTER-X

METHOD OF RECEIPT, CUSTODY AND OPENING OF BIDS

10.1 Receipt, custody and opening of bids should not only be done in a transparent manner, but the procedures and drill for the same must also appear transparent.

10.2 The system of issue of tenders by individual departments like Purchase Department, Outsourcing Department, Civil Engineering Department and Plant Maintenance Department shall follow the procedure given below:-

(a) Five tender boxes will be positioned inside the “Tender room” situated outside the Main Purchase department, one box is exclusively meant for Main Purchase, one box for SBO / Outsourcing department, one box for Civil Engg. department, one box for General department and one box for Maintenance department.

(b) One staff member from each department will be posted in the tender room who will receive the bids submitted in person and by post or courier service, well before the due date & time. Immediately after receipt, details shall be entered in the “Tender-wise Register” of each department and affix a seal indicating the date and time of receipt and sign on the covers of tender and the tender shall be deposited in the appropriate tender box under lock and key and shall ensure that no tenders are kept outside the tender box at any point of time.

(c) Double locking facility to be implemented for the tender boxes duly keeping one key with Finance and other key with respective functional department and it will be operated simultaneously and to be recorded in a register.

(d) Prospective bidders or their authorized representatives shall be directed to deposit sealed bids only in the designated tender boxes specified in the tender enquiry after getting registered as indicated at para ‘a’ above.

(e) No tenders from Supplier or authorized representative shall be received after date and time for submission.

(f) A bid received within the due date but without tender No. and date will be treated as invalid.

(g) The tender issued for procurement of the material or equipments should be in the same format and uniformity in tenders is to be maintained

(h) The tender committee or respective sectional heads or Divisional heads may conduct surprise check the tender box for its safety, security and sanctity of the tenders.

10.3 Instruction to Bidders. Subject to other specific provisions in this Manual, the broad instructions for the prospective bidders are as follows:-

(a) Eligibility. A firm registered with any Procurement or Registering Authority for the manufacture or supply of the tendered goods or services would be eligible to bid. An unregistered firm may get itself assessed for capacity or competency to
manufacture or supply the tendered goods or services to become eligible to participate in tendering.

(b) Clarification regarding contents of the Bidding Documents. A prospective bidder who requires clarification regarding the contents of the bidding documents shall notify the purchaser in writing and the purchaser will respond in writing to the clarifications sought prior to the date of opening of the tenders. Copies of the query and clarification by the purchaser shall be sent to all prospective bidders who have received the bidding documents.

(c) Quotations to be submitted under Original Memos. Bids should be forwarded by vendors under their original memo or letter pad, inter alia, furnishing the TIN No., VAT or CST No., Bank Address with EFT account No. and the complete postal and e-mail address of the firm.

(d) Amendment of Bidding Documents. At any time prior to the date of submission of bids the purchaser may, whether at his own initiative or in response to a clarification requested by a prospective bidder, may modify bid documents by amendments. The amendments shall be notified in writing to all prospective bidders. In order to afford prospective bidder a reasonable time to take the amendment into account in preparing their bids, the purchaser may, at his discretion, extend the deadline for submission of bids.

(e) Bid Validity. A bid shall remain valid for ninety days in case of single bid RFP and one hundred twenty days in case of two-bid system, unless otherwise specified, from the date of the opening of the tender. A bid valid for shorter period can be rejected by the purchaser, as being nonresponsive. In exceptional circumstances the purchaser may request the consent of the bidder for an extension to the period of bid validity. Such requests shall be made in writing. The bid security provided shall also be suitably extended. A bidder accepting the request and granting extension shall not be permitted to modify his bid.

(f) Modification and Withdrawal of Bids. A bidder may modify or withdraw his bid after submission provided that the written notice of modification or withdrawal is received by the purchaser prior to deadline prescribed for submission of bids. A withdrawal notice may be sent by fax or e-mail (scanned copy or with digital signature). No bid shall be modified after the deadline for submission of bids. No bid may be withdrawn in the interval between the deadline for submission of bids and expiration of the period of bid validity specified. Withdrawal of a bid during this period will result in Bidder’s forfeiture of bid security.

(g) Clarification regarding contents of the Bids. During evaluation and comparison of bids, the HSL may, at its discretion, ask the bidder for clarification of his bid. The request for clarification shall be in writing and no change in prices or substance of the bid shall be sought, offered or permitted. No post bid clarification on the initiative of the bidder shall be entertained.

Procedure for Opening of Bids.

10.4 Sealed quotations will be opened by a committee on due date and time as stipulated in the tender. The authorized representative from the Company can attend the tender opening. If due to any exigency, the due date for opening of tenders is
declared as closed holiday, in such cases, the tenders will be opened on next working
day at the same time or any other day or time as intimated. The date of opening of
Commercial Bid will be intimated after acceptance of technical bids.

10.5 The bids received after the due date & time of receipt of bids is called “Late
Bids”. The late bids should not be considered and returned unopened to the bidder.
However, bids posted by bidder before due date and time, but received at HSL after
due date and time termed as “delayed bids” can be entertained by competent Purchase
authority with the discretion of CA.

10.6 Tenders not accompanied by requisite Earnest Money, where Earnest money is
stipulated in the invitation to tender, shall be treated as invalid.

10.7 Unsolicited tenders or bids submitted by firms to whom tender enquiries were
not issued or tender received from firms who have not purchased tender
documents in case advertised tender (Published in Newspapers), will not be
considered.

10.8 However, in case of LTE issued to registered manufacturers, a tender received
from the authorized dealer of the registered manufacturer along with the authorization
letter of the manufacturer to whom the enquiry was originally issued shall not be
considered as unsolicited. Also, one agent cannot represent two suppliers or quote on
their behalf in a particular tender enquiry. Such quote should be rejected.

10.9 The dealing section, on the scheduled date of opening, shall review with the
competent authority, as to the number of offers received or adequacy of the
competition vis-à-vis the nature and date of requirement or urgency of material and
take a view and inform the tender section whether to open the bid, alternatively
inform them, the minimum number of quotations required in each case.

10.10 The Competent Authority to approve the opening of Techno-commercial bids
shall be as per the following delegation of powers:

<table>
<thead>
<tr>
<th>Value</th>
<th>Competent Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to Rs 5 Lakhs</td>
<td>Dy. Manager</td>
</tr>
<tr>
<td>Rs 5 Lakhs to Rs 25 Lakhs</td>
<td>Manager</td>
</tr>
<tr>
<td>Rs 25 Lakhs to Rs 50 Lakhs</td>
<td>Sr. Manager</td>
</tr>
<tr>
<td>Rs 50 Lakhs to Rs 20 Cr.</td>
<td>AGM</td>
</tr>
<tr>
<td>Above Rs 20 Cr.</td>
<td>GM</td>
</tr>
</tbody>
</table>

Note. In the event of a requirement to extend the date for submission of the techno-
commercial offers beyond two occasions, the approval of Competent Authority of the
next higher level shall be obtained. For tender value of more than Rs 20 Cr., and
extension more than two coactions, approval of the Functional Director is essential.

10.11 If any bidder submits their techno-commercial bid & price bid more than
once in respect of the same tender within the original or extended due date, the
latest of the bids shall be considered for opening and for evaluation (as per procedure
at para 2 above). Bids not considered for evaluation should be returned to the
bidder in un-opened condition as per the procedure for return of unopened bids.
10.12 In case any specific adverse report is received against a tenderer, as an information or upon enquiry made by HSL, in respect of capabilities and performance of the tenderer, after receipt of tender but before opening of price bids, the quotation or tender submitted by such tenderer shall be rejected on the basis of recorded reasons and with the due approval of the competent authority. If such report is received after opening of the price bids, then also the quotation or tender of that tenderer shall be rejected after recording the reasons and with the approval of the competent authority. The competent authority in both the cases is C&MD with the due recommendations by Purchase Department and concurred by D(F&C).

10.13 The bids should be opened in the presence of the authorized representatives of the bidders attending the bid opening. These representatives should bring with them “letters of authority” from the bidders on their letterheads to this effect. These provisions shall be suitably mentioned in the bidding documents.

10.14 All bids before opening shall be shown to the finance representative present for tender opening and the representatives of the bidders for its intact condition.

10.15 The bid opening official shall prepare a list of the bidders’ name & addresses and obtain the signature of the representatives attending the bid opening.

10.16 Information regarding receipt of Tender Fee or EMD or Bid bond by DDs or in the form of Bank guarantees, wherever applicable shall also be recorded. This list shall be kept in the concerned purchase file for record.

10.17 For two bid or three bid system tenders, the sealed bids containing Part-I techno-commercial bids only shall be opened at sealed end with scissors or knife or blade in the first instance on the scheduled date of opening of tender. The price bids shall not be opened, but endorsed, dated by both the officers and shall be kept under lock and key with the tender section, till evaluation of the technical offers is completed by the Indenter and the advice received for opening of the price bids of the technically acceptable bidders. The procedure for opening of the price bids is same as in the case of Part-I techno-commercial bid.

10.18 All tenders shall be opened and initialed by two officers, one from Purchase and one from Accounts Department.

10.19 A roster shall be prepared or maintained indicating the names of officers from Accounts Department against each tender opening day.

10.20 Each tender shall be numbered serially. For example, if three quotations are received against one tender, the bids or quotations shall be numbered as 1/3, 2/3, and 3/3.

10.21 If more than one copy of quotation received, same shall be marked as “Original”, first copy and second copy etc.

10.22 All the envelopes received shall be signed and preserved in the file.

10.23 All pages of the bid or schedule or letter attached to it shall be initialed with date by both the tender opening officers. Important details such as the price (s), Excise duty, Sales tax, discounts, packing & forwarding, freight, delivery period and all
details having bearing on price shall be circled and initialed.

10.24 Alterations in tenders, if any, made by the firms, should be initialed legibly by the tender opening officers to make it perfectly clear that such alternation were present on the tenders at the time of opening. Wherever any erasing or cutting is observed, the substituted words should be encircled and initialed and the fact that erasing or cutting of the original entry was present on the tender at the time of opening be also recorded.

10.25 Any columns left blank by the tenderers in their quotation shall be crossed out by the tender opening officers and duly initialed.

10.26 The bidders or their authorised representatives shall be permitted to write down the details of the bids on the day and at the time of opening. However, in order to avoid possible tampering by the bidder’s representatives, the bids of other parties only are allowed to be noted down by other parties but should not be allowed to see their own bids.

10.27 A complaint or suggestion register must be available with the tender section to facilitate bidders to register their complaints or suggestions, if any, in respect of tendering system. A suitable placard must be displayed in the tender section to the effect that such a register is available with the tender section for the benefit of the bidders.

10.28 The complaint register shall be submitted to HOD by the tender section in charge once in every week, preferably on every Monday, whether there is a complaint or no complaint. In case of any complaint, HOD shall make an enquiry into the matter and recommend or suggest or take suitable corrective actions, if necessary with the approval of concerned GM.

10.29 The Officer-in-charge of the tender section shall ensure that all registers or records as required for the proper functioning and sanctity of the tendering shall be maintained in the manner in which they are to be maintained and submitted to the competent authority for inspection or verification as and when asked for.

10.30 The Bids opened shall be handed over to the dealing Section under acknowledgement for further necessary action. The dealing purchase officer shall immediately on receipt of the bids take the following actions:

(a) All the EMDs received in the form of DD or Pay order from the firms shall be tabulated and forwarded to the Cash Section of the Accounts Department and receipt acknowledgement placed in the file. EMDs received in the form of Bid Bond or Bank Guarantees will be retained in the procurement files.

(b) The bids so opened, shall be forwarded to the indenter for technical evaluation and arrive at the technically acceptable offers and advice the Purchase Department regarding opening of the Price bids of those technically qualified bidders. The reasons for technical / commercial disqualifications are required to be communicated to the unsuccessful bidders.

(c) The Bids falling under bid rejection criteria as stipulated in the tender document shall be rejected. However incase only one bid is received which is
with shorter validity period, then approval for consideration of the bid is to be obtained from HOD (Purchase) with reasons, justification recorded in file.

10.31 Opening of Price Bids. The following guidelines will have to be complied

(a) The Indenter is to scrutinize thoroughly all the offers received against each tender and clearly specify reasons in the Technical Comparative Statement for acceptance or rejection of any bid. The Technical suitability is to be declared by the indenter.

(b) The Technical correspondence made with the bidders and final Parameter-wise Technical Comparative Statement duly signed by the indenter along with the duly signed list of technically qualified offers as short-listed by the Technical Departments.

(c) Simultaneously the Purchase Department shall seek commercial clarifications or compliance of bidder with HSL Standard Terms and keep all the relevant correspondence in the Purchase File.

(d) Thereafter, Purchase Department shall prepare the Final Commercial Comparative Statement and the duly signed statement shall be placed in the file.

10.32 Approval for Opening of Price Bids. The Indenter, after Technical Evaluation shall send the file to the purchase department along with technical comparative statement clearly indicating the reasons for disqualifications if any and technical correspondence if any made with the supplier.

(a) In case of all the offers received are technically and commercially qualified for opening of price bids, approval for price bid opening is to be obtained as follows :-.

Up to Rs. 2 lakhs - Manager
Above Rs. 2 lakhs to Rs. 5 lakhs - Sr. Manager
Above Rs. 5 lakhs to Rs. 10 lakhs – DGM
Above Rs 10 lakhs: concerned AGM / GM

(b) In case of any rejections, approval for the price bid opening is required to be obtained as follows:

Up to Rs. 25 lakhs – concerned AGM / GM
Above Rs. 25 lakhs & below Rs. 50 lakhs – concerned Functional Director
Above Rs. 50 lakhs: C & MD

Note. In case of any legal or commercial deviations for rejections, file shall be routed through legal / finance departments and opinion sought as appropriate.

10.33 The Price Bids opened as above will be signed by both the Tender opening Officers from Purchase and Finance Department. Procedural compliance for permitting bidders’ representatives to note the prices of their competitor’s, numbering of bids, handing over of bids to dealing section in Purchase Department etc., shall be followed.

10.34 The dealing officer or staff on receipt of the Price Bids shall verify that all the bids are intact and have been signed as per procedure and that any corrections etc,
have been duly endorsed as “Correction Noticed” by the Tender Committee, before accepting the same from Tender Section.

10.35 The Price Bids shall be sent to indenters for Vessel or Maintenance items and the Basic Price Comparative Statement will have to be prepared by the Indenters. Purchase Department shall load the commercial factors and prepare the Final Price Comparative Statement. In case of Stores and Standard Stock items Price Comparative Statement will be prepared by Purchase Department as per procedure laid down and send to Indenter.

10.36 Thereafter the Indenters shall send their recommendations on the selected L1 Technically qualified party together with Technical Specs., to be enclosed to the Purchase order. While sending their recommendations as above, the indenter shall give proper justification in case the L1 Price exceeds the estimated price indicated in the PRQ.

10.37 Instruction to Purchase Officers.

(a) Preliminary Examination. Purchaser shall evaluate the bids to determine whether they are complete; whether any computational errors have been made; whether required sureties have been furnished; whether essential documents such as the technical literature and Agency Agreement in the case of medical stores, etc., as specified in the RFP have been furnished; whether the bid documents have been properly signed; and, whether the bids are generally in order.

(b) Discrepancy in Quoted Price. If there is a discrepancy between unit price and the total price, the unit price shall prevail. If there is a discrepancy between words and figures, the amount in words shall prevail. If a supplier does not accept the correction of the errors, his bid should be rejected and the bid security may be forfeited.

(c) Trivial Errors. Trivial errors such as omission to (i) enter the rates in words, (ii) initial any alteration in rates or (iii) sign both the tender and the schedules(s) may be corrected, initialed and dated both by the officers opening the tenders and signed and dated by subsequently by the tenderer.

(d) Responsiveness of the Bid. Prior to detailed evaluation, the purchaser should determine the substantial responsiveness of each bid to the bid documents. A substantially responsive bid is the one which conforms to all terms and conditions of the bid documents without material deviations. Deviations from or objections or reservations to critical provisions like Bid Security, Warranty & Guarantee, Applicable Law, Taxes and Duties and non-submission of documents such as valid Agency Agreement and technical literature in the case of medical stores should be deemed to be a material deviation.

(e) Evaluation & Comparison of Substantially Responsive Bids. The evaluation and comparison of responsive bids shall be done on the prices of the goods offered inclusive of all levies & taxes, such as VAT, Excise Duty, Service tax and other charges such as Packing & Forwarding, Freight and Insurance etc., as indicated in the price schedule of the Bid document but exclusive of Octroi or Entry Tax, which is to be paid extra as per actual, wherever applicable.
(f) **Award Criteria.** The purchaser will award contract to the successful bidder whose bid has been determined to be substantially responsive and has been determined to be the lowest evaluated bid, provided further that the bidder is found to be technically, commercially and financially acceptable and whose goods have been type-approved or validated by the purchaser. The purchaser reserves the right to counter offer price(s) against price(s) quoted by any bidder.

(g) **Waiver of QRs or Parameters.** There should be no waiver of parameters after the issue of RFQ as this may result in denial of opportunity to firms which could have met the revised essential parameters, had this been reflected in the RFP ab initio. This is particularly relevant in single vendor or resultant single vendor cases where waiver of essential parameters after issue of RFP and receipt of tenders would be prejudicial to the interest of other firms which might have submitted their bids as per the revised parameters but could not because of the essential parameters mentioned in the RFP.

(h) **Pre-bid Conference.** To obviate the possibility of the RFQ fetching no response, resulting in a single vendor situation or resulting in generation of limited competition, technical specifications should be firmed up in a pre-bid conference in two-bid tender, particularly where the goods or services to be procured are not available commercially off-the-shelf or are of complex and highly technical nature. Generally fresh or revised commercial bids should not be invited after opening of technical bids, except under circumstances as given in Sub-para 23 & 25 of Chapter XIII and these will be obtained as per prescribed procedure, giving equal opportunity to all technically acceptable vendors in this regard.”
CHAPTER-XI

EARNEST MONEY DEPOSIT AND PERFORMANCE BANK GUARANTEE

11.1 Earnest Money. Earnest Money Deposit (EMD) is a token security demanded from a Tenderer who indents to submit his offer against a tender enquiry issued by the purchaser specifying required conditions for the same.

11.2 Objective of Taking EMD. The primary objective of calling the earnest money deposit along with tender is to establish the earnestness of the bidder so that they do not withdraw, impair, or modify their bids within the validity period of the offer. The value of the EMD should be so fixed as not to act as barrier to genuine tenderers at the same time should not be so low that it fails to deter the non-serious tenderers.

11.3 Amount of Earnest Money Deposit (EMD). Quantum of EMD required to be incorporated in the tender enquiry will depend on the gross estimated value of tender. The EMD should be calculated taking into account the value of all the components and the exact amount of EMD is to be indicated in the Invitation to the Tender enquiry or Tender Notice.

11.4 Keeping in view the basic objective outlined above, suitable stipulations should be devised and incorporated in the tender documents. As a guiding principle collection of EMD may be resorted to for procurement of material with an estimated value of Rs 10 lakhs and above. The EMD of 1% of the estimated value of the indented material as mentioned above or proposed works shall be obtained as a fixed amount with a maximum ceiling of Rs 1.00 lakh. However, obtaining of EMD from Vendor or C&MD’s approval for Exemption of EMD shall be completed before opening of Price Bids of the subject Tender.

11.5 The form in which EMD is acceptable should be clearly mentioned in the tender documents. Since any relaxation regarding submission of EMD has financial implications, the terms & conditions should clearly stipulate that offers without EMD would be rejected.

11.6 In case of indigenous bidders, EMD may be accepted in the form of demand draft, banker’s cheque or Bank guarantee from nationalized or Scheduled Banks including Co-operative banks drawn in favour of Hindustan Shipyard Limited, Visakhapatnam. A Crossed DD or Pay order issued by Co-operative banks, however, may be considered to be accepted and the bid would be considered only if the said DD is realized. EMD may be obtained by way of Bank Guarantee in case of foreign bidders.

11.7 In respect of indigenous bidders, BG issued by a public sector banks authorized to carry out government transactions is acceptable. In case of foreign bidders, the bank guarantee is to be issued in the prescribed format by an Indian Public Sector Bank to conduct government business. Guidelines on confirmation of Bank Guarantees of Foreign banks by Indian banks are given in Appendix “D”.

11.8 The B.G. shall be valid for a period of 45 days beyond the final bid validity period and shall have a provision of at least additional 4 weeks as a claim period beyond expiry of actual liability stated in these bank guarantees.
11.9 **Exemption from Submitting EMD**

(a) Tenders of the value up to Rs 10.00 lakhs except for civil works.

(b) State & Central Government of India - Departments & Public Sector Undertakings.

(c) Firms registered with HSL (exemption will apply only to items & value up to which bidders are registered with HSL). To qualify for EMD exemption, firms should necessarily submit VALID copy of the Registration Certificate along with the list of items or services for which they are registered, as issued by HSL, in Part – I Technical bid or offer. Firms in the process of obtaining HSL registration will not be considered for EMD exemption.

(d) Firms registered with NSIC or SSC (exemption will apply only to items & value up to which bidders are registered with NSIC or SSC). To qualify for EMD exemption, firms should necessarily submit VALID copy of the Registration Certificate along with the list of items or services for which they are registered, as issued by NSIC or SSC in Part–I Technical bid or offer. Firms in the process of obtaining registration will not be considered for EMD exemption.

(e) Firms registered with Central Purchase Organisation (DGS&D) or MSME or concerned departments of Ministries of the Govt of India.

(f) Vendors nominated by Customer for specific ordering Instructions (Owner’s Choice / approved vendors).

11.10 In exceptional cases, the tender without EMD can be accepted with the approval of C&MD, if there are valid reasons like the participant bidder is a manufacturer of Proprietary products and against a competitive bidding issued, only one bidder participated but without submitting the EMD and any other case of genuine nature that might warrant exemption of EMD.

11.11 The Dealing Section, shall on the next day of opening of tender and receipt of bids along with the DDs, if any, from tender section, forward to Cash Section of Accounts Department, under due acknowledgement and shall maintain a proper record of all the EMD amounts received. EMDs received in the form Bid Bond or Bank guarantees will be retained in the procurement files. The Manager or Sr. Manager or DGM shall verify the records at frequent intervals to ensure its proper maintenance.

11.12 **Refund of EMD**

(a) Bid securities of the unsuccessful bidders should be returned to them at the earliest after expiry of the final bid validity and latest on or before the 30th day after the award of the contract.

(b) The EMD of successful tenderers shall be refunded after the acceptable Performance Bank Guarantee as called for the contract is furnished, unless it is adjusted towards performance guarantee.

(c) The concerned dealing purchase officer through the Manager In charge of the Section shall upon receipt of report or advice of technical acceptance of offers
completion of technical scrutiny, intimate to the Cash Section of Accounts Department, the names of unsuccessful bidders for whom EMDs needs to be refunded.

