



GRSE LTD.

Procurement Manual Fifth Edition



गार्डन रीच शिपबिल्डर्स एण्ड इंजीनियर्स लिमिटेड
Garden Reach Shipbuilders & Engineers Ltd.



In Pursuit of Excellence & Quality in Shipbuilding



PROCUREMENT MANUAL 2024

Edition 5
March 2024

गार्डन रीच शिपबिल्डर्स एण्ड इंजीनियर्स लिमिटेड
Garden Reach Shipbuilders & Engineers Limited



VISION

To become a “Navratna” Company by 2030 and be globally recognised as best Indian Shipyard

MISSION

- **To be self-reliant in design capability and deploy state-of-the-art manufacturing processes.**
- **To build Quality Warships at competitive prices, exceeding customer’s expectation in terms of delivery time and product support.**
- **To achieve sustained growth through customer satisfaction, product innovation, capturing export potential, employee and other stakeholder engagement and talent development.**
- **Leverage GoI Initiatives and Technology to “Reform & Transform” in all spheres of operations to reach the “Next Level of Performance”.**

**FOREWORD**

GRSE is a Premier Defence Shipyard involved in large-scale procurement of equipment/systems towards ship construction. To institute a strong system-oriented functioning along with simplification, cost efficiency, speed and transparency in the purchase management, Procurement Manual Edition V March 2024 is being promulgated.

The feedback received in implementation of Procurement Manual Edition IV and change in Govt. policies, internal rules & regulation, systems, procedures, standards and norms during the intervening period have been evaluated and incorporated appropriately in the present version of Procurement Manual Edition V, so as to enable the concerned departments to take expeditious decisions without compromising on the procedures and guidelines.

I am confident that the present edition of Procurement Manual will ensure implementation of uniform policies and procedures in an improved, transparent and effective manner. This manual will prove very useful as a HAND BOOK for all professionals and others related to the purchase function in GRSE.

I compliment all those who contributed successfully in compiling this Manual especially the team led by GM(Commercial) for meticulous compilation and publishing of the Procurement Manual, Edition-V.

Comde PR Hari, IN (Retd)
Chairman & Managing Director



PREFACE

Atmanirbhar Bharat Abhiyaan or Self-Reliant India campaign has led to a paradigm shift in Defence Manufacturing. Shipyards are poised to focus on indigenization and creating public private partnership in defence shipbuilding. Benchmarking, achieving best business practices, quality infrastructure, gearing up performance with optimum public and captive resources demand transparency and efficiency in operation and procedure.

Procurement contributes to nearly 60% to 70% of total cost of products and plays an important role in supply chain management with ultimate objective of improving overall performance by reducing time and cost. The business process for procurement are required to be streamlined by reducing non-value-added tasks, and at the same time it has to be transparent to the vendors and business partners, as well as internal customers and clients. Procurement procedure are also subject to surveillance by statutory Authorities from Vigilance, Ministry and Audit Departments.

With this objective, Procurement Manual Edition V approved in March 2024 has been published with simplification and streamlining the process of tendering and negotiations, with thrust on reduction of procurement timelines, indigenization, reducing import content and procurement through GeM platform.

This Procurement Manual has been prepared in consonance to Manual for Procurement of Goods issued by Department of Expenditure, Ministry of Finance, Government of India, GFR 2017, MSME guidelines issued Government of India, CVC guidelines and various Public Procurement Principles. The new manual is the fruition of over one-year long deliberations on multiple functional areas and various guidelines from Ministry of Defence, Department of CVC, other Government Shipyards and other statutory bodies.

The new Procurement Manual has also captured the various technology-based initiatives by commercial department so as to add efficiency, speed and simplicity in processing the indents to finalise contracts with vendors and also ensure timely delivery of material to the production department.

I would like to acknowledge the valuable contribution made by all concerned departments. I will also like to commend Sri Rajen Kumar Saha, SM(NCM-IMP), who has compiled the Manual under guidance and supervision of Sri Sujoy Chakravorty, GM(Commercial). Appreciation is also due to Sri K. K. Dhara, AGM(F-FC), Sri B. Karmakar, DGM(NCM), Sri Suman Bikas Saha, SM(F-FC), Sri Saraswata Palit, SM(Purchase), Sri Partha Sarathi Bose, SM(Purchase), Smt. Tumpa Gargary (Dana), SM(Purchase) and Finance team for their diligent and thoughtful inputs.

GRSE LIMITED
March 2024



Cdr. Shantanu Bose, IN (Retd)
Director (Shipbuilding)



Disclaimer

While every care has been taken to ensure that the contents of this manual are accurate and up to date till Dec 2022, the procuring department are advised to check the precise current provisions of law and other applicable instructions from Competent Authority. In case of any conflict between the provisions stipulated in this manual and in the original source such as GFR or the prevailing laws, the provisions contained in the extant law and the original instructions shall prevail.