(d) In case of foreign bidders, Bid bond will be returned by the concerned dealing purchase officer to the unsuccessful bidders immediately after receipt of report or advice of technical acceptance of offers

(e) In the event of cancellation of tender, the EMD or Bid bond will be refunded or returned to all the bidders in the same manner as explained above.

11.13 **Forfeiture of EMD** EMD shall be forfeited in the following cases and the Vendor shall be informed accordingly:-

(a) In case any Bidder chooses to withdraw the bid already submitted by the Bidder to HSL, before opening of Technical Bid.

(b) In case Bidder withdraws or amends impairs or derogates from the tender in any respect within the period of validity of this tender or on award of the contract fails to furnish the required performance bank guarantee.

(c) Non acceptance of Order.

11.14 **Bank Guarantee for Performance cum Guarantee or Warranty.** A Contract of Guarantee is a contract to perform the promise, or discharge liability, of a third person in case of his default. The person who gives the guarantee is called the “Surety”. In case of “Bank Guarantee” Bank is the Surety to perform promise or discharge the liability of supplier in case of default of supplier. Bank Guarantee shall be from scheduled banks.

11.15 **Performance Bank Guarantee (PBG).** It is a written undertaking obtained from the Supplier through his bank as a guarantee that he would perform the promise or terms and conditions of the contract and to ensure the discharge of liability of the Supplier in case of his default. The guidelines and format of performance bank guarantee are given in Appendix “D”. The Concerned department will maintain a Register to monitor the Bank Guarantees.

11.16 **Objective of Taking Performance Guarantee.** The objective of incorporating PBG in contract is to safeguard the company’s interest in case of breach of contract by the contractor and is a tool to bind the vendor or supplier for fulfilling the contractual obligations as laid down in the contract.

11.17 The PBG is not meant to compensate for the loss to the purchaser in the event of delay or non performance or breach of contract etc, which may be enormous but should act as deterrent for the contractor for default on flimsy grounds.

11.18 **PBG - Indigenous Procurement.** Performance Security deposit payable to the HSL is furnished by the Supplier in the form of a Performance Bank Guarantee (PBG) issued by a public sector bank or a private sector bank authorised to conduct government business, in the prescribed format within thirty days from the date of contract. At present, ICICI Bank Ltd., Axis Bank Ltd. and HDFC Bank Ltd. are the three private sector banks authorized to carry out government transactions. The performance
security deposit is meant to compensate the Purchaser for any loss suffered due to failure of the supplier to complete his obligations as per the contract. Preferably, performance security is payable by the supplier at the rate of 10% of the basic order value. The supplier or contractor has to submit the PBG within 15 days of issue of contract or Purchase Order and it should remain valid for a period of sixty days beyond the date of completion of contractual obligations, including warranty. The BG is returned to the supplier on successful completion of all his obligations under the contract. In case the execution of the contract is delayed beyond the contracted period and the HSL grants extension of delivery period, with or without LD, the supplier must get the BG revalidated, if not already valid. The format of the PBG is given in Appendix “E”.

11.19 PBG - Foreign Procurement. Whenever considered appropriate in foreign procurement cases, especially of high value with long gestation period, performance security deposit in the form of bank guarantee should be taken from the supplier. The bank guarantee is to be issued within 15 days of issue of contract or Purchase Order in the prescribed format by an Indian Public Sector Bank or a Private Sector bank authorised to conduct government business or a First Class International bank of repute located abroad, acceptable to the purchaser within thirty days from the date of the signing of the contract. Guidelines on confirmation of Bank Guarantees of Foreign banks by Indian banks are given in Appendix “D”. This deposit is meant to compensate the purchaser for any loss suffered due to failure of the supplier to complete his obligation as per the contract. The PBG amount should preferably be ten percent of the value of the basic cost of the order.

11.20 Exemption from Submitting PBG. Since submission of performance bank guarantee has financial implications, the amount & requirement of PBG should be indicated in the tender. However, the requirement of submission of PBG shall be waived of in respect of the following

(a) PSUs
(b) Total order value up to Rs 5 lakhs and or
(c) Orders where delivery is within 15 days from the date of order.

11.21 No exemption can be granted to any unit including SSI units and registered vendors. In case of failure to submit PBG by the supplier within 15 days of placement of order, purchase officer will inform the supplier that his EMD will be forfeited and that there is likelihood of cancellation of the order and invocation of Risk Purchase Clause.

11.22 In case supplier fails to comply with the above requirement, the order or contract may be cancelled with the PRIOR approval of the authority who has approved placement of the order or contract or in case the supplier or contractor has already commenced supply or work, the Purchase officer shall advice Accounts Department for withholding the PBG amount from his bills if any

11.23 Verification of B.Gs. The B.G. submitted by the supplier or contractors as performance bank guarantee needs to be verified from the issuing bank. As soon as the bank guarantee is received from the vendor or contractor by the purchase department, the same shall be forwarded to the Accounts Department after keeping Xerox copy in the file of Purchase Department and confirming that the subject B.G. is as per order terms and conditions. Any amendments required shall be intimated by Purchase Department to vendor or contractor for obtaining proper valid bank
guarantee. The Accounts Department can communicate with the bankers directly to ascertain the veracity of signatories to the guarantee, authenticate the bank guarantee and only on receipt of confirmation from the bank by Accounts Department, same can be accepted by HSL.

11.24 Essential Elements of PBG. The essential elements of PBG are as follows:-

(a) Amount
(b) Address of the Beneficiary, Applicant and the Bank
(c) Validity date, as per order terms and conditions
(d) Contract Number and Date

11.25 Guarantees. The salient features of Guarantees are as follows:-

(a) Guarantees are absolute in character and independent of the underlying contract.

(b) Guarantees imply obligation to pay and not to perform.

(c) Guarantees also imply unconditional and without demur payment against a valid claim.

(d) Guarantees are for specified amount and period

(e) Guarantees are issued against matching counter-guarantee from the applicant.

11.26 Immediate steps should be taken to verify the genuineness or authenticity of the Bank Guarantees which are submitted by the contractors or suppliers, by approaching the issuing bank and receiving a direct confirmation from the bank in this regard.

11.27 The following steps should be taken to ensure that BGs are genuine and encashable:-

(a) The prescribed format in which BGs are to be accepted should be enclosed with the tender document and it should be verified verbatim on receipt with the original document.

(b) Contractors or suppliers be told that BGs to be submitted by them should be sent directly by the issuing bank by Registered Post AD

(c) In exceptional cases, when BGs are received through the vendors or suppliers etc., the issuing bank should be requested to immediately send an unstamped duplicate copy of the Guarantee by Regd. Post (A.D) directly to HSL with a covering letter to compare with the original BGs and confirm that it is in order.

(d) As a measure of abundant caution, all BGs should be independently verified by the departments.

(e) In each office an officer should be specifically designated with the responsibility for verification, timely renewal and timely encashment of BGs.”
11.28 **Invocation of Guarantees.** Guarantees can only be invoked after fulfilling the following conditions:—

(a) The claim or intimation should reach the issuing Bank on or before the expiry date.

(b) The claim or intimation should be in strict conformity with the terms of the Guarantee.

(c) Issuing Bank cannot enquire into merits of the claimant or take views on any dispute between the applicant and the beneficiary.

(d) On compliance of terms of the guarantee, payments are to be effected immediately and unconditionally.

11.29 PBG demanded can be adjusted against EMD furnished along with the tender and or against the pending bills of the contractor or supplier. The Accounts Department shall not clear any of the firm’s bills before it is ensured that PBG has been furnished by the contractor or supplier.

11.30 **Mechanism for Safe Custody and Monitoring of Validity of PBGs.** The Purchase Department shall arrange to forward B.Gs as and when received from the contractor or supplier to Accounts Department after complying with the para 32 herein above for its safe custody and monitoring for taking action well ahead of (i.e., 30 days before) the date of expiry of the validity of the PBG for its renewal, if required as per the terms of the order based on the advice of the Purchase Department.

11.31 In case a B.G. is required to be encashed, Purchase Department shall advise the Accounts Department sufficiently in advance before its expiry.

11.32 If the date of validity of B.G. has expired and the B.G. is not required to be renewed, the same shall be returned to the bank or supplier or contractor on the advice of the purchase Department by Accounts Department.

11.33 **Renewal.** Any amendments required by way of extensions etc in the BG shall be intimated by the Purchase Department to the Vendor or Contractor under intimation to the Accounts Department, and a copy of such correspondence marked to the bank issuing the BG. On receipt of the amended BG, the Accounts Department shall ascertain the authenticity & veracity. In case of non-extension or non-renewal as requested by HSL as per order terms, the Accounts Department will request the bank to encash the BG before expiry of its validity period.

11.34 In case of failure on the part of the contractor or supplier to comply with the requirement of performance or guarantee or warrante, it shall be lawful to cancel the contract or any part thereof and invoking the provisions of conditions of contract for breach of contract.

11.35 In the event of non performance of Contract per order terms, the approval of the Competent Authority (C&MD through D (F&C) shall be obtained for invocation of BG. Accounts Department thereafter shall request the bank to encash the Bank Guarantee before the expiry of the validity of Bank Guarantee.
11.36 **Return of PBG.** PBG taken for the due performance of an individual contract and to ensure guarantee or warranty obligations, shall be returned to the Bank by A/C’s department, for cancellation under intimation to the vendor when the contractor duly performs and completes the contract in all respects as reported by the User or PP&PM department through Purchase Department and within one week of expiry of guarantee period.
CHAPTER – XII

EVALUATION OF TENDERS & FORMULATION OF PURCHASE PROPOSAL

12.1 The bids after their opening are required to be evaluated in accordance with the terms and conditions of the bidding documents. The methodology for bid evaluation and terms & conditions are to be incorporated in the tender documents in a transparent manner so that the bidders and also the Purchaser are fully aware of the same. The evaluation of tender is a crucial stage and should be undertaken carefully, correctly and fairly. Such a scrutiny and analysis will enable the purchaser to take a decision as to which of these bids are techno-commercially acceptable and which out of them can be utilised for placement of contract.

Evaluation: Bids for Techno-Commercial Acceptability

12.2 Single Bid Quotations. The quotations after they are opened and received from Tender Section, the concerned Purchase Officer shall arrange for checking tenders for fulfillment of Tender Enquiry requirements & scrutiny of any condition, which may have financial implication with its impact on the value of the tenders etc.

12.3 The relevant file along with quotations shall be forwarded to the Indenting Department or Design Department for technical acceptability of the offers in all respects vis-à-vis the specifications and terms and conditions of the Tender enquiry. No further Purchase Advice would be sought from Indenter.

12.4 The Indenter shall arrive at the technically acceptable quotations and send back to Purchase Department, for preparation of comparative statement.

12.5 The Purchase officer concerned, if necessary, may contact the L1 bidder for commercial & price negotiation. Thereafter, the file is sent back to the Indenter with final Comparative statement of prices for issue of necessary or requisite technical specifications for finalisation of the supply order.

12.6 Two Bid Quotations. The concerned Purchase Officer shall arrange to forward the techno-commercial bids or quotations, after its opening, to the Indenter or Design office along with the relevant file, for evaluation for its technical acceptability. In case where samples have been called for along with the tender, as pre qualification criteria of the bids, the samples received are also to be sent to the Indenter for analysing and comments.

12.7 Where purchases of goods of technical and complex nature and or requiring furnishing of literature or documents or information regarding technical parameters & qualification or eligibility criteria, clause by clause compliance of the specifications or requirement should be checked.

12.8 The Indenter or Design office shall evaluate the quotations with specific reference to the bid evaluation “criteria for qualifying the technical bids” and “rejection criteria” indicated in the technical specification attached to the Tender document or bid document. The D.O should adhere to such “criteria” both for evaluation of technical bids or quotations as well as during technical negotiations for finalizing the “technically acceptable bids or bidding firms”.

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12.9 The Indenter or Design Office, after completion of technical evaluation, shall furnish a “bid evaluation report” to Purchase Department, clearly indicating the names of the firms qualified technically and their price bids to be opened.

12.10 In case of three bid system, the indenter, in their report shall give their advice to Purchase department to call for the final techno-commercial bids

12.11 The Indenter have to directly correspond with the bidders except Maintenance Department for seeking technical clarifications and complete the technical scrutiny at the shortest possible time to short list the bidders. The Indenter or Design office while advising Purchase Dept to open the price bids, shall also furnish a “Technical Comparative Statement” along with technical correspondence had with the bidders, for the various technical parameters of the technical specifications and the bidder’s clear adherence or confirmation of compliance for the same.

12.12 In case any bidder is disqualified due to any technical reasons, the same shall be clearly brought out in the technical comparative statement for the sake of transparency. The material indented and procured against any tender shall be the same. The technical suitability is to be declared by the indenter on the technical comparative statement.

12.13 The technical scrutiny of the bids should be completed within one month or early and the technical comparative statement duly approved by the DGM (D&DO) or AGM (D & DO) to be forwarded to Purchase Department, which shall be kept in Purchase file.

12.14 The Design Office should submit report to C&MD every month for tenders which are under technical scrutiny for more than a month.

12.15 The Purchase Department shall submit a monthly report to C&MD for tenders which are shortlisted and not finalised.

12.16 The Design Office should stick to the Owner’s technical specification without unnecessarily extending the scope with cost implication.

12.17 Simultaneously, the Purchase Officer concerned should evaluate the bids or quotations or offers according to the bid evaluation “criteria for qualifying the bids for commercial acceptability” and the “rejection criteria” indicated in Part–II containing Instructions to bidders or commercial terms of business, to be attached to the Tender Document.

12.18 A preliminary examination shall reveal whether the bids conform to all the essential and mandatory requirements and or contains reservations with regard to the critical and essential terms and conditions of the Tender Enquiry. The purpose of this examination is to exclude bids from further and more complicated consideration, if they do not meet the minimum standards of acceptability as set out in the bidding documents. The bid should however, not be rejected on trivial procedural grounds.

12.19 In respect of quotations having minor deviations without having any financial repercussions can be further processed and the Purchase Officer may seek clarifications from vendors or hold discussions with the vendors, so as to bring all the bidders at par commercially, prior to technical evaluation of the quotations by the
Indenter is completed and advice received.

12.20 As a next step before opening of the price bids, the Purchase Department shall prepare a “comparative statement reflecting the following commercial conditions in order to ensure commercial acceptability of the bids:

“Terms of delivery, time of delivery, payment terms, delayed delivery, Guarantee or Warrantee of the equipment or material, Bank Guarantee, Inspection charges, taxes and duties, bank charges, arbitration, jurisdiction, appropriation, price variation or escalation, packing and forwarding charges, freight, transit insurance, firm price, offer validity and any other conditions stipulated in the tender that requires the suppliers adherence or confirmation of compliance”

12.21 Deviations or differences, if any, remain still the same shall be highlighted in the commercial comparative statement, clearly mentioning whether such deviations are minor in nature, having no financial implications and can be accepted. Or the deviations taken by vendor having financial implications but still can be accepted after considering suitable loading factors, to enable competent authority take a decision for opening of such bids.

12.22 In case it is considered essential to allow the bidders, during the process of finalising techno-commercially acceptable bids, to submit revised prices or supplementary bids to enable them to adhere to or confirm compliance to certain techno-commercial conditions to meet the qualification criteria stipulated in the tender, they may be permitted to do so by fixed time and date, to bring all on par. Thereafter a final technical comparative statement is to be prepared.

12.23 Thereafter, the list of Techno-commercially acceptable bids or bidders has to be finalised. In case it is inevitable to obtain revised bids, it would be in all fairness and equity, to obtain the revised price bids from only those techno-commercially acceptable bidders. In other words, the exercise of short listing of techno-commercially acceptable bidders must be completed prior to calling of the “Revised Price Bids” as it is incorrect to obtain revised price bids from the bidders, which do not meet the qualification criteria.

12.24 In case it is contemplated to obtain revised prices or supplementary bids, the names of the “techno-commercially qualified bidders” shall be kept confidential as far as practicable, to avoid cartel formation.

12.25 In case there is a change in the techno-commercial specification, “revised price bids” shall be obtained from all the participating bidders, in conformity with the “tender norm”. Alternatively, the tender shall be discharged and a fresh tender be floated, in case it is felt that with the change in specification some new bidders or suppliers are expected to participate in the tender.

12.26 If any bidder submits their Techno-commercial proposal or price bid more than once in respect of the same tender within the due date, the latest of the bids shall be considered for opening and for evaluation.

12.27 Single Quotation. Where a Limited Tender or Public Tender has been issued and only one technically suitable quotation is available after evaluation of the techno-commercial bids received against the Tender, then the Tender is said to be finalised
on Single Quotation basis. The opening of the Price Bid and approval of Purchase Proposal in such cases will be done on the Delegation of Purchase Powers as delineated at Clause 32 of Chapter X and as at Annexure-8 respectively.

12.28 Opening of Price Bids: The guidelines at clauses 32 to 37 of Chapter X will also have to be compiled in addition to the Guidelines at Clauses 38 to 51 of Chapter X111.

12.29 Opening of Price Bids. After completion of Technical evaluation, and soon after receipt of advice from the Indenter or Design department to arrange to open the price bids of the technically suitable bidders and after resolving commercial deviations, the Purchase Officer concerned, shall put up a comprehensive note detailing the process leading to the opening of price bids, for approval of the Competent Authority or deferment of the opening due to any valid reason including inadequacy of the qualified bids or Lack of competition etc.

12.30 General Guidelines for Opening of Price Bids. The Purchase Officer shall ensure that the following documents are prepared and appended to the note for opening of price bids:-

(a) Signed Copy of the tender enquiry.

(b) Approval notes if any, leading to the issue of tender.

(c) Part-I (techno commercial bids) of all bidders.

(d) Technical evaluation documents such as correspondence with the bidders, Minutes of the TNC meetings(if any) with the firms duly signed by all the participating members or Technical evaluation report from Design Department as applicable.

(e) Comparative statement of all techno commercial deviations sought and mutually agreed during TNC meeting or correspondence as applicable. The statement should bring out the loading factors towards the deviations that will be applied to the agreed prices.

(f) Documentary evidence for rejection of bids after techno-commercial evaluation such as minutes of TNC meetings or Technical Rejection Note from TNC committee as applicable.

12.31 Lack of Competition exists where number of bids is less than three. If the number of bids received is less than three (3), the Purchase Department shall examine whether all standard procedures like wide publicity of the demand, projection of clear cut specifications without any ambiguity, providing sufficient time for obtaining the bids, etc were followed.

12.32 However, in the event of a decision by the Competent Authority (DGM (P&M) or GM (P&M) to open the price bids, the process and the methodology is common or same as in the case of opening of technical bids as detailed vide Chapter–X. The Tender Section shall arrange to open the price bids on a scheduled date and time.

12.33 In case any specific adverse report is received against a Tenderer, as an information or upon enquiry made by HSL, in respect of capabilities and performance of
the tenderers, after receipt of tender but before the opening of the price bids, the quotation or tender submitted by such Tenderer shall be rejected on the basis of recorded reasons and with the approval of the Competent Authority. If such report is received after opening of the price bids, then also the quotation or tender of that Tenderer shall be rejected after recording the reasons and with the approval of the Competent Authority.

12.34 Where three bid system is followed, the Purchase Officer concerned, on advise of the indenter to obtain final techno-commercial and price bids, shall prepare a draft letter addressed to the vendor(s), with specific reference to the correspondence exchanged between the vendor and the company in the process of obtaining the adherence or acceptance or confirmation of compliance of the vendor, in respect of deviations taken by them against various techno-commercial conditions of the T.E. and forward the same to the Tender Section, for further necessary action at their end. The above letter shall also indicate the realistic date of requirement of the material in question, in the yard as obtained from the PP & PM Department.

12.35 In the event of price bids being not opened on the scheduled date for any reason as decided by the competent authority, the same may be promptly conveyed to all the qualified bidders, along with the revised date of opening.

12.36 The Tender Section shall ensure transmission of the price bids, as opened, and intact to the dealing section promptly under acknowledgement. The concerned officer shall verify the bids while accepting and discrepancies if any, noticed shall be brought to the notice of the Competent Authority for further necessary action or process the bids further.

12.37 Return of Un-Opened Price Bids. The unopened price bids of the techno-commercially unacceptable bidders shall be returned to the respective bidders, indicating the specific reasons for rejection but not with a general remark as “offer was declared technically not suitable”. The Indenter or Design Department who evaluates the offers for technical suitability must ensure to bring out the deviations clearly because of which a particular offer was declared as technically unacceptable and unopened price bids are returned.

12.38 Comparative Statement. On receipt of the procurement file, the dealing officer shall verify the following:-

(a) The Comparative Statement of Tenders or Bid opening Format placed in the file is duly filled in and endorsed by tender opening officers.

(b) Approval note for opening price bids is available duly endorsed.

(c) All the Price bids are available in file duly endorsed.

12.39 Evaluation of commercial bids is the core activity in any purchase decision. The correct evaluation of quoted rates, freight, insurance, taxes, duties and other expenses involved, as per the criteria incorporated in the tender enquiry, will ensure flawless decision.

12.40 On receipt of all accepted tenders, the concerned Section in Purchase Department under the dealing Purchase Officer or In-charge, after verification of the
price bids, will prepare a price comparative statement. The following details as relevant and applicable will be shown in the Price Comparative Statement:

(a) Name of each firm.

(b) Description, make, quantity of the product tendered vis-a-vis that offered by them.

(c) Deviations in terms & conditions, if any, with reference to validity, payment terms, delivery, PBG, L.D, taxes & duties, guarantee which have financial implications.

(d) Deviations in HSL terms & conditions with reference to other clauses which have legal implications if any.

(e) The loading factors as applicable shall be applied and indicated under each deviation sought by the firm. The details of calculations for arriving at the figures after application of loading factors are to be prepared.

(f) Currency conversion factors if any to bring the respective bidders on equitable basis. B.C. selling rate of exchange as applicable on the day of opening of price bids will be adopted. However, when an imported offer is being compared with indigenous offer, the landed cost i.e. the cost inclusive of Port handling and other statutory charges payable at the port of discharge and freight up to the destination are considered.

(g) The evaluated prices of the respective bidders will then be determined and indicated in the statement.

(h) Based on the total evaluated price of each bidder after applying the normalization criteria (loading factors) and considering separable or non-separable aspects of the items or services as mentioned in the technical requirements, the ranking position will be determined. The bidder(s) whose evaluated price is lowest will be indicated as L1 bidder.

(i) Due care should be taken to indicate wherever the Purchase preference applicable in case of PSUs.

(j) Any other observations, comments affecting the price structure and or ranking of bids should be clearly indicated in the Comparative Statement.

12.41 In case of procurement of highly technical & complex goods or equipment where the final scope is to be determined by the Indenter, one set of price bids shall be sent to the indenter by purchase department so as to facilitate them to prepare a basic price comparative statement of prices. Basic Price Comparative Statement shall be signed and authenticated by the officer prepared it and counter signed by the concerned Manager and the Sr. Manager and forward the same to Purchase Department.

12.42 The Purchase Officer concerned shall arrange to prepare a final comparative statement of prices taking the incidence of all elements of price up to destination for inter-se comparison and arrive at the ultimate cost. As regards loading factors and
method of their application, guidance has to be taken from the “bidding documents”.

12.43 The ultimate cost must always be indicated after considering discounts or rebates, if any.

12.44 Wherever voluntary reduction in prices is received after opening of the price bid and or after the expiry of time limit fixed for re-bids, such reduction in price will not be taken into account for the purpose of evaluation and arriving at the competitive status for placement of order while making the Purchase Proposal.

12.45 Where the voluntary reduction of price is given by a bidder or Tenderer who is otherwise eligible to get order on the basis of bids received before the scheduled date and time (L1), the order would be placed at a price taking into account the voluntary reduction offered by the party.

12.46 If some or all the items in the tender are parts of the same assembly or same group (items cannot be split for placing order) or otherwise identified as matching parts by the Indentor in the Indent, overall quoted price of all such items or jobs will be considered while preparing the comparative statement. However, wide variations in the item wise prices of the L1 Tenderer from other tenderers will be clearly marked for negotiations, if required.

12.47 There shall not be any corrections in the Comparative Statement. The figures and statements must be clear and legible.

12.48 Such price comparative statement shall be signed by the officer preparing the statement and counter signed by the Manager or In-charge of the section after due verification and subsequently to be vetted by Finance.

12.49 With the dispensation of the issue of Purchase Advice, final price comparative statement of prices indicating the ranking of bidders as L1, L2 and L3 …… L1 being the Lowest and forwarded to the Design Department or Indenter so as to enable them to make a note of the Lowest Tenderer and return the file to Purchase Department. Thereafter, the technical specifications and drawings, if any, to be enclosed to the Purchase order, shall be sent to the Purchase department not later than seven days from the date of receipt of final Comparative Statement.

12.50 Technical specifications shall clearly indicate the list of drawings and any other technical data to be submitted by the selected supplier in a specified period, so as to enable P.D. to attend to the requirement. While on the scope, Design Department or Indenter shall ensure that the present quantity, scope of supply shall not vary with the Indent and Tender as a substantial variation in the quantity warrants re tendering.

12.51 The estimated price as per the indent and its percentage, variation from the total quoted price worked out as per comparative statement in respect of the L1 Tenderer may be recorded in the Comparative Statement.

12.52 Price Negotiation. “Post tender negotiations are banned with immediate effect except in the case of negotiations with L1 (Lowest Tenderer)” as per CVC guidelines.

12.53 There should not be any negotiations. Negotiations, if at all, shall be an
exception and only in the case of proprietary items or in the case of items with limited source of supply, negotiations shall be held with L1 only.

12.54 Negotiations can be recommended in exceptional circumstances of definite evidence to show that the prices received are unreasonably high and only after due application of mind and recording valid and logical reasons justifying negotiations. In case of inability to obtain the desired results by way of reduction in rates and negotiations prove in fructuous; satisfactory explanations are required to be recorded by the Committee who recommended the negotiations. The Committee shall be responsible for lack of application of mind in case its negotiations have only unnecessarily delayed the award of work or contract.

12.55 Further, in order to see that the entire process of award of tenders is not unduly delayed, a time frame for according approval by the Competent Authority shall be followed which shall not exceed one month from date of submission of recommendations. The negotiations and decision for placement of order must be completed within the validity period of the offers. Wherever necessary, extension of validity period by the parties concerned should be ensured, as per para 83 below.

12.56 In case of L1 backing out, there should be re-tendering as per extant instructions or guidelines.

12.57 In the event of a decision to go for negotiations with L1 party, appropriate or designated Purchase Committee as per the procedure indicated herein below, may conduct the negotiations.

12.58 The details of working and the basis of estimation and justification for considering higher cost and indicate how that additional expenditure will be met, shall be sought from the Design office or indenting department, for scrutiny by the PNC and the members shall deliberate over prices, cost estimated and examines the reasons for such abnormality.

12.59 Price Negotiation Committee (PNC) or Purchase Committee Meeting. A PNC meeting shall be conducted in case of any one or more of the following is applicable:-

(a) If the evaluated L1 bidder price is more than the internal cost estimated by 5%.

(b) The domestic or foreign markets show a downward trend in constituents of the equipment or service.

(c) In all cases where internal cost estimates are required but not available.

(d) In all cases, such as single party nominations, OEM, Propriety items, authorised distributor or agent, Govt. Bodies, where offer of only one bidder is invited irrespective of cost estimates or last Purchase price.

12.60 PNC Meeting with Bidder. The Head of Division(Purchase), after having established the veracity for a price negotiation, will arrange for it to be conducted only with the Lowest(L1) by Purchase Committee members delegated with powers as per the Table – Delegation of Powers at Annexure-8 and Vendor nominated representative.
12.61 The PNC or PC meeting shall follow after the Pre-PNC meeting. When a firm is called for negotiation, it should be ensured by the dealing Purchase Officer that adequate time and notice is given to enable the firm to participate. The vendor or contractor should not be made to wait beyond a reasonable period and therefore the meeting should commence precisely at the time and date intimated. Normally, a time frame for conducting price negotiations with the bidder from the date of opening price bids may be 10 days or even shorter notice if it is suiting to convenience of the bidder. The senior most officer of the committee shall preside over the meeting. A list of the various points to be covered and recorded during the PNC meeting is given below as a general guideline: -

(a) Presence of all members empowered to attend the PNC or PC meeting be confirmed. If for any reason a nominated member is unable to attend (being on leave, away on duty or absent), the concerned HOD may nominate a suitable alternate member.

(b) As far as possible, Purchase Price will not be finalised “all inclusive” or on lump sum basis but done element wise, so that variations in actual supplies can be appropriately dealt with. As a general principle, no offer involving any uncertain and indefinite liability or any condition of unusual character should be considered.

(c) In case, during the negotiations, certain additional requirements emerge from HSL side which were not foreseen and which have effect of the prices offered, the committee after due consideration may give an opportunity to the firm for indicating the marginal price effect provided sufficient grounds exist and the committee is satisfied regarding its reasonableness. However, such changes should be minimum and not effectively change the tender conditions or effect the relative position of the vendor as L1.

(d) An undertaking that none of the PNC members has any personal interest in the Companies or Agencies participating in the tender process shall be recorded. Any member having interest in any company should refrain from participating in the committee.

(e) A record note of the negotiations with the firm should be prepared which should be signed by the members of the PNC or PC and the representative of the firm preferably on the same day after the meeting is conducted and a copy of the minutes given to the firm’s representative so as to ensure that the prices negotiated are confirmed by the firms representative and there are no chances of the firm going against their agreed commitment.

(f) The PNC or PC recommendations should be by consensus. However, a member may record a note or dissent, if irreconcilable differences persist; however such cases ought to be very rare.

(g) The best possible reduced rates after negotiations should be recorded clearly and deviations sought, by the bidder are to be spelt out.

12.62 Price Negotiations through Correspondence. Where the value of tenders are up to Rs 10 lakhs and where conducting PNC meeting is not considered economical and where the estimates are lower than the offered price of the technically acceptable
bidder, the price negotiations may be carried out through correspondence by the dealing Purchase Officer and appropriate discount or reduction in cost obtained.

12.63 In the case of bids where the value is more than Rs 10.00 lakhs and where the bidder expresses inability to attend PNC meeting for genuine reasons such as overseas bidders or outstation bidders etc. Competent Authority may approve the price negotiations through correspondence to obtain best price comparable to estimated price. C&MD is the Competent Authority in this case.

12.64 A final comparative statement highlighting the elements of price discussed and negotiated during PNC meeting shall be prepared by the dealing section or initialed by the concerned Purchase Officer, signed by the designated authorities, and put up a comprehensive “Purchase Proposal” for approval of the Competent Authority in the prescribed “Format”, and to release the purchase order or supply order or contract, as per the delegation of powers.

12.65 In case of Rate Contracts, the anticipated total value of procurement during entire contract period shall be the criterion for determining the level at which approval is required.

12.66 Purchase Proposal. While initiating the Purchase Proposal, the dealing Purchase Officer will be responsible for ensuring that all relevant papers are kept in the file and enclosures numbered as per the text of brief and all the factors affecting the purchase are brought in the brief, keeping in mind the following points:-

(a) The Price Comparative Statement prepared for the bids opened should be checked so as to avoid possibility of any mistake and examined carefully by the Purchase Officer. All proposals for purchase of material which are to be approved by Purchase Committees or higher levels, shall be routed through Pre-audit for approval of Competent Authority. The Pre-audit officer shall verify the Comparative Statement for arithmetical accuracy and state so in the Comparative Statement and affix his signature.

(b) In case the order is to be placed on more than one tender as specified in the Indent and Tender document or Bidding document and the L1 price is within the estimates, then the other tenderers will be asked to match their prices with L1 rate for distribution of the items or jobs to be ordered. Only the tenderers who agree to match their prices with L1 rate will be considered for the distribution of order.

12.67 While splitting the order quantity among more than one tenderers, care is to be taken to ensure that L1 gets the highest share and the remaining tenderers as per their ranking in the Comparative Statement. However, capability, capacity and past performance will be kept in view for the allocation of quantity to multiple sources.

12.68 If the L1 price is substantially lower than the estimated price, it is possible that the price quoted by them is substandard and impracticable and in which case it is doubtful whether the vendor will execute the supply order. Therefore, the vendor should be asked to justify the rates quoted. On refusal, the vendor will be asked to furnish Performance Bank Guarantee, equal to the amount which will be the difference between estimated price and the quoted prices of tenderers. The Tenderers who refuse to comply with this, their Earnest Money Deposit will be forfeited as stipulated under general terms & conditions of the tender documents.
12.69 The proposal for the purchase preference to PSUs or Govt. Organisations and SSI units shall be based on the extant guidelines issued by Govt. of India.

12.70 It shall be ensured that the contracts are placed on firms whose performance is satisfactory and who are offering delivery nearest to that stipulated in the Bidding documents.

12.71 The Purchase Department should avoid the tendency to place orders on bidders offering low prices but with poor or no prospect of supply as per the delivery requirements.

12.72 The proposal should begin with relevant facts and information which are necessary for arriving at a prudent decision, as under:-

   (a) Basic Data. Description of item, Specifications, whether requirement urgent or delivery period required vis-à-vis delivery period offered

   (b) Bidding Details. Brief details, leading to the issue of specific mode of tender (L.T or Open or Single Tender) type of bidding (Two Bid or SINGLE BID), Date of Bid invitation, No. of bids received, date of bid opening, techno-commercial evaluation of offers, technical acceptability of the bids, opening of price bids and price negotiations if any, conducted etc. The proposal should also discuss the non-responsive bids coming in the zone of consideration, clearly indicating the reasons for ignoring them.

   (c) Highlight the terms & conditions mutually agreed prior to the opening of the price bids, the deviations if any, taken by the selected vendor, against HSL’s standard terms of business of the tender enquiry, the financial implications if any, and the loading factors adopted or applied to safe guard the interest of the company.

   (d) Acceptance to submit PBG, agreement on payment terms, Inspection by third party, liquidated damages, Arbitration, Force Majeure, Jurisdiction clauses etc.,

12.73 **Reasonableness of Price vis-à-vis Previous Purchase Price (PPP).** Purchase decisions must be based on a careful analysis of the prices offered and after establishing the reasonableness in relation to the estimated rates or prevailing market conditions. While it is to be acknowledged that estimated rate is a vital element in establishing the reasonableness of the price, making an estimate of equipments for Cargo vessels or ships is by no means an easy task to be made with a fine precision. Therefore, the estimate prepared by Design department would be a guiding factor and not a deciding factor in the negotiations with the vendor(s). In this back ground, the PNCs may endeavor to obtain best possible discount from the L1 bidder and narrow down the gap, if any, in between the estimated price and the quoted price. The PNCs need to take a balanced view in making judicious purchase decisions keeping in mind the production needs, market position, re-tendering, possible change in the scope or quantity of procurement etc. To ascertain the reasonability of the prices, these should be compared with the prices paid in the last contract, if any, for the same item, on the following lines: -
(a) The previous purchase price will be the price paid in the latest contract of a similar magnitude, which is not more than three years.

(b) Where the firm holding the previous purchase price contract or order has defaulted, the fact should be highlighted in the purchase proposal and the price paid against the latest contract placed prior to the defaulting previous purchase price contract where supplies have been completed, should be indicated.

(c) Where the price indicated in the previous purchase price is subject to variation, besides indicating the original price as of the previous purchase price contract, the updated price as computed in terms of the price variation clause, may also be indicated.

(d) Where the supply against previous purchase price contract is yet to commence i.e. delivery is not yet due, it should be indicated in the purchase proposal, whether the PPP contract holder is a past supplier or registered supplier or new supplier. In case of new supplier, the price paid against the previous contract as in the case of para 73 should be indicated.

(e) Indication of the percentage of increase over PPP should invariably be given in the purchase proposal.

(f) The total value of the item (ultimate cost) as evaluated including taxes and duties etc.

12.74 Purchase Orders issued on Nomination Basis. Purchase Orders for all procurement of Goods or Equipment or Machinery or Works or Services Contracts proposed for finalisation without calling for tenders to generate competition or on Single Tender basis are treated as Purchase Orders issued on Nomination Basis.

12.75 Prior to putting up the Purchase Proposal the details of such orders are to be entered in the UDS (User Defined Screen) provided for the purpose titled “Nomination Number” under transactions in the POM Module.

12.76 While generating the “Nomination Number” the appropriate reason should be selected from the UDS.

12.77 The Nomination Number generated by the computer is to be mentioned clearly in the Purchase Proposal.

12.78 The Designated Authority as per delegation of Purchase Powers will have to ensure the endorsement of the “Nomination Number”, while approving the Purchase Proposal or authorising the order in ERP. Reasons for procuring on Nomination Basis will have to be clearly stated in the Purchase Proposal.

12.79 Approvals for Nominations. Procurement by nomination will be initiated by indenters while generating the PRQ duly recording the reasons there for. In exceptional cases the Purchasers may also propose for procurement on nomination basis with proper justification. Notwithstanding this every effort must be made to generate competition and achieve reduction in procurement cost.

12.80 The Designated Authority as per the Delegation of Purchase Powers will be the
Approving Authority on Purchase Proposals made on Nomination Basis.

12.81 Where the Delegation of Purchase Powers do not provide for purchase on Nomination Basis in such cases Indenters or Department proposing procurement on Nomination Basis will have to put up the justification and get prior approval of C&MD before placement of Order and also put up for post-facto approval of Board.

12.82 Company Secretary will submit the Report on Purchase Orders finalised on Nomination Basis month-wise for the information of the Board.

12.83 Validity of Offers. All efforts should be made to see that the purchase decision is taken as early as possible and in any case within the original validity period of the bids. This is of considerable importance, for, apart from the delay which would invariably occur in covering the demand, and thereby cause delay in the receipt of stores by the consignee, there is also a risk of the firms refusing to accede to the request for extension or the firms withdrawing their bids, or extending the validity of bids with revised rates, all of which might lead to avoidably expenditure.

12.84 In case where seeking extension of the validity of bids becomes inescapable, it is advisable to take action well in advance of the expiry of validity of bids, so that the bids of firms who do not agree to the extension will still be available for consideration. Tenderers whose bids are substantially not in conformity with the tender conditions should not be requested for extension of their bids.

12.85 Where only part quantity or items of the bids are accepted and for the remaining quantity or items the bidders(s) are required to keep their bid(s) open up to a subsequent date, such quantity or items should be specifically mentioned in the communication addressed to the tendering firm(s).

12.86 The respective Purchase Committees including pre-audit are to meet in Purchase Department once or twice in a week to clear the purchase proposals. The purchase proposals for approval are to be cleared in the Purchase Committee meeting but not by circulation of the file. The noting is to be made there and then and cleared by all members during the purchase committee meeting itself.

12.87 Intimation of Acceptance of Tender or Issue of Order for Purchase or Award of Contract. The contract is brought into existence upon communication of the acceptance, which must be within the time prescribed (within the validity). When a specific stipulation has been made by a bidder that he should be informed of the acceptance by a particular date and in a particular manner, it must be ensured that the acceptance is issued in time and in the manner prescribed by the bidder to enable him to receive it by the date fixed. If dispatch of intimation is delayed and bidder receives it after the expiry of the specified date, the contract will not be a valid one and it will be open to the bidder to refuse or accept the same. It should, therefore, be ensured that the bidder will definitely receive it before the due date.

12.88 After the approval of the purchase proposal by the Competent Authority, a Letter of Intent(LOI) may be issued as quickly as possible, but before the expiry of validity of the offer. The LOI should incorporate the essential requirements, viz, prices, specifications, terms of delivery, taxes and duties, delivery period, PBG, and with the stipulation of the following:-
“The contract is concluded by this acceptance. A detailed Purchase order or Contract will follow”.

**N.B:** There should be no material difference in the LOI and detailed purchase order.

12.89 The order shall be placed in the standard Proforma prescribed in the ERP System. If required, relevant Detailed Terms and Conditions may be annexed to the order for purposes of clarity.

12.90 The drafting of Purchase Order or Contract is the most important stage in the procurement process and the dealing officer in the concerned Section should ensure that the document is prepared very carefully. All orders should be self-contained and should have all terms and conditions as mutually agreed prior to opening of the price bids and as approved by the C.A; like description of item, specification, price, total value, payment terms, terms of delivery, date of delivery, PBG, liquidated damages and risk purchase, Arbitration, Jurisdiction, Force Majeure etc. It has to be ensured that the order is issued complete in all respects without having any room for avoidable correspondence at a subsequent stage.

12.91 In case a vendor is selected to supply material or execute a job contract at higher price against a subsequent tender, but whose supply of the material or execution of job contract against the earlier order at lesser price is not yet completed for reasons attributable to the supplier or contractor it will be ensured that the supplies are made or jobs executed first against the earlier order before being considered against the subsequent order.

12.92 The order shall be dispatched under postal A.D or by Courier with proof of delivery. The Postal Ack or POD (proof of delivery) of courier be kept in the file.

12.93 The Copies of supply order or contract must be endorsed to various departments including Indenter, A/cs (Bills Passing Section), General Stores or Bond Stores (if the item is imported), Inspection, PP&PM, Data Processing etc. for intimation and further necessary action at their end.

12.94 All orders above Rs. 25.00 Lakhs must be posted in HSL website (www.hsl.nic.in) with a view to bring transparency in procurement actions and entries made in the relevant columns of Order Register or Record maintained by respective sections in Purchase Department and the divisions. Further, purchase orders above Rs 50 Lakhs shall also be uploaded on the CPPP by IT department at the advice from the concerned departments. All order nos. are generated through ERP for the procurement of equipment or items or services and manufactured items and shall bear the yard reference & job no.

12.95 DDO shall maintain cost data and vendor data for each project to utilise the same for estimation of future projects.
CHAPTER – XIII

INTERNATIONAL PURCHASING OR FOREIGN BUYING (IMPORT OF MATERIAL)

13.1 The purchase procedure for import of material is same as the Indigenous purchase, except for payment terms etc, which procedure is discussed in the subsequent paras.

13.2 The guide lines of Moro Shipping as detailed below, with regard to shipping arrangements are to be followed in case of import of material or equipment.

13.3 As per the existing policy of the Government, all contracts for imports are to be finalised on FOB (Free on Board) or FAS (Free Alongside Ship) basis and those for export on C&F (Cost & Freight) or CIF (Cost, Insurance & Freight) basis in respect of Government owned or controlled cargoes on behalf of Central Government Departments and State Government Departments and Public Sector Undertakings under them and in case of any departure there from, prior permission is required to be obtained from the Chartering wing of the Moro Shipping on a case to case basis. Shipping arrangements are centralized in the Chartering Wing of the Moro Shipping (popularly known by its telegraphic address TRANSCHART in shipping circles).

13.4 Four sets of supply order or contracts placed with the foreign suppliers on F.O.B or F.A.S basis, along with the Name and complete address of the supplier, name of the contact person, Telephone number and E-mail ID, brief description of material, nature, weight and volume and date of availability of the cargo, name of the loading Port, Port of destination in India are to be forwarded to the Chartering wing of Moro Shipping, New Delhi, for making shipping arrangements through their forwarding agents in the country of the supplier (Annexure – 10).

13.5 The Chartering wing of Moro Shipping, while making shipping arrangements through their Forwarding Agents, preference is given to Indian flag vessels without any price preference (freight rates). Where Indian vessels are not available in required position or are not sufficient to meet the requirements of the indenting parties, foreign vessels are fixed at competitive rates to ensure the cost effectiveness of material for Government Departments or PSUs.

13.6 The Chartering wing, shall arrange to forward the copies of the supply orders to their Forwarding Agents and to Shipping Corporation of India, Mumbai for making necessary shipping arrangements, under intimation to HSL. While the Forwarding Agents will be in touch with the supplier for expected date of readiness of cargo, Purchase department shall also be in touch with the supplier for making available the cargo to the Forwarding Agents as per the date of delivery agreed or committed, for making necessary shipping arrangements.

13.7 INCOTERMS 2010 & Its Latest Edition of International Chamber of Commerce Contracts involving international transportation often contain abbreviated trade terms that describe matters such as the time and place of delivery and payment, when the risk of loss shifts from the seller to the buyer, as well as who pays the costs of freight and insurance.

13.8 The most commonly known trade terms are INCOTERMS, which are published
by the International Chamber of Commerce (ICC). INCOTERMS2010 are internationally accepted commercial terms defining the respective roles of the buyer and seller in the arrangement of transportation and other responsibilities and clarify when the ownership of the merchandise takes place and are most commonly used in International Sales contracts. Devised and published by the International Chamber of Commerce, they are at the heart of world trade.

13.9 Among the best known INCOTERMS used for sea and inland waterway mode of transportation are FAS, FOB, CFR, CIF, CPT and CIP.

(a) **FAS - Free Alongside Ship.** Title and risk pass to buyer including payment of all transportation and insurance cost once delivered alongside ship by the seller. Used for sea or inland waterway transportation. The export clearance obligation rests with the seller.

(b) **FOB - Freight Onboard.** Title and risk pass to buyer including payment of all transportation and insurance cost once delivered on board the ship by the seller. Used for sea or inland waterway transportation.

(c) **CFR - Cost & Freight.** Title, risk and insurance cost pass to buyer when delivered onboard the ship by seller who pays the transportation cost to the destination port. Used for sea or inland waterway transportation.

(d) **CIF - Cost, Insurance & Freight.** Title and risk pass to buyer when delivered on board the ship by seller who pays transportation and insurance cost to destination port. Used for sea or inland waterway transportation.

(e) **CPT - Carriage Paid to.** Title, risk and insurance cost pass to buyer when delivered to carrier by seller who pays transportation cost to destination. Used for any mode of transportation.

(f) **CIP - Carriage & Insurance Paid to.** Title and risk pass to buyer when delivered to carrier by seller who pays transportation and insurance cost to destination. Used for any mode of transportation.
CHAPTER – XIV

POST CONTRACT MANAGEMENT

14.1 Acknowledgement of Contract or Purchase Order. Contractor or Supplier shall acknowledge the contract within 15 days from the date of issue of the Contract or Purchase Order by either of the following way of actions:

(a) Signing the agreement.
(b) Acknowledging the Contract or Purchase Order in writing.
(c) Submission of the performance bank guarantee.

14.2 It is the responsibility of the concerned officer in the Purchase Department to ensure that the contracts or orders placed are duly acknowledged by the contractor and if no acknowledgment is received from the contractor or supplier or vendor, then the matter is to be pursued till acknowledgment is received.

14.3 The dealing officer should also be watchful as to the receipt of Performance Bank Guarantee as per the terms and conditions of the Contract or Order. If not, timely action should be taken as per guidelines given in Chapter – VII.

14.4 Date of Delivery. Time and the date of delivery of materials or services stipulated in the contract shall be deemed to be the essence of the contract and it is required that delivery shall be completed by the agreed date.

14.5 The contract comes to an end, by way of a breach, on the failure of the contractor to deliver the goods or services by the agreed date; and the purchaser may refuse to take delivery of goods or accept services, if offered after the agreed delivery date.

14.6 The delivery completion date in the contract shall be stipulated in accordance with the provisions thereof in the accepted tender. Definite date for supply of material shall be stipulated and expressions, such as “Immediate”, “ex-stock”, “as early as possible” etc. should not be used.

14.7 Exact interpretation of “Delivery date” in respect of contract shall be in variance depending upon the terms of delivery specified in the contract, as explained in the Annexure to this Chapter.

14.8 Terms of Delivery in a Staggered Delivery or Installment Contracts. In the case of a staggered or installment delivery contract or order, each installment constitutes a separate contract and extension in delivery period etc. shall be dealt separately as would be necessary for each installment.

14.9 Mode of Dispatch. In case of advance payment or payment through bank against dispatch documents, Purchase department shall clearly specify the mode of dispatch, name of the approved transporter if any. Any violation to this effect by the supplier, without taking the prior approval is not permissible.

14.10 Way Bill. In order to avoid any possible delays at the Inter State Boarder
Check Posts, Purchase Department has to provide a “Way Bill” to the Vendor or Supplier well in advance to the due date of delivery against each consignment in respect of each order. The dealing Section in the Purchase Department shall deal with the issue of Way Bills & a “Register” will be maintained recording the issues.

14.11 Monitoring of Supplies or Contract. Post tender management of contract is by no means less important than the process of award of contract. For proper execution of the contract and to ensure that supplies or works are completed in stipulated time, Purchase Department shall ensure that follow up of the contract is done and all requisite steps are taken in time.

14.12 The Division Head shall devise and implement a well documented system for monitoring and review of performance of the contracts or orders incorporating special watch for critical contracts and in cases where delivery has been delayed.

14.13 The dealing officer should ensure effective and reliable Monitoring mechanism to assess the actual and ground position of the contracts and he shall be responsible for any lapses in taking timely remedial action.

14.14 Re-Fixation of Delivery Period. Normally, when delay is on the purchaser account, the delivery period should be refixed.

14.15 Extension of Delivery Period and Levy of Liquidated Damages. Extension of delivery period can be granted by the Competent Authority as per delegation of powers, only on the expressed request of the supplier by reserving the right of the purchaser to levy liquidated damages for delay and with denial of increase in price, taxes, duties etc., taken place during the extended period. However, force Majeure conditions shall apply. If the delay in execution of order is attributable to the Company, Competent Authority may consider waiving of Liquidated Damages, as per the Delegation of Powers. While granting extension of time on application from the contractor, the letter and spirit of the application should be kept in view in fixing the extended time for delivery.

14.16 The officer competent to grant extension or re-fixation of delivery period will be as per the Delegation of Powers (Annexure 8).

14.17 Whether the extension of delivery date is to be granted or the contract is to be cancelled, shall be decided on the merits of each case. The factors influencing this decision shall be:-

(a) Time required re-processing the procurement or contract.

(b) Urgency of the requirement of the Yard.

(c) Trends of the rates or new supplies or services may be available at cheaper or higher rates.

14.18 Extension should be granted only where the competent purchase officer is convinced that supplies or services would come forward during the extended period. Where Purchase officer is convinced that there are no prospects of supplies forth coming, particularly after granting one extension, it would be advisable to cancel the contract with a view to making risk purchase as per the relevant provisions of the
contract or order.

14.19 Acceptance of Delivery Extension by the Contractor or Supplier: An extension issued shall be legal only if there is an acceptance by the firm, absolute and unqualified to all the terms and conditions of extension. Such an extension can be evidenced either by correspondence or by conduct i.e. by making supplies without raising any objection. Mere acknowledgement of the letter of extension is not adequate.

14.20 Non Acceptance of Extension by the Contractor or Supplier. In case of non-acceptance of the extension of delivery date subject to the conditions stipulated in the extension letter by the contractor, purchaser may cancel the contract or review the conditions of extension or terms and conditions depending upon the case by approval of Competent Authority. The officer empowered for acceptance of tender of that value as per the delegation of powers, is the competent authority in this case.

14.21 Performance Notice-Notice-Cum–Extension Letter Cancellation of Order or Contract and Risk Purchase. In a bonafide effort, to give last chance to the defaulting firm or supplier or vendor, a NOTICE – CUM – EXTENSION LETTER (PERFORMANCE NOTICE) to the firm, may be issued with the approval of the Competent Authority, without prejudice to the company’s rights of recovery of L.D. If there is still lack of satisfactory response or performance from the contractor, even after expiry of 15 days of issuing notice (asking for performance), Purchase Department, with the Competent Authority’s approval should issue a notice of cancellation of contract or order, to the firm or vendor or supplier, stating that material or equipment due for delivery on the due date are cancelled and risk purchase will be made in terms of the relevant conditions of the contract. While doing so the following should also be informed specifically to the firm or vendor or supplier:-

(a) That the option to be exercised by the company under risk purchase action as per the relevant terms & conditions of business, including invocation of Performance Bank Guarantee, if any.

(b) Those fresh enquiries are being issued to the various parties for securing the supplies at the risk and cost of the defaulting supplier or vendor.

(c) That against breach of contract by the concerned supplier or vendor, the purchaser’s right to enforce all claims and recover the entire expenses incurred on account of getting the outstanding material or equipment purchased through a third party at the risk and cost of the concerned supplier shall remain unaffected.

(d) Efforts should be made to explore the possibilities of finalization of risk purchase order or contract with the third party based on the fresh enquiries, on competitive basis, within a reasonable time.

(e) While calling for fresh tenders, no enquiry should be sent to the defaulting party.

(f) The “Risk Purchase Order or Works Contract” should, as far as possible be on the same terms and conditions as the original purchase order or works contract (apart from delivery time), i.e. the goods should be of the same specifications etc.,
(g) The defaulting firm or supplier should, immediately after conclusion of Risk Purchase Order or Works Contract, be informed about the amount to be reimbursed by him towards Risk Purchase Order or Works Contract, specifying a date for the remittance.

(h) In case the defaulting firm is not responding and there is no money payable or there is no valid PBG of the firm to fall back, the case should be handed over to Legal section, for suitable action.

(i) In case it is desired to cancel the contract and go ahead with alternate action of purchase of material without resorting to the risk purchase, approval of C&MD may be taken justifying the action as to why the risk purchase is not tenable or desirable.

14.22 Correspondence after Expiry or Breach of Contract. Purchaser, Indenter or Design Office or the Inspecting Agency should not enter into any such correspondence that would have the effect of keeping the contract alive after the date of expiry of the contract.

14.23 Completion of Contract or Supplies. Delivery shall deemed to be completed when the stores or materials have been supplied or delivered or commissioned in all respects in conformity with the terms and conditions of the contract. Thereafter, any request for effecting replacement of stores or supplies will be made under guarantee or warrantee clause where extension of delivery period is not necessary.

14.24 Monitoring of Progress of Departmental Works or Site Preparation. Purchaser shall also monitor the progress of other prerequisite works or supplies related to the installation and commissioning of the supply under the contract. Foundation works should be ready before the supplies of the material are received, so that supplies are utilised immediately and in proper manner. Any delay in installation or commissioning of the Plant & Machinery on this reason will be on purchaser's account.

14.25 Amendments to Order. Any relaxation or change in the technical parameters after opening of technical bids, amendment of terms or conditions having financial implications after conclusion of the contract or order, should be severely discouraged.

14.26 However, in exceptional cases of necessity, the same should be allowed after taking into consideration the financial impact and after conducting negotiation by the Competent Purchase Committee as per the delegation of powers. For enhancement in contract rates, financial concurrence has to be invariably obtained except in cases where the contract provided for price variation clauses or the change is due to variation in taxes and duties.

14.27 In case of supply orders for which exact quantities cannot be supplied due to standard sizes of the items such as pipes, wood etc, a variation in quantity upto 5% in the ordered quantity can be accepted with the approval by same authority that approved the proposal leading to the placement of order provided the additional quantities are useable in the same point and does not result in inventory pile up. However, in all such cases attempts should be made to keep the quantity tolerance at minimum such as in case of pipes it should be restricted not to exceed one random length of each size.
14.28 In case of standard stock items & raw materials where there is a variation in quantity supplied up to + or - 2%, the same shall be approved by the same authority approved the placement of order.

14.29 Amendments to decrease in quantity up to 5% shall be accepted by the dealing Purchase Officer and beyond 5% quantity by the same authority that the approved the proposal for placement of the order provide en-use requirement is not jeopardized and procurement involving higher price does not arise in the near future.

14.30 **Terms of delivery.**

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<tr>
<th>Sl</th>
<th>Terms of Delivery</th>
<th>Date of Delivery</th>
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<tr>
<td>(a)</td>
<td>Local delivery</td>
<td>The date on which the delivery is actually affected to the purchaser</td>
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<tr>
<td>(b)</td>
<td>F.O.R dispatch station</td>
<td>The date on which the goods are placed on rail or on truck i.e. date of R.R or L.R.</td>
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<td>(c)</td>
<td>By post parcel</td>
<td>The date of postal receipt</td>
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<td>(d)</td>
<td>Dispatch by Air</td>
<td>The date of Air- Way Bill</td>
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<td>(e)</td>
<td>F.O.R. Destination</td>
<td>The date on which the goods reach the destination, unless otherwise stated</td>
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<td>(f)</td>
<td>F.O.B or F.A.S contracts</td>
<td>The date on which the goods are put on board and ship or aircraft is the date of delivery, i.e. Bill of Lading</td>
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<tr>
<td>(g)</td>
<td>C.I.F contracts</td>
<td>The date on which the stores or material actually arrived at the Indian Port unless otherwise stated</td>
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CHAPTER- XV
CLEARING AND FORWARDING

15.1 Clearing and Forwarding. The supplies against various orders (Indigenous & Imported) placed are received by Road or Rail or Air or Sea as per the order terms. The clearance of these consignments and raising of Insurance claims in case of damages is arranged by Clearance & Bond Stores. The main activities involved in this process are:

(a) Arrange to take possession of items from Vendor or his Agents or Transporters, warehouses etc. on payment of charges where applicable and deliver these items to General Stores.

(b) Arrange to deliver items to vendors or his Agents or Transporters, warehouses etc, on payment of charges where applicable.

(c) Liaison with Insurance Companies for transit Insurance & damages.

15.2 Clearance of Indigenous Items. The supplies against various orders placed are received either by road (Door Delivery or Godown delivery basis), rail or air as per order terms. In case of Door delivery, the transporter shall be responsible to deliver the consignments directly at HSL General Stores against surrender of Original Lorry Receipt.

15.3 In all other cases, Clearance & Bond Stores shall approach transport agency along with the clearance document received from Purchase Department, viz., consignee copy of L.R for Road consignments, or Railway Receipt or Parcel Way Bill for Rail consignments or Airway Bill for air consignments. Clearance & Bond Stores will also, while clearing the consignment pay transporter’s charges, complete Octroi formalities, if any, as per order terms, report any deviations to Purchase department, collect the consignment, deliver to General Stores & obtain acknowledgement.

15.4 In cases where the clearance document (L/R or R/R) for Road & Rail consignment is not available or not received and an intimation regarding arrival of the consignment has been received from the transport agency, Clearance & Bond Stores shall clear the consignment by submitting an Indemnity bond to avoid demurrage or deterioration. However, in case of Air consignments where AWB is not available or not received a written request shall be made to the cargo Manager, Airport Authority, together with an additional request for waiver or reduction of wharfage (if any) and the consignment cleared. The clearance document copy shall be surrendered to the transport company, subsequently when received. If there is an inordinate delay (more than 3 months) in the arrival of the Rail consignment, a claim shall be lodged with the Railways by Clearance & Bond Stores.

15.5 Damaged Consignments. Where damages to the consignment are noticed while taking delivery, Clearance & Bond Stores shall obtain damage certificate or take open delivery of the consignment in agreement with transport agency or in presence of an Insurance Surveyor against a Survey Report. This is necessary for initiating Insurance claim with underwriters.
15.6 Where damages to the consignment are noticed on receipt of the consignment, General Stores shall intimate to Clearance & Bond Stores and purchase department for further necessary action.

15.7 Purchase department, shall based on the terms of Insurance in the contract or purchase order, will deal with the Insurance co or Supplier or Transporter based on the contractual terms. In case shortage of material is found in a sound packing, Stores department should inform the same to Purchase Department immediately, who in turn will take up with the supplier, within 15 days for arranging replenishment. Purchase Department should pursue the matter till the shortages are made good and in case the supplier is not responding; suitable action for recovery of the amount shall be taken. Further, in case the short supplied material are still required, alternative procurement action at the risk and cost of the original supplier shall be taken to meet the Yard requirements.

15.8 Where the consignment is dispatched to HSL on door delivery basis duly insured by the supplier, Stores shall verify the condition of the consignment for damages & shortages. If the consignment is intact, Stores shall accordingly make an entry of the consignment in the DRR. However, if the consignment is found to be in damaged or open condition, Stores, shall make an entry on the face of the L. R as to the damages and shortages if any, and take the signature of the Lorry driver, in agreement of the recorded note. The Stores findings may be informed to the Purchase Department, who will inform the same to the Supplier within 15 days of the receipt of the consignment for arranging necessary rectification or replacement or replenishment or as the case may be.

15.9 If the response of the supplier is not positive, an amount equivalent to the value of damaged or short supplied stores or material should be with held till replacement of the item is completed. There may be certain cases where neither the supplier is replacing the material nor there is any amount payable, which HSL can recover, in such cases necessary legal action is to be taken through the Legal section, with the approval of Competent Authority. In case the material is still required, fresh procurement action is to be taken by Purchase Department for meeting the Yard requirements at the risk and cost of supplier.

15.10 Wherever the materials are covered by Insurance, by HSL under an open policy, the Stores shall take same action as at Para 8 above, and Purchase department, shall initiate suitable action to prefer claims with the under writers. Alternatively, against a request from the under writer, Purchase Department, in coordination with the Indenter, shall assess the damages and rectification is carried out in the Yard at the cost of under writer. In case it is not possible to rectify the stores in the Yard, the Supplier’s assistance is taken to assess the damages and estimate the cost of rectification, get the damaged goods rectified at the cost to be reimbursed by the under writers. In case the goods are beyond repair, fresh material shall be ordered and cost claimed from the under writer.

15.11 Rejections after Receipt at Stores. There are instances where materials are rejected due to its non compliance to the specifications, the supplier has made wrong supplies, necessary test certificates or guarantee certificates have not been furnished etc. Such rejections are recorded and intimated to Purchase Department to arrange for replacement from the supplier of defective materials etc., In case the
rejection is only because of documentation, such documents should be made available to the Stores Department by the Purchase Department, to enable them to account for the material and for issuing GRN. In case the documents are not required, necessary amendments may have to be issued to the Purchase order with copy to Stores, so that the rejected material are regularized.

15.12 Demurrage. In case there is a delay in clearance and demurrage charges are applicable, then Clearance & Bond Stores shall examine whether the demurrage is on account of delayed receipt of documents from vendor (for the reasons attributable to the vendor) and advise the Purchase Department accordingly to recover the amount from the vendor or obtain approval of the Functional Director, in case, the delay in clearance is on account of HSL. In case, the consignment has incurred demurrage due to late receipt of Railway Receipt or Parcel way Bill, a written request for waiver of demurrage shall be made to the Area Manager of the Railway.

15.13 Clearance of Imported Material. The main activities in this process are:-

(a) Purchase Department, upon receipt of intimation of shipment from the foreign supplier, shall inform in writing the details of shipment viz Name of the Vessel or Flight, Bill of lading or AWB number & date, number of cases & description, value, the order no., weight and volume etc to the Insurance Company appointed by HSL for insuring the consignment (Annexure 11). In respect of Air consignments, insurance is done mostly upon arrival of consignment and claim if any is required to be preferred on the underwriter in time.

(b) In order to make expeditious arrangements to complete the Customs & Port documentation and arrange for clearance of material from Port, Purchase Department shall “identify competitive and competent C&F Agent” through competitive bidding obtained and entrust the above job to him. The contract for C&F Agency may be awarded for one year with an option to extend the validity period of contract for one more year. Separate contracts for “C&F Agency” may be awarded in respect of Shipments and Air cargo, to be handled at Visakhapatnam, Chennai and Mumbai and any other places depending on the expected receipts of cargo.

(c) The C&F Agent (Clearing Agent) appointed by HSL shall be informed for clearance viz filing of Imported General Manifest (IGM) by shipping company or Airline, obtaining freight bill, preparation of Bill of Entry, Assessment of Custom duty etc. after receipt of the non negotiable set or copies of documents given below from Purchase Department for Sea Consignments or cargo arrival notice received from the Airline for air consignment: -

(i) Copy of Bill of lading or AWB.  
(ii) Copy of Invoice.  
(iii) Copy of packing note  
(iv) Order copy  
(v) Obtain the freight cheque to be paid to the Shipping Company from the Accounts Department.  
(vi) Technical write up
(vii) Certificate of origin

(d) For sea consignments, obtain original Bill of lading (the Accounts Department shall arrange to retire the documents from Bank and sent to Purchase Department for onward transmission to Bond Stores) duly endorsed by HSL’s Bankers clearly indicating that the delivery is to be given to HSL and arrange or payment of freight charges, terminal handling charges or trucking charges or port charges, Custom duty, Octroi duty where applicable etc. Obtain Custom duty or Octroi Exemption Certificate wherever applicable from purchase department or customers.

(e) For Air consignments obtain shipping documents viz. Airway Bill, invoice, packing Note etc, from the Airline or their Agent through clearing agent, Bank release order from Finance Department, and advice clearing agent, to file a Bill of Entry with customs for clearing the consignment. Arrange for payment of Freight charges, terminal handling charges or trucking charges or Port charges, custom duty & complete Octroi formalities where applicable etc.,

(f) Prepare undertaking for the Freight certificate stating that the freight amount has not been added in the invoice of the supplier.

(g) Prefer Insurance Claim & simultaneously arrange for insurance survey report. In case of any damage or pilferage observed during inspection and receipt of information from Stores department. Prepare a preliminary claim bill based on insurance survey report and forward the same to Secretary Office (Insurance Section) so that claim is filed in time.

(h) The C&F agent shall make necessary arrangements for engaging transport and deliver the goods to Bond Stores.

(i) The Clearance & Bond Stores shall make all out efforts to ensure that the customs duty where applicable is paid in time to avoid payment of interest or penalties in case of delays.

(j) Submit double duty Bond and instruct Bond Stores for storage under bonded warehouse wherever applicable.

(k) The Bond Stores shall as far as possible, ensure proper utilisation of various items within the respective validity period of the Customs Bonds and to get the Bonds revalidated, wherever necessary, at appropriate stages.

(l) At present the entire Shipyard Work area has been brought under the Customs Bond and also for the Customs Appraisal (Appraising of documents examination of packages and finalization of Bills Entry by the Customs) on special arrangements with the Customs Authorities. This will help to minimize the time required for physically taking the items into the Bonded Stores.

15.14 Bonded Ware House. There are generally two categories of items received in the Bonded Warehouse: -
(a) The items imported directly and cleared through Customs by filing specific Bond Bills of Entry. These items are brought to the warehouse from the Wharf or Customs warehouse under escort by the Customs personnel.

(b) The items supplied by indigenous manufacturers, under Bond. Such items are either wholly imported by the suppliers against their Licenser’s and cleared under Bond making use of the entitlement of the end user (being ship building industry) and then sent on bond to bond transfer basis, or equipments manufactured indigenously but using substantial percentage of imported components or accessories which in turn were cleared by them under bond, necessitating to dispatch the entire equipment on bond to bond transfer basis. In this case formal clearing of the items again through local customs is necessary.

15.15 Bond to Bond Transfers. In the case of items set on bond transfer, the transfer in the first instance is normally agreed to by the Customs Authorities at the Customs points through which the imported equipment or components were cleared, against a Guarantee executed by either the supplier or HSL. The above guarantee will stipulate a period within which the items have to be transported to the bonded warehouse of User and a re-warehousing certificate should be produced to the Customs at the supplier’s end and the Guarantee will get cancelled only after this procedure is completed.

15.16 On receipt of items of category mentioned above, the local customs authorities will allot a Transfer Bond Number for the same. Thereafter an into-bond Bill of Entry will have to be filed with the Customs, along with the relevant shipping bill and the original or a Xerox copy of the Bill of Entry assed by the Customs Authorities at the supplier’s end and only after finalising the into-bond Bill of Entry with the local customs, the items can be formally taken into stock and issued to the User Department.

15.17 Damages to Imported Material. The C&F section of Bond & Clearance department or C&F agent, engaged for the purpose of clearing the materials from the Port, shall ask for a joint survey of the consignment with the Carrier’s or Ship’s representative and the representative of the underwriter, if the consignment is found to be damaged, prior to lifting of the cargo from Port. Based on the findings of the Joint Survey Report, Bond & Clearance department shall lodge an initial claim with the Carrier & the Underwriter, with copies marked to Purchase department and the Insurance Section of the Company Secretary’s Office for preferring monetary claims. Purchase department, shall also initiate action to get the material rectified in yard or obtain replacement in case of shortage or total loss of the consignment, at the cost of underwriter or Supplier or Carrier, as per the contractual terms. In case of shortage of material is found in a sound packing, Bond Stores, should inform same to Purchase Department immediately, who in turn will take up with the supplier, within 15 days for arranging replenishment.
CHAPTER- XVI

RECEIPT AND INSPECTION OF MATERIAL

16.1 Receipt and Inspection of Material. The receipts of all ordered material have to be made in the General Stores or Bond Stores (in case of imported material) and a report of such receipts must be sent to Purchase department. Similarly, information like transit of material, clearance from Air or Sea Port or Transporter or Vendor go-down etc, has to be furnished to Purchase & User departments by the Bond & Clearance department. Heavy and large items can be unloaded by the Stores at the place of its final installation. Stores should maintain a Daily Receipt Register (DRR) which should include all relevant information about the receipt of material.

16.2 In order to facilitate timely clearance and availability of the material for use and release of payments to the vendors, commensurate with the payment terms stipulated in the purchase order, the HOD of Stores shall evolve a suitable mechanism to target completion of various activities such as preparation of GRN, completion of receipt inspection, reporting of discrepancies or rejection, release of certified GRN etc in a reasonable time period.

16.3 Inspection shall not be delayed unduly and shall be completed within the validity period of the insurance policy so that the claims for shortage or damage if any can be lodged with the insurance company. Failure to inspect the material within the time schedule shall make the Inspection department responsible for the loss, if any caused.

16.4 General Stores shall compare the Purchase order copy and Delivery Challan with reference to description, quantity ordered as per the order; quantity supplied and if the items conform to the Purchase order or contract. Then relevant entries shall be made in the Material intake register by the Stores department and the vendors or supplier’s Delivery Challan will be signed for having received the material subject to inspection and prepare Goods Receipt Note (GRN) to facilitate inspection.

16.5 For capital items of Ship building division, after the entry of details of supplier’s Delivery Challans in the receipt register, General Stores will inform Maintenance department who will check whether items conform to Purchase order. Supplier’s Challans will then be signed & stamped subject to inspection.

16.6 The receipt inspection is to be carried out primarily to verify physical condition of the goods (as explained in previous chapters). The receipt inspection should also include verification of the test certificates accompanying the supplies and their identification in relation to the items supplied. This verification should ensure that the certification by Inspection agency clearly indicates that the items conform to the ordered requirements.

16.7 The Purchase Order will specify Inspection Agency and mode of inspection. Accordingly, inspection department will carry out inspection.

16.8 The stores will coordinate with User, Indenting and Maintenance departments wherever necessary for Inspection department to carry out the
inspection by raising GRN. Material shall be taken on stock only after its acceptance by inspection as per Purchase Order. On receipt of packing list, Inspection Report, the indenter shall verify the same and inform the Purchase Department promptly any deviations in supplies to take up with the suppliers for corrective action.

16.9 Users may be associated with inspection whenever the specification data is not clear e.g. “As per sample” purchases. The inspection in such cases will be carried out w.r.t sample approved by HSL. Where any tests are to be carried out with the aid of facilities available with the User department or where inspection officer of General Stores seeks reference to the User Department for any other reason before materials can be accepted the material as required shall be delivered to the User Department along with copy of the order with the remarks of the Inspecting Officer. If the material are accepted by the User Department after necessary tests or inspection, an officer of User department shall endorse on copy of the order or GRN “Inspected or Tested and accepted” and sign the same.

16.10 For capital equipment, inspection should be done in consultation with Maintenance and User Departments. Normally performance testing will be the responsibility of the Users or Maintenance.

16.11 Rejection. In case of discrepancy or part supply or rejection, the following procedure will be followed

(a) If the material received is different from ordered material, the material will be rejected.

(b) In case of “as per Sample” supplies, approved samples issued by purchase will accompany material supplied. If not received, the material will be kept in abeyance and sample asked for. Acceptance of material will then be done on the basis of approved sample.

(c) If the supply is rejected in part or bulk, reasons for rejection will be recorded.

(d) In case of minor deviations, the inspector will prepare a report indicating the deviations observed. This shall be examined by a Committee of Officers at the level of DGM of Quality Control, Design Departments. The recommendations could either be to accept the item if no work is required or rework by HSL and charge the vendor with the cost incurred. The item could also be returned for rectification and return within agreed time frame or the vendor can arrange for rectification within the yard by deputing his men or through a contractor of his choice.

(e) In all cases, once the inspection is completed after careful check of the receipt against not only the invoice but also the purchase order, and inspection report (IR) listing out the discrepancies should be prepared within 3 working days and will be notified to Purchase Officer concerned (copies marked to Stores, Accounts). In case of short or defective supply, Purchase Department will take necessary action, for obtaining replacement of items or cancellation of order or recovery of amount if any, paid etc.
16.12 **Acceptance.** In case the material is found to be in accordance with the specifications of Purchase Order, the Stores will take stock of the material within three working days after the issue of IR. The Stores shall arrange to forward the Goods Received Note (GRN) to Finance, Purchase and Cost Accounts Departments, for making payment in accordance with the conditions of the Purchase Order.

16.13 **Return ofRejected Material.** In all cases of rejection, action for return of rejected material should be initiated. Purchase Department shall instruct the vendor to collect the rejected material from HSL’s stores or site within 30 days from the date of intimation to the vendor and acknowledgement for receipt of rejected material shall be obtained by the Stores. Vendor’s attention should also be drawn to HSL’s right to dispose off the rejected material not collected by the vendor at the end of a total period of 90 days in any manner to the best advantage of HSL and recover storage charges and any consequential damages, from sale proceeds of such disposal. The rejected items shall be not be issued for use and paid for.

16.14 **Receipt & Acceptance of Timber Material in Timber Stores.** The procedure for receipt and acceptance of the wood related products (where manufacturing process is involved) like plywood, decolam sheets etc., is common as that of the other materials in General Stores.

16.15 Though IS specifications are drawn in respect of natural grown wood; it is most commonly observed that the logs are supplied with variations in dimensions etc. More importantly, the specie is identified by visual examination and by experience of the personnel of User Department alongwith the Inspection Department personnel. Thus there could be a possibility of human error in identifying the specie. The IS specifications provide for certain tolerances and limitations based on which the wood or timber is accepted with certain percentage of discounts. Currently this procedure, being not foolproof, Purchase Department in coordination with the Inspection, User and Design Departments as a committee, should establish a sound Inspection procedure. In the process, the committee may visit other Government organizations, which purchases timber and also the A.P. Forest Department and other Institutes of repute if any, who may be helpful in evolving the procedure which minimizes the human involvement. The Committee may submit its Report at the earliest. Until such time the current procedure of Inspection may be continued.

16.16 Wood as has been stated above is a natural grown product, the availability of which is scarce and also seasonal. Keeping this in view, the Indenting Department should raise the Indents sufficiently in advance. Further, the inspection of the wood shall be carried out expeditiously and the User Department shall on receipt of intimation from Inspection Department or Timber Stores, shall depute their representative or (s) for associating with the inspection process and finalize the findings and issue Inspection Report and the GRN as the case may be.

16.17 **Steel Stores.** Steel is the basic raw material required for the construction of Ship-Hull. Most steel is imported and will be in bulk. Therefore, Steel Stores in close coordination with Purchase Department shall make arrangements in advance to receive steel. As soon as the Steel is received in the Yard, Inspection of the material is to be carried out in a time bound schedule and properly stacked in the
Steel yard as per the norms. Care is to be taken to preserve the steel material in coordination with the M&ES.

16.18 The procedure for receipt and acceptance of material, issue of Inspection Reports and GRN (Goods Received Notes) is the same as that of other material received and accepted in General Stores.

16.19 **Re-Export of Items.** Return of imported items from India to other countries is called as re-export of items. Re-export is resorted to under the following circumstances

(a) When items found defective and need rectification or replacement.

(b) Test equipment, items imported for specific purposes, which are required to be returned after the purpose is met.

16.20 Clearance & Bond Stores shall attend to the formalities involved in re-export through the Clearing Agent appointed by HSL. Re-export is done both by sea and air depending on the weight & volume and urgency. The C&F Section of the Clearance & Bond Stores shall on receipt of intimation from the PP&PM Department, and copies of correspondence exchanged between Purchase Department and the overseas supplier, regarding return of the items, shall undertake to re-export the items. The C&F Section shall also provide to the C&F agent, the Custom attested copies of Bill of Entry, Airway Bill or Bill of Lading (as the case may be), Packing list, Invoice and packing details of the consignment.

16.21 The C&F Section shall also prepare an export Invoice & letter addressed to Customs seeking permission for export of consignment, arrange for Guaranteed Return (GR) waiver or approval from HSL’s bankers through Accounts Department, complete Octroi formalities wherever applicable and handover these documents to Clearing Agent along with the consignment for necessary action to re-export. Insurance is arranged through HSL underwriters or through the Insurance Agency nominated by the overseas supplier (if insurance is to the account of the overseas supplier), at the time of issue of Bill of Lading or Airway Bill.

16.22 As soon as the consignment is dispatched by HSL, a written communication shall be sent by the C&F Section to the consignee (overseas supplier) furnishing the complete dispatch details and also arrange to send one set of documents including Original Bill of Lading or Air Way Bill or Export Invoice by courier. A copy with enclosures will be marked to Purchase Department for their record and follow up with the consignee and obtain acknowledgement.

16.23 In the event, the re-export is on GR approval from HSL bankers, then on re-import of the item or equipment, the Exchange control copy of Bill of Entry shall be submitted to HSL bankers through Accounts Department and the GR is cancelled.

16.24 **Dispatch of Indigenous Material to Outstation(within India) by Road, Rail & Air.** Where material is required to be sent to outstations within India for modification or rectification and return, C&F Section of the Clearance & Bond Stores, shall on receipt of intimation from the PP&PM Department or Stores,
arrange to dispatch by road, rail & air. The description of the material, packing details, mode of transport preferred, receiver’s address, purpose of dispatch, Ref. no. or Job no. value of consignment for insurance, the copies of correspondence exchanged between the vendor and HSL linking to the return of material, shall be provided to the C&F Section by Stores.

16.25 The C&F Section shall after due verification of the details, prepare invoice, arrange for Insurance and complete all other formalities related to transfer of boned items, complete the Octroi, Central Excise and VAT or Central Sales Tax formalities, wherever required and undertake to handover the consignment to transport agency and shall obtain the L.R or B.L or AWB depending upon the mode of transport. A set of these documents including original transport document shall be sent to the consignee and obtain acknowledgement of documents and also the material.

16.26 The above procedure can also be adopted in case where vendor opts to take back the rejected material on freight to pay basis and requests HSL accordingly for return.
CHAPTER-XVII

PROCESSING OF BILLS FOR PAYMENT

17.1 In order to be a complete contract, it must be accompanied by a “consideration”. In case of contracts for supply of material, the consideration is payment of the material by the buyer. Efficiency of purchase procedure is measured by prompt and orderly payment of bills as per due dates. In order to ensure efficiency, Purchase Department will coordinate with the Finance, User, Inspection and other departments related to purchase system, even though the responsibility of release of payment to the supplier rests with Finance Department. Further, with a view to ensure transparency & proper information system, the following mechanism should be followed:-

(a) The bills for supplies or services or contract works will be received by the respective departments like Purchase or DDS&R (Estimation) or AID Cell or DDS&R(Purchase) or S.F Division or Civil Engg. etc. As soon as the bills are received, the persons responsible in these departments will prima-facie check the bills with respective supporting documents like Purchase order or Goods Received Note(GRN) or work completion certificate as the case may be. If the bill is in order, the same will be accepted and entered into computer for which a separate screen has been developed by the IT Department. The number registered on entering into computer as above will be entered on the bill manually and the said number will be intimated to the supplier or contractor. The concerned departments which receive the bills from suppliers or contractors then start verification of the bills for certification of the same immediately. In any case, the bills are to be certified and sent to the concerned bills section within a period of one week but in exceptional cases not more than 15 days. If the bills are not found in order, the same shall be returned to the Supplier or Contractor forthwith with a mention that the bill has been returned for clarification or spelling out the reason whatsoever.

(b) The Bills Sections of Finance shall authorize payment of the bills after thorough checking immediately, in any case not later than one week from the date of receipt of bills in the Bills Section. Thereupon the Cheque section shall prepare the cheque and issue to the parties based on the funds allocation approved by the Competent Authority. In all cases where the funds are allocated, the cheque shall be issued immediately but not later than two days from the date of receipt of pay orders from the Bills Section. The list of cheques issued shall be put in the Computer Network or Notice Board immediately so that the suppliers or contractors can get the information of the cheques issued. The cheques shall be normally sent by post till e-payment is implemented as per the instructions available in this regard but in exceptional cases, the cheques can be handed over to the Authorised Representatives of the suppliers or contractors upon proper identification by the respective departments with the approval of any one of the Directors.

(c) The IT Department has already prepared the screen for this purpose and the same shall be modified, if required, to make it more meaningful. The IT Department shall also devise a method by which the Supplier or contractor can view the status of their bills on line in the web site with reference to the bill registration number mentioned above.
(d) All the departments i.e. Purchase, AID Cell, DDS&R Estimation, DDS&R Purchase, SF Division, Civil Engineering and all the Bills sections of Finance Division and also any other concerned Sections or departments shall enter the bills into the screen developed by IT Department. Entry of bills received shall be made on daily basis.

17.2 Non compliance with the above instructions will be viewed seriously the management since ulterior motives get attributed for such non compliance.

17.3 Methods of Processing Payment of Bills. In HSL, the following methods of payment exist:

(a) Payment through Letter of Credit. Payments to overseas suppliers will ordinarily be made through Letters of Credit (LC) opened or issued by (HSL’s) Purchaser’s Bank to the supplier’s or seller’s bank authorising the latter to release payment to the supplier for the supplies effected through shipment, on receipt of specified shipping & other documents from the seller and the Purchaser’s bank reimburses the required amount as it receives an intimation about the payment for the supplies having been made to the supplier by the seller’s bank. The payment against LC for domestic suppliers to be discouraged to the extent feasible.

(b) The foreign suppliers generally insist for opening of Irrevocable Letter of Credit confirmed by an International Bank. The foreign suppliers also insist on permitting part shipments and part payments.

(c) While opening the L/C, the banks levy two types of charges viz. L/C opening charges, foreign bank charges and confirmation charges. The banks generally charge on quarterly basis (3 months). It would be prudent to open the Letter of Credit in such a way that validity of L/C is kept bare minimum. At the same time ensure that entire transaction for the L/C is completed within its validity.

(d) The L/C should be opened for net F.O.B or F.A.S value depending on the contractual terms, excluding Indian Agent’s commission, if any, which will be paid in Indian Rupees, in India as detailed in the subsequent paras below.

(e) The suppliers insist that delivery date will commence from the date of opening of L/C. This would require L/C to be opened at the earliest to obtain the supplies within the stipulated delivery period. L/C is usually kept valid for 21 days beyond the contractual delivery date to facilitate the bank to retire the documents.

(f) If the suppliers specifically request that the L/C be confirmed then efforts should be made to ensure that cost of confirmation is borne by the supplier. Further, if it becomes necessary to extend or reinstate or amend L/C for reasons not attributable to HSL, the charges of the same should be borne by the supplier. In order to open Letter of Credit a standard Proforma devised by the bank has to be filled up & submitted to the L/C opening Bank, along with a letter stating that the documents will
be retired by HSL upon presentation.

(g) The documents to be submitted by the supplier have to be clearly brought out in the body of the L/C so that the supplier meets with the contractual commitments.

17.4 Payment of Agency Commission. In case of imported items, sometimes an Indian Agent’s commission is also involved. Payment of such commission should be made only after releasing full payment to principal supplier.

17.5 Payment to the Indian Agent will be made in India and in Indian Rupees only and upon submission of Agency Agreement between the Agent and foreign Principal giving particulars regarding precise relationship with their foreign principals and their mutual interest in the business.

17.6 The Bills of Indian Agents for payment of Agency commission shall be processed to the L/C opening Bank by Accounts Department and obtain their confirmation or acceptance prior to release of Commission.

17.7 Payment through Credit Bills.

(a) HSL’s Standard Terms of Payment. 100% payment of the material supplied will be paid within 30 days after receipt and acceptance of the materials.

(b) Time is the essence in discharge of contracts by the suppliers. Similarly, it is also of utmost importance that the suppliers for the goods or stores are paid in time. With this in view, the Accounts Department will ensure that all payments are cleared within contractual terms for credit payment, after receipt and acceptance of material (GRN) and all other documents from the supplier as per terms of the purchase order. If on account of any lacunae the payments are not admissible, the supplier may be contacted immediately for such information or documents that are required. No piecemeal objections should be resorted to while processing the bills.

(c) On receipt of the bills for payment from Purchase Department or Vendor directly, the Accounts Department will scrutinise the bills and authorise the payment and forward the bills to Cash Section within 3 to 5 days from the Bills or Invoices, following “first-in-first-out” method. Only in exceptional circumstances an “out of turn payment List or Priority Payment List” is made out by Purchase Department and approved by C&MD due to extenuating circumstances of meeting contractual obligations like urgency of the material, which are in arrears and sent to Accounts Department for releasing the payments accordingly.

(d) All the firms may be persuaded to accept HSL’s standard terms of payment. In case it is not possible, mutually acceptable payment terms may be arrived at prior to opening of the price bids.

17.8 Payment through Bank. When reputed parties insist for payment through Bank for the dispatches made by them, depending on the trade practices and reputation of the supplier, payment terms through Bank may be accepted.

17.9 The documents required from the supplier for payment are to be clearly
specified in the contract or order which shall include the Original L/R or R/R depending on the mode of transport, supplier's Delivery Challan and Invoice in triplicate, Inspection or Test certificates, if any, Guarantee or warranty certificate, (these are indicative only. Purchase Department may take suitable guidance in this respect depending on the material and as per the mutually agreed conditions prior to opening of the tender). It shall also be clearly mentioned that the Bank charges or Commission will be to the account of the supplier or as mutually agreed prior to the opening of the price bids. In case 100% payment is agreed through Bank, PBG for 10% value of the contract shall be obtained within 15 days from the issue of order and in any case prior to making the payment, for proper performance of the contract and also to cover the guarantee of the material during the guarantee period.

17.10 Within 3 days of receipt of bank intimation and advance copy of documents, Accounts Department may process the authorisation for payment and retire the documents to avoid any demurrage on account of late retirement of documents.

17.11 Demurrage & Wharfage. In case where documents are negotiated through Bank (either L/C or payment through Bank), any demurrages or Wharfage charges, incurred due to late retirement of documents on account of violation of any conditions of the order or non submission of complete set of documents as specified in the contract or LC and dispatch of material not as per the schedule mode of dispatch or approved transporter or late receipt of advance copy of documents, will be to the supplier's or vendor's account. Supplier would also be responsible for all such expenses incurred due to late receipt of R/R or L/R or B/L for the reasons attributable to the supplier. As soon as the documents are retired from Bank, the same shall be forwarded to Bond & clearance Stores for further necessary action.

17.12 Payment against Proforma Invoice. Where stipulated mode of payment is “against Proforma Invoice”, the supplier submits Proforma Invoice to Purchase Department indicating the readiness of the material, which will be forwarded to Accounts Department immediately. Accounts Department will process further and the payment is made ready in the form of Cheque or DD and intimates the particulars to Purchase Department within 3 days either in writing or through ERP. The Purchase Department, upon receipt of particulars, will communicate the same to the Supplier, based on which, the Supplier dispatches the material. After receipt and acceptance of the material in the form of GRN, the Cheque or DD will be dispatched to the Supplier. The Supplier or vendor will submit final Bill or Tax Invoice for regularising the transaction. It must be understood that delay in communicating the payment particulars to the Supplier will delay the receipt of urgently required material in the yard and a serious view will be taken against those responsible for such delays or lapses.

17.13 Payment by Cash. This method of payment is availed in case of Local Purchases only to the extent of Rs.25000/- in each case. The procedures for drawl of cash is given vide paras herein above.

17.14 Stage Payments. In case of turnkey contracts or for contracts where due to their longer gestation period, stage payments are involved, such payments should be negotiated, carefully so as to safeguard the interests of the Company.
17.15 **E-Payment.** As per the guidelines available in this regard, payments to all suppliers or vendors, and other payments which the Company routinely make shall be made through ECS (Electronic Clearing System) at all centres where such facilities are available in banks, in order to reduce processing costs in preparation and dispatch of cheque besides reducing the risk of frauds by providing speed, efficiency and easier reconciliation of accounts.

17.16 Salary and other payments to the employees shall also be made through Electronic Clearing System (ECS) wherever such facilities exist.

17.17 The Accounts Department will have to collect bank account numbers from the vendors, suppliers, employees and others who have interface of this nature, to switch over to e-payment system in a phased manner starting with transactions with the major suppliers in the beginning or in whatever manner is found more convenient.

17.18 **Deduction of Income Tax, Service Tax, etc. at Source from Payments to Contractors and Sub-Contractors.** The Accounts Department shall ensure recovery of the above as per the existing law in force during the currency of the contract.

17.19 **Issue of C or D or G Forms.** Wherever payment of concessional sales tax is availed, C or D or G Forms will be issued to the vendor or supplier depending on the conditions of the contract or order, by Accounts Department within one week from the date of receipt of the material in yard.

17.20 **Recovery of Public Money from Contractor’s Bills.** Sometimes, requests are received from a different department or wing of the Government, for withholding of payments from a contractor. In all such cases, it will be the responsibility of Department or wing of the Government asking for withholding of payment to defend the government against any legal procedure arising out of such request as also for payment of any interest.

17.21 **General.** The Terms of payment will depend on the delivery period, nature of the item, incidental services to be undertaken by the supplier in addition to supplying the item etc. However, while evolving the terms of payment, the most important consideration is that no payment should be made to the supplier without safeguarding the interest of the Company.

17.22 HSL’s standard terms of payment are to be clearly defined in the tender enquiry or bidding documents to enable the prospective tenderers to quote accordingly. The advance payments need to be generally discouraged. Whenever payment of advance is considered unavoidable, the same should be interest bearing and should be allowed after obtaining an acceptable Bank Guarantee for an equivalent amount with sufficient validity. The advance payment without equivalent Bank Guarantee can be considered with approval of Functional Director for a value up to Rs.25,000/- in exceptional cases viz., OEM / Proprietary basis etc., if the advance payment is inevitable view urgency.
CHAPTER – XVIII

SETTLEMENT OF DISPUTES

18.1 Normally, there should not be any scope for disputes between the purchaser and the supplier after concluding the valid contract. However, practically due to many unforeseen problems arises and contract may get frustrated which lead to litigation. Therefore, the conditions governing the contract shall contain very clearly a suitable provision for settlement of such disputes or difference as per applicable law of the land, which shall be binding on both the parties. When a dispute or difference arises both the purchaser and the supplier should first try to sort out amicably. However, if the dispute remains unresolved, there is no alternative but to resolve through the mechanism provided in the contract.

18.2 Intra Govt. Disputes. Intra Government disputes shall be dealt as prescribed by the Government from time to time.

18.3 Venue of Arbitration. The venue of arbitration shall be the place from which the contract has been issued i.e. Visakhapatnam.

18.4 Settlement of Dispute through Court of Law of Competent Jurisdiction. Where a contractor has not agreed to arbitration, the dispute or claims arising out of the contract entered with him shall be subject to the jurisdiction of a competent Court at the place from where contract has been issued. Accordingly, a stipulation shall be made in the contract as under:-

“This contract is subject to jurisdiction of Court at Visakhapatnam only"
CHAPTER XIX

VENDOR DEVELOPMENT

19.1 The Vendor Registration section of Purchase department shall deal with the Vendor development and its related activity.

19.2 It is to be borne in mind that vendors are valued business associates and therefore it would be necessary to cultivate vendors to enable the company to meet the targets. This would also enable to strengthen and enlarge vendor base. The vendors or contractors should not be made to wait beyond reasonable period during the course of interactions.

Register of Approved Vendors

19.3 In respect of registered firms, the technical and financial capacities are checked at the time of registration, which is granted for specific items and specifications and incorporates the assessed capacities. Procurement of stores should normally be made from registered manufacturers or suppliers.

19.4 Based on the classification of material, a “Register of New Suppliers or Contractors” in respect of items for which registered shall be maintained by the Tender Section of Purchase department.

19.5 This list should be updated regularly and updated in HSL website at the end of every quarter. Dealing purchase centers will have to verify and include the newly registered vendors in subsequent lists for issue of Limited Tender.

19.6 The details of the vendor viz., Name and complete address of the firm, together with Phone no., fax no. e-mail & website address, products and the supplier code number etc., shall be recorded in the ERP Register of Vendors Data Base.

19.7 Vendor Registration is considered under the following circumstances:-

(a) Whenever a new product, equipment, material and or service is required for any of the projects undertaken or being undertaken, on projecting the requirement for sourcing, selecting or registering (if recommended ) by Design, Planning and or user departments.

(b) On recommendations from the concerned Design Department or Indenting Department and or vendors directly approaching the yard, with a view to expand the existing vendor base.

(c) When an already registered vendor approaches the yard on account of merger or d-merger or change in the constitution or type of business or for other or additional products dealt by his company, including technological changes requiring consequential changes in materials and or processes.

(d) When there are no registered vendors or on account of deletion of existing vendors for the subject commodity or due to any other reason.
19.8 The Purchase Department shall keep abreast of the market developments in the country and in the globe as well as formation of new companies for supply of various items used in “Shipbuilding Industry” and should give continuous effort for enlistment of new vendors for the purpose of widening the vendor base to generate more competition & improved quality in purchasing of material. In this effort the following sources may be utilized:-

(a) Internet, Marine Journals or magazines, Marine Equipment Buyers Guides published in the form of books or C.Ds., ISO accredited companies, DGS&D publications, other public sector undertakings, trade associations, embassies, Class approved vendors etc.,

(b) Advertisement in Newspapers & HSL website “Inviting Applications or Expression of Interest” from time to time (once in every year), from the intending vendors for registration, especially in the selected areas where limited registered suppliers are only available.

19.9 Eligibility for Registration. Any firm, situated in India or abroad, who are in the business of manufacturing, stocking or marketing of stores and operating operator of services of specified categories, shall be eligible for registration.

19.10 Where registration is granted based on partly outsourced arrangements or agreements, it shall be the responsibility of the registered unit, to keep such arrangements or agreements renewed or alive at all times.

19.11 The requests for registration from eligible vendors shall be entertained through the downloading of “application forms” from HSL Web site by the Vendors.

19.12 The application forms for registration shall be displayed appropriately with unambiguous and clear cut instructions or requirements for registration and of the supporting documents or processing fee, in the form of “guidelines” which shall also include the code of conduct expected out of the firms desiring to be registered as Approved Vendors.

19.13 Vendors shall download the application form, complete it in all respects and submit the application form accompanied with the non refundable processing fee of Rs.5,000/- However, the Government organizations, MSME suppliers registered with NSIC / DIC are exempted from payment towards registration / renewal fee. The intending vendor shall submit required documents in original or duly notarized copies as prescribed, within 60 days from the date of the issue of the application form. Delays, if any, in submission of the filled in application forms can be condoned by the competent authority approving the registration.

19.14 Evaluation for Registration of Vendors. The fees, as specified from time to time, is to be collected from vendor by way of DD or Banker’s cheque at the time of submission of application for registration. The fee shall be reviewed & structured by Head of the Division with approval of Functional Director with a view to partially cover the expenses to be incurred for registration once in three years.

19.15 The filled in application forms from vendors will be scrutinized by the Vendor Registration Section for its completeness and in case of deficiencies or
shortcomings, the same may be communicated to the vendor for compliance by mail or by display in HSL Website. Request for re-verification and review made by the vendor after compliance and submission of required documentary proof, may be put up to the Competent Authority for review and decision.

19.16 Before granting the registration, the following may be ensured:-

(a) The credentials of the vendor may be verified with the documents submitted.

(b) Notarised Copies of Annual Accounts of previous three years duly audited and certified by a Chartered accountant, for financial status of both indigenous and foreign vendor and contractor.

(c) In respect of firms incurring losses, registration of such firms may be recommended up to the value of net worth (share capital + reserves - debit balance of P & L A/c) for a period of one year.

(d) Copy of latest solvency certificate (not before 6 months from the date of application of vendor registration) issued by a public sector bank is acceptable. Confirmation shall be obtained from the issuing bank. In case of Foreign bidders, the solvency Certificate to be issued in the prescribed format by an Indian Public Sector Bank to conduct government business. The Guidelines on confirmation of Solvency certificate of Foreign banks by Indian banks is given in Appendix “D”. However, solvency certificate need not be insisted for in case earlier registration approved only for one year up to completion of two renewals / three years from the date of earlier registration for one year whichever is earlier.

(e) The Client list of Vendor and copies of orders executed in preceding three years.

(f) Copy of Income tax return for the current financial year

(g) Copy of PAN card.

(h) In the event the vendor has put up a website, its contents are examined for cross verification or correctness of details submitted.

(i) A team of officers from Purchase, Inspection & Design Department or Indenting Department may visit the premises of the Vendor, if so desired or necessitated, to gain firsthand knowledge of all his activities and seek clarification on any aspect of his working, including information of products similar to those for which the vendor is to be approved, to facilitate assessment. The Head of respective Departments are to nominate officers as requested by the Purchase Department.

19.17 For registering the names of suppliers or contractors in the following categories, visit to the premises may be dispensed with. However, the requisite information, if any, for assessing the capabilities of the vendor(s) may be ascertained: -

(a) Central / State Govt. Statutory Agencies, PSUs, Public sector enterprises
(b) Suppliers listed in the DGQA Compendium / sources nominated / specified by customer

(c) Proprietary items / Equipment Manufacturers whose products are incorporated in design/technical specification for procurement

(d) Vendors registered and having proven track record with Defence Shipyards

(e) The capacity verification of the Ancillary units or sub-contractor units shall be carried out jointly by the QA Department and Ship/Submarine Building Outsourcing Cell.

(f) Any other information considered necessary before granting the registration.

19.18 The Registration of the firms will not be considered in the following circumstances:-

(a) If a proprietary firm is registered for a particular product or service, then any other firm wherein he is a proprietor or partner is not considered for separate registration for the same product or service. Similarly in case of Partnership Firm, no two firms with same partner(s) will be considered for registration separately for the same product or service. A declaration to this effect will be obtained at the time of registration.

(b) If a particular firm or vendor or company has been debarred by Central or State Government, Statutory Agencies, then any other firm or company having same Promoters or Directors or Partners from the debarred Company is not considered for registration or if already registered may be barred from business dealing for the duration for which the debarring of the firm or vendor or company persists on receipt of such intimation or information.

(c) If the Vendor fails to voluntarily submit changes in any time-sensitive data supplied at the time of original application of registration.

19.19 Competent Authority for Granting Registration. The Divisional Head is the Competent Authority for approving the application for registration and granting of registration. The Tender section, upon fulfillment of all the conditions prescribed for registration by the vendor, shall put up a proposal for the approval of the competent authority through the departmental hierarchy. Wherever, a visit was made by the team of officers of HSL to the premises of the vendor, “Appraisal Report” by the visiting Team along with their recommendations is submitted to the Head of Purchase Department for approval.

19.20 The cases for registration will be dealt with by the Vendor Registration section on monthly basis or early depending on the number of pending applications.

19.21 All Government establishments or Undertakings shall be deemed registered. However, details of their products may be obtained and a formal registration certificate issued with the approval of Divisional Head.

19.22 Issue of Registration Certificate. On approval of the recommendation for registering a firm for supply of items or services by HOD, - Purchase Department,
a formal letter enclosing Registration Certificate shall be sent to the firm indicating the items or equipment or products or services or facilities, and value limit, as the case may be, for which he is registered with the Company.

19.23 Registration of firms certified to ISO 9001:2000 quality Management System Standards are reviewed whenever ISO 9000 Series Quality Management System undergoes revision or at re-certification or verification interval in between.

19.24 Broad Categories for Registration. The registration of the vendors may be in the following broad categories:-

(a) Manufacturers, who supply Indigenous items

(b) Agents or Distributors of such manufacturers, who desire to market their production only through their agents

(c) Foreign Manufacturers with or without their accredited agents or agent in India

(d) Stockists of imported spares and other specified items

(e) Supplier of imported stores who is having regular arrangement with foreign manufacturers

(f) Sub-Contractors for Production or Ship Repair Activities

(g) Service Providers like Contractors for Annual Maintenance Contracts or AMCs or Transportation or C&F or Civil Works or Catering etc.

19.25 Validity of Registration. The period of validity of registration shall normally be 3 years unless specified in the Certificate of Registration. However, enlistment of newly commenced firms will be considered initially only for one year and will also be subject to 100% inspection of their works or supplies.

19.26 Provisional Registration. Certain reputed manufacturers and foreign suppliers may not take initiative to get themselves registered. However, in the event of contracts being awarded in their favour, issue of a Provisional Supplier Code may be considered with the approval of the Divisional Head. Alongwith intimation of allotment of Provisional Supplier Code, prescribed application forms for registration may be issued to such provisionally selected vendors and pursue with them to get registered.

19.27 Certain vendors can be considered for one-time registration under conditions prevailing as follows:-

(a) When nominated by the owner

(b) As a policy, OEM deals through nominated agents only

(c) Very specific items of one–time requirement
(d) As only vendor have a ready availability of items or services required by HSL at the specific time

19.28 Renewal of Registration. The Registered vendors are required to renew their registration by submitting a DD or Bankers cheque towards non refundable fee of Rs 3,000 or three months before expiry of the existing registration. The renewal of registration may be considered for approval by the Divisional Head after review of the performance of the vendor during the validity of the registration.

19.29 Registration of new vendors or renewal of vendor registration for material as well as services shall be done by Purchase department and unique no. is to be allotted for both. However, in case of renewal of contractors, recommendations from the concerned outsourcing department shall be obtained. In case of branch registration of same vendor sub code is to be provided.

19.30 Inclusion of Additional Items or Expansion of Scope. During the validity of the registration of a Vendor, an application for inclusion of additional items may be considered by the Competent Authority depending on merit of each case and proof of experience or supply in the new line on payment of prescribed fee. After approval an addendum to registration certificate will be issued.

19.31 Premature Termination of Registration or Removal of Names of Vendors from Approved List of Vendors or Contractors or Suppliers. The registered vendors are liable to be removed from the approved list of vendors, when:-

(a) They fail to abide by the terms and conditions under which the registration has been granted and for failure to inform HSL of any change in their status such that they no longer meet the registration qualification criteria.

(b) Makes any false or misleading information or declaration and knowingly sent copies of forged documents which got detected at a later date

(c) Supplies stores of inferior quality

(d) Renders services of inferior quality than the contracted ones

(e) Fails to execute a contract or failed to execute it satisfactorily

(f) Is declared bankrupt or insolvent

(g) Fails to submit the required documents or information for renewal of registration, where required,

(h) Vendors barred or black listed by Government Agencies or Statutory bodies, other Shipbuilding Yards, PSUs or with whom commercial transactions have been suspended for sufficient and justifiable reasons.

(i) Any other firm or company having same Promoters or Directors or Partners as the barred or blacklisted Company as per para (h) above for the duration for which the barring or blacklisting of sister concern persists.

(j) Vendors who had fraudulently dealt with the company for pecuniary gains or
had connived with anyone for mutual benefit.

(k) Vendors who knowingly collude to defeat competition with the aim of deriving undeserved profit or gain from doing business with HSL.

(l) Any other ground which, in the opinion of the registering authority, the retention of the vendor’s name in the list of registered vendors is not in the interest of the company.

19.32 Suspension of Business Dealings with Vendor. In case of vendors falling under any of the above categories, HOD-Purchase gives a written warning to the defaulting vendor(s), giving him or them an opportunity to explain his or their delinquencies and to improve upon the performance. Based on the periodical review of performance of the registered or not registered vendors, they can be placed under temporary suspension of the dealings, or for revocation of the registration for the reasons mentioned above or any other reasons attributed to the vendors. It is the responsibility of the dealing section to initiate de-registration procedure in all cases and to follow it up to it’s logical conclusion. The order of suspension shall specify the period of suspension.

19.33 A copy of the suspension order will be referred to Vendor Registration Section for placement in the concerned Vendor’s file and to deactivate the Vendor’s registration by removing the Approved Vendor Status in the ERP Vendor Data Base till the completion of the suspension period. Post completion of the suspension order, the Vendor Registration Cell would reinstate the vendor at the advice of the concerned department.

19.34 Revocation of Orders. In order for suspension passed for a certain specified period shall be deemed to have automatically revoked on the expiry of the specified period and it will not be necessary to issue a specific formal order of revocation, except that an order of suspension passed on account of doubtful loyalty or security considerations shall continue to remain in force until it is specifically revoked.

19.35 Suspension order may, on a review, be revoked by the competent authority, if it is of the opinion that disability already suffered is adequate in the circumstances of the case.

19.36 Vendor Assessment. Each Section in the Purchase Department of the respective Divisions carryout the assessment of performance of the vendors on completion of the Order or Contract. The vendors shall be graded or classified taking into consideration of the factors viz., Quality parameters at pre-despatch inspection stage, on performance during usage; delivery parameters; price considerations and business relations and accordingly make a record and kept in the tender section, so that in future contacts, past performance of the firm can be linked.

19.37 Quality Rating. Quality rating is assessed for a lot or consignment by considering the total quantity supplied out of which quantity accepted, quantity accepted with deviation, quantity accepted with rectification and quantity rejected, by assigning suitable de-merit factors for each of the above categories of supplies.
19.38 **Delivery Rating.** Delivery rating for a lot or a consignment by considering the total quantity supplied out of which quantity accepted, quantity accepted with deviation, quantity accepted with rectification and quantity rejected, by assigning suitable de-merit factors for each of the above categories of supplies.

19.39 **Service Rating.** It is assigned to each consignment delivered by a vendor considering the following service factors

(a) Cooperativeness and readiness to help in emergency.

(b) Readiness to replace rejected material.

(c) Providing support documents in time.

(d) Promptness in reply.

(e) Co-operation in delivery & implementing measures or avoiding recurrence of defects or complaints.

19.40 **Price Rating.** The Price Rating for a consignment or a lot is determined by the lowest price quoted by a vendor or rate prevailing in the market or last purchase price, to that of the price quoted by the vendor being rated.

19.41 Based on the experience and judgment, weightages are assigned to or reviewed for each of the four ratings to derive the ‘Composite Vendor Rating’. The weights are determined on the basis of criticality of the item with respect to ‘quality’ and ‘delivery’ from the view point of quality; the item is categorised into three cases as critical, major and minor items. For Delivery, these are categorised as – critical path, sub-critical path and non-critical path.

19.42 The weightages for the combination of above classes are allocated based on the following guidelines:-

(a) The sum of the weights for the factors considered is 100.

(b) The weight for ‘quality’ shall be in the order of ‘critical’, ‘major’ and ‘minor’, items. The same principle is adopted for the factor ‘delivery’ – critical, sub-critical and non-critical.

(c) For the same classification of the factors ‘quality’ and ‘delivery’, equal weights may be given to both the factors.

(d) If one factor is critical and the other is major or minor, the critical factor gets more weightage as compared to the other.

(e) The weights for factors ‘price’ and ‘service’ are valued depending upon the cross classification with respect to factors ‘quality’ and ‘delivery’ so that the sum of the weights for all the four factors is 100.

(f) Vendor rating is computed and vendors are classified as under after due approval by HOD: -
<table>
<thead>
<tr>
<th>Rating Obtained</th>
<th>Class of Vendor</th>
</tr>
</thead>
<tbody>
<tr>
<td>80 and above</td>
<td>A  Very Good</td>
</tr>
<tr>
<td>61 to 80</td>
<td>B  Good</td>
</tr>
<tr>
<td>41 to 60</td>
<td>C  Satisfactory or Fair</td>
</tr>
<tr>
<td>Below 40</td>
<td>D* Unsatisfactory or Poor</td>
</tr>
</tbody>
</table>

19.43 Vendors placed in Grade ‘B’ and ‘C’ are to be suitably counseled or encouraged by HOD for further improvement to obtain a high rating. Any de-rating of the performance of the Vendors to Grade ‘C’ is to be suitably put up by the Tenders section for further consideration. HOD is to counsel the concerned vendor in writing, to improve his performance rating, lest he should stand the risk of deletion of his Company’s name from HSL’s Approved Vendor List. Vendors, whose performance is rated at 40 or below, are to be informed that their registration has been cancelled citing reasons for low grading and that they may apply for registration again after overcoming the deficiencies observed. Grades A, B, & C are arrived at on the basis of performance against each order and averaging at the end of the year.

19.44 Particulars of non-response to the tender enquiries by the vendors shall be reported by the Tender Section or Dealing Section to the Manager In charge of the Vendor Registration Section to enable review to weed out delinquent vendors after due approval by HOD.

19.45 The objective of Vendor assessment or rating is: -

(a) To understand the vendors and select right ones for the right material.

(b) To understand the areas of strength and weaknesses for each vendor and to advise or develop them accordingly,

(c) To meet the overall objectives of making the materials available at right time and right price.
# CHAPTER – XX
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<th>Page</th>
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<td>133</td>
</tr>
</tbody>
</table>
## PRICE FORMAT – PART 1

### Description of the Equipment / Machinery

### HSL’s Tender Enquiry no. & Date

### Bidder’s Ref No. & Date

### Currency in which Price is quoted

<table>
<thead>
<tr>
<th>Sl.no</th>
<th>Particulars of price</th>
<th>Quantity</th>
<th>Basic Unit Rate</th>
<th>Total Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td><strong>Basic Cost of Equipment / Material quoted excluding cost of Tools, Accessories and spares</strong> (Break-up Details as per Annexure - Price Format Part –2 #)</td>
<td>#</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td><strong>Basic Cost of Tools, Accessories and Spares</strong> (Break-up Details as per Price Format Part –2 ##)</td>
<td>##</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td><strong>Total Cost of Equipment with tools, accessories and Spares (1 + 2)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td><strong>Packing and Forwarding charges / FOB Charges, if any.</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td><strong>Excise Duty applicable, if any</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td><strong>Sales tax as applicable</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>7.</td>
<td><strong>Other taxes, levies, if applicable.</strong></td>
<td></td>
<td></td>
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<tr>
<td>8.</td>
<td><strong>Any other extra cost, towards taxes, duties, levies, Customs Duty, bank charges etc.</strong></td>
<td></td>
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</tr>
<tr>
<td>9.</td>
<td><strong>Inspection charges if applicable.</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.1</td>
<td><strong>Testing Charges if applicable</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td><strong>Erection, Testing and Commissioning Charges</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td><strong>Service Engineer Charges per day if any over and above agreed free days as per Tech. Bid.</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.1</td>
<td><strong>Traveling, Board and Lodging Charges for service engineer(s) over and above agreed free days</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td><strong>Service Tax, if any</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>13.</td>
<td><strong>Training Charges (specify lump sum / per day) if required over and above those mentioned in Technical Specification.</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.</td>
<td><strong>TOTAL FOB / FOR Dispatching Station Cost of Equipments with Tools, Accessories, and Spares</strong></td>
<td></td>
<td></td>
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<tr>
<td>15.</td>
<td><strong>Freight Charges</strong></td>
<td></td>
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<td>16.</td>
<td><strong>Octroi / Entry Tax, if any</strong></td>
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<tr>
<td>17.</td>
<td><strong>Local Handling / Unloading Charges, if any</strong></td>
<td></td>
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<tr>
<td>18.</td>
<td><strong>Transit Insurance on (items 3 to 17) above</strong></td>
<td></td>
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<tr>
<td>19.</td>
<td><strong>Total CIF / Landed cost at HSL Stores</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Signature of the Bidder / Authorised Signatory**
### PRICE FORMAT – PART -2

<table>
<thead>
<tr>
<th>Sl.no</th>
<th>Details of Equipment Components</th>
<th>Quantity</th>
<th>Basic Unit Rate</th>
<th>Basic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Components of Basic Equipment / Material quoted excluding cost of Tools, Accessories and spares – (use additional sheets if required)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1.a</td>
<td></td>
<td></td>
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<tr>
<td>1.b</td>
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<td>1.c</td>
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<td>1.d</td>
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<td>1.f</td>
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<td>1.g</td>
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<td>1.h</td>
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</tbody>
</table>

**TOTAL:**
(Note: Any other item / component not specifically listed above but required for completion / commissioning of the equipment or as per Technical Specification will have to be supplied free of cost by the Vendor)

<table>
<thead>
<tr>
<th>2</th>
<th>Cost of Tools, Accessories and Spares - (use additional sheets if required)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>TOOLS</td>
<td></td>
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<tr>
<td>2.1a</td>
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<td>2.1b</td>
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<td>2.1c</td>
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<tr>
<td>2.1d</td>
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<td></td>
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</tbody>
</table>

Sub-Total for Tools:

<table>
<thead>
<tr>
<th>2.2</th>
<th>ACCESSORIES - Optional</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2a</td>
<td></td>
<td></td>
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<tr>
<td>2.2b</td>
<td></td>
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<td></td>
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<tr>
<td>2.2c</td>
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</tr>
<tr>
<td>2.2d</td>
<td></td>
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</tr>
</tbody>
</table>

Sub-Total for Accessories

<table>
<thead>
<tr>
<th>2.3</th>
<th>SPARES - Maintenance</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2.3a</td>
<td></td>
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<tr>
<td>2.3b</td>
<td></td>
<td></td>
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<tr>
<td>2.3c</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.3d</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Sub-Total for Spares

TOTAL FOR TOOLS/ SPARES/ ACCESSORIES (Total to be shown at appropriate column in Part 1)

Certified that all items required in accordance with the Technical Specification enclosed to tender have been included in the cost quoted above and we hereby undertake that any exclusions will be made good free of cost if noticed at a later date.

Signature of the Bidder / Authorised Signatory
# APPLICATION FORM

**FOR ENLISTMENT IN THE LIST OF APPROVED SUPPLIERS**

<table>
<thead>
<tr>
<th>Application No. &amp; Date</th>
<th>Suppliers Code No.</th>
<th>DD No. &amp; Date</th>
<th>Amount</th>
<th>PLACE</th>
<th>Initial of the officer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>

---

(To be filled in by the VENDORS / SUPPLIERS) Please indicate against each entry, page numbers of annexures

1. **a.** Name of the Firm / Company / Shop
   
2. **b.** Established on
   
3. **c.** Photostat copy of the Category industrial Licence to be furnished.

4. **Address (Cable, Phone No, Telefax, e-mail etc.)**
   
a. **Office:**
   
   **ADDRESS:**
   
   **TELE:**
   
   **FAX:**
   
   **MOBILE:**
   
   **e-mail:**
   
   **Web-site:**

b. **Works / Factory**
   
   **ADDRESS:**
   
   **TELE:**
   
   **FAX:**
   
   **MOBILE:**

5. **c.** Branches (if any)
   
   **ADDRESS:**
   
   **TELE:**
   
   **FAX:**
   
   **MOBILE:**

6. **Name & Address of the Proprietor / Partners / Directors**
   
   **TELE:**
   
   **FAX:**
   
   **MOBILE:**

7. **Authorized capital**

8. **Subscribed share capital**

9. **Bank reference Certificate certifying financial soundness of your firm.**

10. **Income Tax particulars, copy of latest Income Tax Clearance Certificate**

11. **Sales Tax Registration Number (Copies to be furnished)**
   
a. **Central**
   
b. **State:**

12. **Annual Production / Turnover (Balance Sheet) (in Rupees) duly certified by your Auditors is to be furnished.**

13. **Category under which Registration is sought – (strike out what is not applicable)**
   
   1. MANUFACTURER.
   
   2. MANUFACTURER & SUPPLIER.
<table>
<thead>
<tr>
<th>10.b</th>
<th>Class of Items for which Registration is sought</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Ship Construction – Machinery Equipments &amp; Piping Materials</td>
</tr>
<tr>
<td>2.</td>
<td>Ship Construction – Electrical Equipments and Materials</td>
</tr>
<tr>
<td>4.</td>
<td>Capital Items</td>
</tr>
<tr>
<td>5.</td>
<td>Standard Stock Items</td>
</tr>
</tbody>
</table>

11. Are you registered with any of the following if so, please quote Regn. No. & Copies are to be enclosed.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>D.G.S &amp; D</td>
</tr>
<tr>
<td>b.</td>
<td>Public Sector Undertaking</td>
</tr>
<tr>
<td>c.</td>
<td>State Government</td>
</tr>
<tr>
<td>d.</td>
<td>Central Government</td>
</tr>
</tbody>
</table>

12. Are you holding any rate contract(s) with DGS&D, if so, please furnish 5 copies of the said Rate Contract(s)

ENCLOSED / NOT ENCLOSED

12.1 Are you willing to supply Standard Stock Items on Annual Rate Contract basis –

YES / NO

13. Were you at any time black listed by:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>Government of India</td>
</tr>
<tr>
<td>b.</td>
<td>State / Government of India</td>
</tr>
<tr>
<td>c.</td>
<td>Public Sector Undertakings</td>
</tr>
</tbody>
</table>

14. Small Scale Industries have to furnish the following additional information

- Whether they are registered with NSIC, New Delhi (OR) Small Scale Industries Dept., of the State in which the firm is situated.

i. Photostat copy of NSIC/ SSI Registration issued by the Industries Department of the State in which the firm is located or by NSIC, New Delhi (English version only).

ii. Investment in Plant & Machinery Rs.

iii. Annual Production Capacity

iv. No. of persons employed

v. Details of orders, if any executed in Hindustan Shipyard Ltd., VSP (copies to be enclosed)

15. Details of Important orders executed by your firm during the past 3 years with any of the following: (Copies of work orders to be enclosed).

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>Department of Government of India</td>
</tr>
<tr>
<td>b.</td>
<td>State Government</td>
</tr>
<tr>
<td>c.</td>
<td>Public Undertakings</td>
</tr>
</tbody>
</table>

16.a Were you already enlisted in the list of our approved suppliers (Quote Registration No. & Date – enclose copy of Certificate).

b. Are you a New entrant

17. In case you are already in the list of our Approved suppliers, furnish details of the important orders executed by you during past 3 years.

18. During past 12 months, were you subjected to penalties for delayed deliveries.

19. Particulars of orders cancelled due to lapse on your part.

20.A (To be filled by Manufacturers only).

   i) Materials / Stores / Machinery equipments for
which you intend registering your firm with us.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ii)</td>
<td>Technical Collaboration if any, either with Indian or Foreign – Details to be furnished.</td>
</tr>
<tr>
<td>ii)</td>
<td>Wholesale dealers / agents should furnish the names and addressed of their Principals and also currently valid original certificate of Authorisation from Principals.</td>
</tr>
<tr>
<td>iii)</td>
<td>Agents of Overseas Manufacturers / Firms, in addition, should furnish relevant licenses / Govt. Authorisation as applicable.</td>
</tr>
</tbody>
</table>

21. Whether any pamphlets / booklets / technical literature enclosed if so, indicate total number of enclosures and other particulars.

22. Particulars of Digital Signature Certificate held by your firm

I am the Managing Director / A Director / person Authorised to sign on behalf of the said Company / Firm / Shop. I do hereby declare that the information furnished in the application is true and correct to the best of my knowledge. We are hereby also undertaking to register for e-procurement as and when advised by HSL and comply with the requirements therefor.

Place :

Date :

SIGNATURE OF THE APPLICANT

(Affix Seal / Rubber Stamp)

**IMPORTANT NOTES:**

* Incomplete applications and without the prescribed fees or not complying with instructions are liable for rejection and no further correspondence on the subject will be entertained.
* Authorised Agents / Dealers cannot represent more than one Principal for the same product / equipment or its substitutes.
* Separate application is to be submitted for Principals to be registered with HSL.
* The HSL reserves the right to reject any application for Registration without assigning any reasons whatsoever.
* The HSL reserves the right to issue enquiries to parties other than those who are in our list of Approved Suppliers.
* If space is inadequate in any column, enclose separate Annexures

**DOCUMENTS TO BE ENCLOSED:**

1. Partnership Deed / Articles of Association / Memorandum of Association. (Notarized)
2. Certificate of Incorporation / Registration of Company / Firm / Industry as applicable (Notarized) / Registration with NSIC / SSI (Notarized)
3. Authorised Vendors / Agents will have to submit proof of currently valid relationship / Authorisation of Principals. (Original)
4. Statement of List of items for which Registration is sought (with details of Principal manufacturers for Machinery etc., where relevant).
5. Statement of Balance Sheet for last 3 years duly certified by your Auditors. (Notarized)
6. Bank reference certificate from nationalized Bank certifying financial soundness of your firm. (Original)
7. Copies of Excise and State & Central Sales Tax Certificates (Notarized)
8. Copy of Latest Income Tax Clearance Certificate / PAN Number (Notarized)
9. Copies of Rate Contract, if any with DGSD. (Notarized)
10. Copies of Vendor Registration Certificates with Govt. / PSU organizations (Notarized)
11. Experience if any – Enclose your Client List and copies of orders (Notarized) executed by you during the Past Three Years together with related invoice copies (Notarized) to be furnished in support of your experience.
12. Registration Fees Rs.5,000/- payable by D.D. at Visakhapatnam drawn in favour of M/s Hindustan Shipyard Limited, to be enclosed.

NOTE: *Application without the above listed documents will be summarily rejected.*
TO BE NEATLY TYPED:  SL.NO:- SE

APPLICATION FORM

FOR ENLISTMENT IN THE LIST OF APPROVED CONTRACTORS

(To be filled in by Purchase Department of Hindustan Shipyard Limited, Visakhapatnam)

<table>
<thead>
<tr>
<th>Application No. &amp; Date</th>
<th>Supplier Code No.</th>
<th>DD NO. &amp; DATE</th>
<th>AMOUNT</th>
</tr>
</thead>
</table>

NAME OF THE BANK
PLACE

(To be filled in by the Contractors) – Please indicate against each entry, page numbers of annexures)

1. a. Name of the Firm / Company / Contractor
   b. Established on
   c. Photostat copy of the Category Industrial Licence to be furnished:
   d. Details of "LICENSED CONTRACTOR" Certification held: (enclose copies)
      1.
      2.
      3.
   e. Give particulars of SERVICE TAX / WORKS CONTRACTS Tax/ P.A.N. Registration
      Service Tax NO. :
      WCT – NO.:
      P.A.N. NO.
   f. Layout of Factory & Office
      ENCLOSED - YES / NO

2. Address
   (Phone No, Telefax, Mobile, E-mail etc.)
   a. Office:
      Address:
      TEL:
      FAX:
      MOBILE:
      e-mail:
      Web Site:
   b. Works / Factory Address:
      TEL:
      FAX:
      MOBILE:
   c. Local Branches (if any) ADDRESS:
      TEL:
      FAX:
      MOBILE:

3. Name & Address of the Proprietor / Partners / Directors
   TEL:
   FAX:
   MOBILE:
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.</td>
<td>Authorized Capital</td>
</tr>
<tr>
<td>5.</td>
<td>Subscribed share capital</td>
</tr>
<tr>
<td>8.</td>
<td>Annual Production / Turnover (Balance Sheet) (in Rupees) duly certified by your Auditors is to be furnished.</td>
</tr>
<tr>
<td>9. a.</td>
<td>Particulars of Staff &amp; their Qualifications ENCLOSED / NOT ENCLOSED</td>
</tr>
<tr>
<td>9. b.</td>
<td>List of Equipment &amp; Machinery installed in your factory/works ENCLOSED / NOT ENCLOSED</td>
</tr>
<tr>
<td>10.1</td>
<td>DETAILS OF REGISTRATION WITH</td>
</tr>
<tr>
<td>10.1 a.</td>
<td>Government of India</td>
</tr>
<tr>
<td>10.1 b.</td>
<td>State Government of India</td>
</tr>
<tr>
<td>10.1 c.</td>
<td>Public Sector Undertakings</td>
</tr>
<tr>
<td>10.2</td>
<td>Were you at any time black listed by:</td>
</tr>
<tr>
<td>10.2 a.</td>
<td>Government of India</td>
</tr>
<tr>
<td>10.2 b.</td>
<td>State Government of India</td>
</tr>
<tr>
<td>10.2 c.</td>
<td>Public Sector Undertakings</td>
</tr>
<tr>
<td>11.</td>
<td>Small Scale Industries have to furnish the following additional information whether they are registered with NSIC, New Delhi (OR) Small Scale Industries Dept. of the State in which the firm is situated.</td>
</tr>
<tr>
<td>i)</td>
<td>Photostat copy of NSIC / SSI Registration issued by the Industries Department of the State in which the firm is located or by NSIC, New Delhi (English version only). ENCLOSED - YES / NO</td>
</tr>
<tr>
<td>ii)</td>
<td>Investment in Plant &amp; Machinery Rs.</td>
</tr>
<tr>
<td>iii)</td>
<td>Annual Production Capacity</td>
</tr>
<tr>
<td>iv)</td>
<td>No. of persons employed</td>
</tr>
<tr>
<td>12.</td>
<td>Details of Important orders executed by your firm during the past 3 years with any of the following: (Copies of work orders to be enclosed)</td>
</tr>
<tr>
<td>12. a.</td>
<td>Department of Government of India</td>
</tr>
<tr>
<td>12. b.</td>
<td>State Government</td>
</tr>
<tr>
<td>12. c.</td>
<td>Public Undertakings</td>
</tr>
<tr>
<td>13.a.</td>
<td>Were you already enlisted in the list of our approved suppliers (Quote Registration No. &amp; Date – enclose copy of certificate issued) ENCLOSED / NOT ENCLOSED</td>
</tr>
<tr>
<td>13.b.</td>
<td>In case you are already in the list of our Approved suppliers, furnish details of the important orders executed by you during the past 3 years.</td>
</tr>
<tr>
<td>14.</td>
<td>Are you a New Entrant YES / NO</td>
</tr>
<tr>
<td>15.</td>
<td>During past 12 months, were you subjected to penalties for delayed deliveries.</td>
</tr>
<tr>
<td>16.</td>
<td>Particulars of orders cancelled, if any due to lapse on your part.</td>
</tr>
<tr>
<td>17.</td>
<td>Contractors should indicate the work for which they intend registration with us. (Proof of previous experience to be submitted) 1. 2. 3.</td>
</tr>
<tr>
<td>18.</td>
<td>Particulars of Digital Signature Certificate held by your firm</td>
</tr>
</tbody>
</table>
I am the Managing Director / A Director / Person Authorised to sign on behalf of the said Company / Firm / Shop. I do hereby declare that the information furnished in the application is true and correct to the best of my knowledge. We are hereby also undertaking to register for e-procurement as and when advised by HSL and comply with the requirements therefor.

Place:  
Date:  

SIGNATURE OF THE APPLICANT  
(Affix Seal / Rubber Stamp)

IMPORTANT NOTE:

- Incomplete applications and without the prescribed fees or not complying with instructions are liable for rejection and no further correspondence on the subject will be entertained.
- The HSL reserves the right to reject any application for Registration without assigning any reasons whatsoever.
- The HSL also reserves the right to issue enquiries to parties other than those who are in our list of approved contractors.
- If space is inadequate in any column, enclose separate Annexure.

DOCUMENTS TO BE ENCLOSED:

1. Partnership Deed/Articles of Association/Memorandum of Association etc., (Notarized)
2. Certificate of Incorporation/ Registration of Company /firm /Industry as applicable (Notarized) / Registration with NSIC / SSI (Notarized)
3. Certificate from P.F. Authorities. (Notarized)
4. Service Tax / Works Contract Tax Registration Certificate (Notarized)
6. Relevant Licenses from appropriate licensing authority to undertake works as “LICENCED CONTRACTOR”, in respect of works for which registration is sought. (Notarized)
7. Statement of Balance Sheet for last three years duly certified by your Auditors. (Notarized)
8. Bank reference certificate from Nationalised Bank certifying financial soundness of your firm. (Original)
9. Copies showing the particulars of staff with their qualifications / experience and qualifying trade / skill certificates for skilled personnel in relevant trades.
10. Statement of List of works for which Registration is sought.
11. Copies of the list of Machinery / Tools/ Equipment to be deployed
12. Copies of Vendor Registration with Govt. / PSU organizations (Notarized)
13. Experience if any – Furnish your client list and copies of orders executed by you (Notarized) during the Past Three Years together with related invoice (Notarized) copies to be furnished in support of your experience.
14. Registration Fees Rs.5,000/- payable by D.D. at Visakhapatnam drawn in favour of M/s.Hindustan Shipyard Limited, to be enclosed.

NOTE: Application without the above listed documents will be summarily rejected.
PROFORMA OF BANK GUARANTEE / BID BOND TOWARDS EMD

(TO BE ISSUED ON RS.100/- NON-JUDICIAL STAMP PAPER)

REF No.___________________________ BANK GUARANTEE NO ________________

DATE ____________.

TO

THE CHAIRMAN & MANAGING DIRECTOR,
HINDUSTAN SHIPYARD LIMITED,
GANDHIGRAM,
VISAKHAPATNAM – 530 005

DEAR SIRS,

1. ____________________________________ whereas M/s Hindustan Shipyard Ltd.,
   incorporated under the companies act 1956, having its registered office at Ganghigram
   Visakhapatnam-530 005, India (hereinafter called the "HSL" which expression shall unless
   repugnant to the context or meaning thereof (include all its successors, administrators,
   executors and assigns) has floated a tender no.__________________________
   and M/s.____________________ having head / registered office at____________________
   which expression shall unless repugnant to the context or meaning there of include all its
   successors, administrators, executors and assigns) have submitted a bid reference
   no.____________________ and tenderer having agreed to furnish as a condition precedent for participation in the said tender an unconditional and irrevocable
   bank guarantee of Indian Rs.____________________ in figures
   ___________________________ Indian rupees ______ only (in words) for the due
   performance of tenderer’s obligations as contained in the terms of the notice inviting tender
   (nit) and other terms and conditions contained in the tender documents supplied to “HSL”
   which amount is liable to be forfeited on the happening of any contingencies mentioned in
   said documents.

2. We (name of bank) _______________________________ registered under the laws of
   having head / registered office at __________________________ (hereinafter referred as “the
   bank” which expression shall, unless repugnant to the context or meaning thereof, include
   all its successors, administrators, executors and permitted assigns) guarantee and
   undertake to pay immediately on first demand by “HSL” the amount of Indian
   Rs.____________________ in figures
   ___________________________ Indian rupees ______ only (in words)
   (in figures) in aggregate at an, time without any demur and recourse, and without
   Hindustan shipyard ltd., having to substantiate the demand, any such demand made by
   Hindustan shipyard ltd., shall be conclusive and binding on the bank irrespective of any
   dispute or difference raised by bidder.

3. The bank confirms that this guarantee has been issued with observance of appropriate
   laws of the country of issue.

4. The bank also agrees that this guarantee shall be irrevocable and governed and
   construed in accordance with Indian laws and subject to exclusive jurisdiction of Indian
   court of the place from there tenders have been invited.
5. This guarantee shall be irrevocable and shall remain in force up to ________________ (180 days from the date of issue of this bank guaranteed / bid bond) which includes 60 days after the period of bid validity and any demand in respect thereof should reach the bank not later than the aforesaid date.

6. Notwithstanding anything contained herein above, our liability under this guarantee is limited to Indian Rs.__________________ (in figures) (Indian rupees ______________ only) (in words) and our guarantee shall remain in force until ______________________ (indicate the date of expiry of bank guarantee). Any claim under this guarantee must be received by us before the expiry of this bank guarantee. If no such claim has been received by us by the said date, the right of “HSL” under this guarantee will cease. However, if such a claim has been received by us by the said date, all the rights of “hsl” under this guarantee shall be valid and shall not cease until we have satisfied that claim.

In witness whereof, the bank through its authorized officer has set its hand and stamp on this ____________________ day of ____________________2006 at ______________).

Witness no.1

__________________________  (SIGNATURE)  
(signature)  
full name and official address  
(in legible letters)  
WITNESS NO.1

__________________________  (SIGNATURE)  
(full name and official address  
(in legible letters)  
WITNESS NO.2

__________________________  (SIGNATURE)  
(full name and official address  
(in legible letters)

Instructions for furnishing bank guarantee

1. Indian bidders should submit their bid on non-judicial stamp paper worth of rupees one hundred. The non-judicial stamp paper should be in name of the issuing bank.

2. The bank guarantee submitted by Indian bidders should be from nationalized / scheduled banks only.

3. Foreign bidders may give a bank guarantee (bid bond) issued by any Nationalized bank in India or any of its branch situated outside India. If the bank guarantee is issued by any internationally reputed foreign bank, such bank guarantee shall be invariably counter signed by any nationalized bank in India.

4. Alternatively both the foreign bidders and Indian bidders are allowed to submit a crossed demand draft in favour of Hindustan shipyard ltd., payable at Visakhapatnam, India.

5. The bank guarantee / demand draft shall be valid for a period of ninety days from the date of its issue.

6. The bank guarantee / demand draft of unsuccessful bidder will be returned soon after finalization of order from the selected source. In case of necessity, the bidders shall extend the validity of the bank guarantee or the demand draft as per the instruction of HSL at a later date.
PROFORMA OF BANK GUARANTEE TO BE EXECUTED FOR PAYMENT OF ADVANCE AGAINST CONTRACT / AGREEMENT DT._____________

1. In consideration of M/s. Hindustan Shipyard Ltd., Visakhapatnam having agreed under the terms & conditions of an agreement________________________ Dt.________________ made between Hindustan shipyard ltd., and (hereinafter called “the purchasers” and to make at the request of ________________________ (hereinafter called the ‘said contractors) an advance of Rs.________________________ (rupees __________________ only) for utilizing it for the purpose of the said agreement on production of a bank guarantee we (name of the bank) _______________________________ do hereby guarantee the due recovery by Hindustan shipyard ltd., of the said contractor fails to utilise the said advance for the purpose of the aforesaid agreement and / or the said advance together with interest thereon as aforesaid is not fully recovered by Hindustan shipyard ltd., we (name of the bank) _______________________________ hereby unconditionally and irrevocably undertake to pay Hindustan shipyard ltd., to the extent of Rs._______________(rupees __________________ only) plus interest at 20% per annum.

2. We, _________________________________________________ bank ltd., do hereby undertake to pay the amounts due and payable under this guarantee without any demur, merely on a demand from the Hindustan shipyard ltd., with due intimation to the contractor stating that the amount claimed is due by way of loss or damage caused to or would be caused to or suffered by the hindustan shipyard ltd., by reason of any breach by said contractor(s) of any of the terms or conditions contained in the said agreement or by reason of the contractor(s) failure to perform the said agreement. any such demand made on the bank shall be conclusive as regards the amount due and payable by the bank under this guarantee. However, our liability under this guarantee shall be restricted to an amount not exceeding rs.________________ plus interest as aforesaid.

3. We, _________________________________________________ (bank, ltd further agree that the guarantee herein contained shall remain in full force and effect) during the period that would taken for the performance of the said agreement and that it shall continue to be enforceable till all the dues of the Hindustan shipyard ltd., under or by virtue of the said agreement have been fully paid and its claims satisfied or discharged or till c.c.a. of Hindustan shipyard ltd., certifies that the terms and conditions of the said agreement have been fully and properly carried out by the said contractor(s) and accordingly discharge the guarantee unless amend or claim under this guarantee is made to us in writing on or before the ________________ we shall be discharged from all liability under this guarantee thereafter.

4. We, _________________________________________________ bank ltd., further agree with the Hindustan shipyard ltd., that the Hindustan shipyard ltd., shall have the fullest liberty without our consent and without affecting in any manner or obligations hereunder to vary any of the terms and conditions of the said agreement to extend time of performance by the said contractor(s) from time to time or to postpone for any time or from time to time any of the powers exercisable by the Hindustan shipyard ltd., against the said contractor(s) and to forbear or enforce any of the etc relating to the said agreement and we shall not be relieved from our liability by reason of any such variation, or extension being granted to the said
contractor(s) or for any forbearance, act or omission on the part of the hindustan shipyard ltd., or any indulgence by the Hindustan shipyard ltd., to the said contractor’s or any such matter or thing whatsoever which under the law relating to sureties would but for this provision have effect so relieving us.

5. we undertake to pay M/s. Hindustan shipyard limited, Visakhapatnam any money so demanded, notwithstanding any dispute raised by the contractors / supplies, in any suit or proceedings before any court of tribunal relating thereto, our liability under this guarantee being absolute and unequivocal. the payment so made by us under this guarantee shall be a valid discharge of our liability for payment there under and the contractors / supplies shall have no claim against us for making such payment.

6. we, _______________________________ bank ltd., lastly undertake not to revoke this guarantee during its currency except with the previous consent of the Hindustan shipyard ltd., in writing.

notwithstanding anything contained herein before our liability under the guarantee is restricted to Rs._________ (rupees ___________ only) with interest @ 20% per annum and it will remain in force till (date). unless a demand or claim under this guarantee is made on us in writing on or before the above date all your rights under the guarantee shall be forfeited and we shall be released and discharged from all the liabilities hereunder.

Dated the ____________________ date of ____________________

For _____________________ bank ltd.
PROFORMA FOR PERFORMANCE BANK GUARANTEE

1. In consideration of M/s Hindustan Shipyard Limited, Gandhigram, Visakhapatnam, 530005 (hereinafter called “purchaser” having placed an order in the form of a contract / order ___________________________Dt.__________ with M/s._________________________________ (supplier’s name and address) (hereinafter called supplier) we____________________________________ (bankers name & address) do hereby stand guarantee and undertake to indemnify and keep indemnified the purchasers to the extent of __________________ being not less than 10% value of the contract / order as per the terms of the contract / order against any loss or damage caused to or suffered by the purchasers by reason of the suppliers having not fulfilled their obligations emanating from the aforesaid contract / order.

2. We _____________________________ (banker’s name and address) do hereby undertake to pay without any demur or protest to the purchasers. 10% value of the contract / order on a simple demand made by the purchasers stating that the materials supplied by the suppliers have not conformed to the guarantee / warranty given by the suppliers and / or the suppliers have not fulfilled their obligations emanating from the aforesaid contract / order. However, our liability under this guarantee shall not exceed the aforesaid amount of____________________ (in words ____________________________________________)

3. We, further undertake to pay to M/s. Hindustan shipyard limited, any money so demanded, notwithstanding any dispute raised by the contractors / suppliers, in any suit or proceedings before any court or tribunal relating thereto, our liability under this guarantee being absolute and unequivocal. The payment so made by us under this guarantee shall be a valid discharged of our liability for payment there under and the contractors / suppliers shall have no claim against us for making such payment.

4. The guarantee shall be in force for a period of 30 (thirty) calendar months from the date of dispatch of material / equipment / machinery, etc., under the above said contract / order or 12 (twelve) calendar months from the date of handing over of the vessel to its owners, whichever occurs earlier. However, the guarantee shall remain in force for three calendar months after the above said periods of 30/12 months within which the purchasers shall prefer their claim, if any, against this guarantee.

5. We, _____________________________ (banker’s name and address) also undertake and stand guarantee to the purchaser that we shall not revoke this guarantee during its subsistence without the prior written approval of the purchaser unless a demand under this guarantee is made against us by the purchasers within the period for which this guarantee continues to be in full force and effect as stated supra. All rights and interests of the purchasers under this guarantee shall stand forfeited and shall be relieved from and discharged of all liabilities under this guarantee.

6. Notwithstanding anything herein before contained, liability under this guarantee is restricted to __________________ (in words ____________________________________________).

Station;
Signature:
Date:
# INFORMATION TO HSL Web Site

**PURCHASE ORDERS FINALISED DURING**

**(VALUED ABOVE Rs.10.00 LAKHS)**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Tender No. &amp; Date</th>
<th>Material</th>
<th>Mode of Tender Enquiry</th>
<th>Date of publication of NIC</th>
<th>Type of Bidding</th>
<th>Last date of receipt of Tender</th>
<th>No. of Tenders recd.</th>
<th>NOS. &amp; Names of the parties qualified after Tech. evaluation</th>
<th>NOS. &amp; names of the not qualified after Tech. evaluation</th>
<th>Whether contract awarded on lowest tender / evaluation L1</th>
<th>Order No. &amp; dt</th>
<th>Supplier</th>
<th>Value Rs. in Lakhs</th>
<th>Scheduled Date for completion of supplies / contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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</tr>
</tbody>
</table>
HINDUSTAN SHIPYARD LTD.  
(A GOVT. OF INDIA UNDERTAKING)  

DELEGATION OF PURCHASE POWERS  
(Rs. In Lakhs)

<table>
<thead>
<tr>
<th>S No.</th>
<th>Basis</th>
<th>AM (P)</th>
<th>DM (P)</th>
<th>M (P)</th>
<th>SMP</th>
<th>DGM</th>
<th>AGM</th>
<th>GM</th>
<th>PC-I</th>
<th>PC-II</th>
<th>PC-III</th>
<th>PC-IV</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>To make Cash Purchase of value of</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>0.02</td>
<td>0.03</td>
<td>--</td>
<td>--</td>
<td>--</td>
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</tr>
<tr>
<td>2</td>
<td>Local Purchase</td>
<td>0.04</td>
<td>0.06</td>
<td>0.08</td>
<td>0.10</td>
<td>--</td>
<td>--</td>
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</tr>
<tr>
<td>3</td>
<td>To place order on Proprietary Item</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>0.50</td>
<td>1.00</td>
<td>3.00</td>
<td>5.00</td>
<td>10.00</td>
<td>15.00</td>
<td>20.00</td>
<td>25.00</td>
</tr>
<tr>
<td>4</td>
<td>To accept Single Quotation - where only one technically suitable quotation is available against LT</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>0.50</td>
<td>1.00</td>
<td>1.50</td>
<td>3.00</td>
<td>5.00</td>
<td>10.00</td>
<td>20.00</td>
<td>25.00</td>
</tr>
<tr>
<td>5.A</td>
<td>To place orders for Material like steel, Cement, Petrol, Diesel oil etc. for which prices are administered by GOI / PSUs</td>
<td>0.20</td>
<td>0.50</td>
<td>2.00</td>
<td>5.00</td>
<td>10.00</td>
<td>15.00</td>
<td>20.00</td>
<td>30.00</td>
<td>40.00</td>
<td>50.00</td>
<td>100.00</td>
</tr>
<tr>
<td>5.B</td>
<td>To place orders on R/C or DGS&amp;D (Direct or outside DGS&amp;D Rate)</td>
<td>0.02</td>
<td>0.40</td>
<td>1.00</td>
<td>2.00</td>
<td>5.00</td>
<td>10.00</td>
<td>15.00</td>
<td>20.00</td>
<td>30.00</td>
<td>50.00</td>
<td>100.00</td>
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<tr>
<td>6</td>
<td>To place Repeat order</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>0.50</td>
<td>1.00</td>
<td>1.25</td>
<td>3.00</td>
<td>5.00</td>
<td>10.00</td>
<td>15.00</td>
<td>50.00</td>
</tr>
<tr>
<td>7</td>
<td>To accept Limited Tender- where more than one acceptable quotation is available( Lowest - basis)</td>
<td>0.15</td>
<td>0.30</td>
<td>0.50</td>
<td>1.00</td>
<td>2.00</td>
<td>2.50</td>
<td>5.00</td>
<td>10.00</td>
<td>20.00</td>
<td>30.00</td>
<td>40.00</td>
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<tr>
<td>8</td>
<td>To accept Public Tender-where more than one acceptable quotation is available (Lowest basis)</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>5.00</td>
<td>7.50</td>
<td>15.00</td>
<td>30.00</td>
<td>40.00</td>
<td>50.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

NOTES:
(A). IN CASE OF NEGOTIATION, THE NEGOTIATION IS TO CARRIED OUT BY THE IMMEDIATE LOWER COMMITTEE AND THE RECOMMENDATION OF THE LOWER COMMITTEE WOULD BE PUT UP TO THE IMMEDIATE HIGHER COMMITTEE FOR APPROVAL AS PER THE ABOVE DELEGATED PURCHASE POWERS.

(B) FOR CONDUCTING PRICE NEGOTIATION, WHICH REQUIRES THE APPROVAL OF PC–I, THE COMMITTEE CONSTITUTE WITH THE FOLLOWING MEMBERS

- M (P) MEMBER
- AM (IA) MEMBER
- M (INDENTING DEPT.) MEMBER
- CONCERNED PURCHASE OFFICER CONVENER
PURCHASE PROPOSALS BEYOND PC–IV LIMITS UPTO RS. 5 Cr. IN RESPECT OF SL. No. 5A, 5B & 8 OF ABOVE DELEGATION OF PURCHASE POWERS WOULD BE NEGOTIATED BY PC-IV AND RECOMMENDATIONS SHALL BE PUT UP TO CMD FOR APPROVAL. HOWEVER PURCHASE PROPOSALS BEYOND PC – IV LIMITS UPTO RS. 1 Cr IN RESPECT OF SL NO 3, 4, 6 & 7 WOULD BE NEGOTIATED BY PC – IV AND RECOMMENDATIONS SHALL BE PUT UP TO CMD FOR APPROVAL.

PURCHASE PROPOSALS BEYOND RS.1.00 Cr. UPTO RS. 5.00 IN RESPECT OF SL. NO.3,4,6 & 7 OF ABOVE DELEGATION OF PURCHASE POWERS SHALL BE NEGOTIATED BY A PURCHASE NEGOTIATION COMMITTEE MENTIONED AT PARA -3 BELOW AND RECOMMENDATION WILL BE PUT UP TO C& MD FOR APPROVAL.

PROPOSALS BEYOND RS.5 CrORS UPTO RS.20 CORES SHALL BE PUT UP TO THE PROCUREMENT SUB-COMMITTEE OF THE BOARD (PSC) AND BEYOND RS.20 CORES SHALL BE PUT UP TO BOARD OF DIRECTORS FOR APPROVAL.

PURCHASE PROPOSALS FOR EACH PROJECT SHOULD NOT BE SPLITTED IN ORDER TO FIT WITH IN THE POWERS OF ABOVE AUTHORITIES UNDER ANY SITUATION.

FOR CONDUCTING PRICE NEGOTIATION AS PER PARA 5. 7 OF PURCHASE MANUAL, SEPARATE APPROVAL OF CUNCURRING AUTHORITY (COMPETENT TO APPROVE PURCHASE PROPOSALS) IS NOT REQUIRED. HOWEVER PRE-AUDIT CLEARNANCE IS REQUIRED BEFORE PNC FOR ESTABLISHMENT OF L1 STATUS.

WHEN NEGOTIATED L1 PRICE IS MORE THAN THE ESTIMATED PRICE:-

(i) THE PRICE WITHIN THE LIMITS OF RS. 10 LAKHS BUT ABOVE 10% - APPROVAL OF CONCERNED FUNCTIONAL DIRECTOR WITH CONCURRENCE OF GM(F)
(ii) L1 NEGOTIATED PRICE ABOVE Rs. 10 LAKHS AND ABOVE 10% OF ESTIMATION - APPROVAL OF C&MD WITH CONCURRENCE OF D (F & C)

ALL THE PURCHASES TO BE MADE AS PER THE PROCEDURES LAID DOWN IN THE PURCHASE MANUAL EXCEPT THE PROCEDURES LAID DOWN IN THIS SUB-DELEGATION.

ALL ESTIMATED SEALED COVERS WILL BE OPENED BY TENDER OPENING COMMITTEE AFTER OPENING OF THE PRICE BIDS ON THE SAME DAY BUT NOT IN THE PRESENCE OF THE TENDERERS.

1. Technical Negotiation Committee (TNC)
   1) GM/AGM/HOD(Indenting Dept ) - Chairman
   2) DGM/Sr. Manager (Indenting Dept.) - Member
   3) Respective dealing Officer of Purchase Dept - Member
   4) Respective dealing Officer of Indenting Dept - Convener

2. PURCHASE COMMITTEES

   A. The Purchase Committee No. I constitute the following:
      Sr. Manager (Purchase)
      M (Finance) / Sr. Manager (Finance)
      Sr. Manager (Indenting Department)
      The dealing Purchase Officer / M (Purchase) will be the convener of PC-I

   B. Purchase Committee No. II constitutes the following:
      AGM (Purchase) / DGM (Purchase)
      DGM (Finance) / Sr. Manager (Finance)
      AGM / HODs / HODs in charge (Indenting Dept.)
      The dealing Manager / Sr. Manager (Purchase) will be the convener of PC-II
C. **The Purchase Committee No. III constitutes the following:**
   General Manager (Purchase) / Addl. General Manager (Purchase)
   Addl. General Manager / Deputy General Manager (Finance)
   General Manager / Addl. General Manager (Indenting department)
   The DGM / AGM (P&M) will be the convener.

D. **The Purchase Committee No. IV constitutes the following:**
   Concerned Functional Director
   General Manager (Finance)/ Addl. General Manager (Finance)
   General Manager / Addl. General Manager (Indenting department)
   GM / AGM (Purchase) will be the convener

3. **Purchase Negotiation Committee constitutes the following:**
   For purchase proposals beyond Rs.1.00 Cr. up to Rs. 5.00 Cr. in respect of Sl. No.3,4,6 & 7 of above delegation of purchase powers which requires approval of C & MD and for Proposals beyond Rs. 5 Crore up to Rs.20 Crores which requires approval of the Procurement Sub-Committee of the Board(PSC)
   Director (Finance & Commercial)
   Concerned Functional Director
   Concerned GM/HOD from Intending Department
   Concerned GM/HOD will be the convener

4. **Purchase Negotiation Committee for Proposals beyond Rs.20 Crores which requires approval of the Board**
   Chairman & Managing Director
   Director (Finance & Commercial)
   Concerned Functional Director
   Concerned GM/HOD from Intending Department
   Concerned GM/HOD will be the convener

II. **Delivery Extension:**
Whenever the supplier makes a request to HSL for delivery extension before the expiry of contractual delivery date giving the reasons for the revised delivery period / date, such request will be examined by Purchase Department. In case of vessel items request for delivery extension will be referred to production planning and project management department and their comments are obtained as to whether the revised delivery would affect the project schedule. Similarly in case of capital items Plant Maintenance Department’s comments / recommendations are to be obtained. Based on their comments, delivery extension will be processed and put up for approval as per delegation of authority which approves the placement of original order. The delivery extension in case of standard stock items and rate contract items however, shall be put up directly for approval of G.M / AGM (Purchase & Materials) as has been followed hitherto.

III. **L.D Waiver:**
These are the cases where materials / equipment are dispatched after contractual delivery date and levy of liquidated damages becomes applicable. In such cases also, vendors may request for waiver on delivery damages. Such proposals can be considered and approved as per the following delegation of powers with concurrence of associated of finance.

<table>
<thead>
<tr>
<th>LD Value</th>
<th>Approving Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Upto Rs. 25,000</td>
<td>A.G.M.</td>
</tr>
<tr>
<td>b) Rs. 25,000 – 50,000</td>
<td>G.M.</td>
</tr>
<tr>
<td>c) Rs. 50,000 – 1 Lakh</td>
<td>Director</td>
</tr>
<tr>
<td>d) Above 1 Lakh</td>
<td>C &amp; MD</td>
</tr>
</tbody>
</table>
**FORMAT FOR TENDERS RECEIVED REGISTER**

<table>
<thead>
<tr>
<th>SL.NO.</th>
<th>DATE</th>
<th>TENDER NO. / REFERENCE</th>
<th>DUE DATE</th>
<th>NAME OF VENDOR</th>
<th>DATE OF RECEIPT</th>
<th>TIME OF RECEIPT</th>
<th>NATURE OF DELIVERY</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>** HD/ GD/ COURIER</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Note: ** HD – Hand Delivered  
GD – General Department
**MINISTRY OF SHIPPING, ROAD TRANSPORT AND HIGHWAYS**
(Chartering Wing)
(Shipping Co-ordination Committee)

Particulars of Cargoes for which Shipping space is required to be arranged by the Shipping Co-ordination Committee
For M/s. HINDUSTAN SHIPYARD LIMITED, VISAKHAPATNAM – 530 005

<table>
<thead>
<tr>
<th>Sl No</th>
<th>Name of the Supplier (Shipper)</th>
<th>Name of the consignee with Telegraphic / Postal Address</th>
<th>Description</th>
<th>Qty</th>
<th>Cargo available whether ship loads / parcels</th>
<th>Period which shipment to be completed</th>
<th>Port of Loading</th>
<th>Discharge</th>
<th>Nature of Contract - FOB / CIF</th>
<th>Any special conditions relating to shipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>M/s. HINDUSTAN SHIPYARD LIMITED, GANDHIGRAM, VISAKHAPATNAM – 530 005 (INDIA)</td>
<td></td>
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<td></td>
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<td></td>
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<td></td>
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</tr>
</tbody>
</table>

Note: The form should be filled in and sent (IN TRIPLICATE) to the Secretary Co-ordination Committee, Department of Shipping on the date on which the relevant contract is finalized.
Dear Sirs,

Sub: Marine Insurance coverage for the cargo sent by Sea / Air under our open policy.

We shall thank you to arrange Marine Insurance Coverage for the cargo dispatched by Sea / Air under our open policy. The pertinent details of the cargo are furnished hereunder for needful action in this regard:

1. Bill of Lading No. :
2. Name of Vessel :
3. From : To :
4. No. of cases / pkgs :
5. Weight :
6. HSL Purchase Order ref :
7. Description of materials :
8. FOB value in Foreign currency :
9. Foreign Exchange rate adopted
10. FOB Value in Indian Rupees
11. Freight and Insurance @ 10% (estimated) on S.No.(10) above
12. CIF value (10 + 11)
13. Whether Non-Electronic or Electronic

We request you to acknowledge the receipt of this letter and arrange to do for needful.

Thanking you,

Yours faithfully,

CC to: Secretary’s Office (Insurance Wing)
        Clearance Dept.
CC to: Clearance Dept.
**TIME FRAME FOR PROCUREMENT**  
(UNDER SINGLE AND TWO-BID SYSTEMS)

* This may vary as per the type of tender floated.

<table>
<thead>
<tr>
<th>SI</th>
<th>Activity</th>
<th>Under</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Single Bid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Two-Bid</td>
</tr>
<tr>
<td>1</td>
<td>Vetting and Registration of Indent</td>
<td>1 week</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 week</td>
</tr>
<tr>
<td>2</td>
<td>Vendor Selection and preparation of RFP</td>
<td>1 week</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 week</td>
</tr>
<tr>
<td>3</td>
<td>CA’s approval and floating of RFP</td>
<td>1 week</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 week</td>
</tr>
<tr>
<td>4</td>
<td>Time allowed for submission of offers</td>
<td>1 to 3 weeks*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 to 3 weeks*</td>
</tr>
<tr>
<td>5</td>
<td>Opening of technical bid &amp; technical evaluation by TEC</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 weeks</td>
</tr>
<tr>
<td>5A</td>
<td>Preparation of brief for the TNC, issuing notice for the TNC and actual conduct of TNC meeting</td>
<td>4 weeks</td>
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<tr>
<td></td>
<td></td>
<td>4 weeks</td>
</tr>
<tr>
<td>6</td>
<td>Submission of proposal for opening of commercial bids and preparation of CS, vetting etc.,</td>
<td>2 weeks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 weeks</td>
</tr>
<tr>
<td>6A</td>
<td>Preparation of brief for the PNC, issuing notice for the PNC and actual conduct of PNC meeting</td>
<td>3 weeks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 weeks</td>
</tr>
<tr>
<td>7</td>
<td>Submission of proposal for procurement as per delegation of powers</td>
<td>1 week</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 week</td>
</tr>
<tr>
<td>7A</td>
<td>Finance concurrence &amp; CA’s approval of the purchase /outsourcing proposal as per delegation of powers</td>
<td>2 weeks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 weeks</td>
</tr>
<tr>
<td>8</td>
<td>Preparation and despatch of the Supply Order/ work order / signing of the contract</td>
<td>1 week</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 week</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>17 to 20 weeks</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>20 to 23 weeks</strong></td>
</tr>
</tbody>
</table>
## Specific clauses applicable to Ship Repairs

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Clause No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3.4 (J) Ch III</td>
<td>Purchase Indents for material for Ship repairs works to be raised by officer authorized by concerned section in charge.</td>
</tr>
<tr>
<td>2</td>
<td>4.3 Ch IV</td>
<td>Proprietary Article certificate shall be issued along with the indent as per the following delegation:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(a) Up to Rs. 10.0 Lakhs GM(SR)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(b) Above Rs. 10.0 Lakhs Functional Director</td>
</tr>
<tr>
<td>3</td>
<td>4.24 Ch IV</td>
<td>The requirement of sending the indent to General stores prior initiating procurement is dispensed with for SR division.</td>
</tr>
<tr>
<td>4</td>
<td>5.5 (g) Ch V</td>
<td>If it is not possible to prepare cost estimates and forward along with the Indent, due to inadequacy of past data, technical expertise or non-availability of relevant financial yard sticks, prior approval of the GM (SR) shall be obtained for not preparing the cost estimate and a copy of the same forwarded along with the Indent to the concerned Purchase Department. However, under all circumstances, the cost estimates are to be made available to the Purchase Department, well in advance before the closing date of the Tender.</td>
</tr>
<tr>
<td>5</td>
<td>7.60 (e) Ch VII</td>
<td>In case of SR division material so procured under local purchase / imprest amount will be handed over to the indenter without raising GRN. Delivery Challan &amp; Invoice (copies) will be submitted to SR (F) section to enable replenishment of imprest amount.</td>
</tr>
<tr>
<td>6</td>
<td>9.53 Ch IX</td>
<td>In case of SR division the time lines shall be as follows:</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Advertised or Open or Public or Global tender</strong></td>
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<tr>
<td></td>
<td></td>
<td><strong>Limited tender aiming at global participation along with Indigenous</strong></td>
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<td></td>
<td></td>
<td><strong>Limited tender (Indigenous)</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Limited tender restricted to local market</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Single tender for Proprietary items &amp; Govt. controlled price</strong></td>
</tr>
<tr>
<td>7</td>
<td>5.5 Ch V</td>
<td>The preparation of estimates are exempted for OEM jobs / hiring of OEM service engineers.</td>
</tr>
<tr>
<td>8</td>
<td>9.15 Ch IX</td>
<td>To add –</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Stage payments (not exceeding three stage payments) may be allowed if repair duration of Vessels is more than six months as per following.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(a) For service contracts less than Rs. 5 lakhs, no Bank guarantee or indemnity bond is necessary.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(b) For service contracts more than Rs. Rs. 5 lakhs, amounts paid will have to be covered by bank Guarantee or indemnity bond, as the case may be, till job completion.</td>
</tr>
</tbody>
</table>