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**ABBREVIATION AND ACRONYMS**

AMC	Annual Maintenance Contract	CFR	Cost and Freight
ACASH	Association of Corporations and Apex Societies of Handlooms	CHA	Custom House Agent
AITB	Additional Instructions to Bidders (may in some instances be called Bid Data Sheet – BDS or Tender Information Sheet - TIS)	CIF	Cost Insurance and Freight
		CIP	Carriage and Insurance Paid
		CIPP	Code of Integrity for Public Procurement
BC	Bill Currency (selling/ buying)	CMC	Comprehensive Maintenance Contract
BEE	Bureau of Energy Efficiency	COMPAT	Competition Appellate Tribunal
BG	Bank Guarantee	COTS	Commercially Off The Shelf (Items)
BIS	Bureau of Indian Standards	CPCB	Central Pollution Control Board
BOC	Bid Opening Committee	CPO	Central Purchasing Organizations
BSTC	Buyer Specific Terms & Conditions	CPPP	Central Public Procurement Portal
BSV	Balance Sale Value	CPSE	Central Public Sector Enterprise
C&AG	Comptroller and Auditor General (of India)	CRAC	Consignee Receipt and Acceptance Certificate
CA	Competent Authority	CST	Central Sales Tax
CAPEX	Capital Expenditure (model of acquisition/ procurement)	CVC	Central Vigilance Commission
CBI	Central Bureau of Investigation	CVO	Chief Vigilance Officer
CCI	Competition Commission of India	DCF	Discounted Cash Flow



DFPR	Delegation of Financial Power	DDO	Direct Demanding Officer (for RCs)
DGS&D	Directorate General of Supplies and Disposals	GeMAR&PTS	GeM Availability Report and Past Transaction Summary
DPIIT	Department for Promotion of Industry and Internal Trade	GFR	General and Financial Rules, 2017
DSC	Digital Signature Certificate	Gol	Government of India
eASP	E-Auction Service Provider	GRIR	Goods Receipt and Inspection Report
ECS	Electronic Clearing System	GTC	General Terms & Conditions
EFT	Electronic Funds Transfer	GTE	Global Tender Enquiry
EMD	Earnest Money Deposit	HOD	Head of the Department
Eol	Expression of Interest (Tender)	IEM	Independent External Monitor
EPM	Export Promotion and Marketing	INCOTERMS	International Commercial Terms
ERV	Exchange Rate Variation	IP	Integrity Pact
EXIM	Export Import (Policy)	IRDA	Insurance Regulatory and Development Authority
FA (&CAO)	Financial Adviser (and Chief Accounts Officer)	ISI	Indian Standards Institute
FAS	Free Alongside Ship	ISO	International Organization for Standardization
FC	Framework Contract	ITB	Instructions to Bidders (may in some instance be called Instructions to Tenderers - ITT)
FEMA	Foreign Exchange Management Act	ITJ	Indian Trade Journal
FM	Force Majeure	JLG	Joint Liability Group
FOB	Free On Board	KPIs	Key Performance Indices



FOR	Free On Rail	KVIC	Khadi and Village Industries Commission
FOT	Free On Truck	L1	Lowest Bidder
GCC	General Conditions of Contract	LC	Letter of Credit
GCS	General Conditions of Sale	OPEX	Operating Expense (model of acquisition/ procurement)
GeM	Government Electronic Market	OPMs	Original Parts Manufacturers
LCC	Life Cycle Costing	OTE	Open Tender Enquiry
LD	Liquidated Damages	PAC	Proprietary Article Certificate
LoA	Letter (Notification) of Award also called Acceptance of Tender (A/T)	PBG	Performance Bank Guarantee, also see SD
LPP	Last Purchase Price	PC	Producer Companies
LTE	Limited Tender Enquiry	PPD	Procurement Policy Division, Department of Expenditure, Ministry of Finance
M&P	Machinery and Plant	PPP	Public Private Partnership
Meit	Ministry of Electronics and Information Technology	PPP-MII	Public Procurement (Preference to Make in India), Order
MoEF	Ministry of Environment and Forests	PQB	Pre-qualification Bidding
MRP	Maximum Retail Price	PQC	Pre-qualification Criterion
MSE	Micro and Small Enterprise	PR	Purchase Requisition/ Indent
MSME(D)	Micro Small and Medium Enterprises (Development Act, 2006)	PSU	Public Sector Undertaking
MSTC	Metal Scrap Trading Corporation	PVC	Price Variation Clause



NEFT	National Electronic Funds Transfer	QA	Quality Assurance
NIC	National Informatics Centre	RA/eRA	Electronic Reverse Auction
NIT	Notice Inviting Tender	RBI	Reserve Bank of India
NSIC	National Small Industries Corporation	RC	Rate Contract (or Framework Contract FC)
NTH	National Test House	(S) RfP	(Standard) Request for Proposals (Document)
OEM	Original Equipment Manufacturer	RTGS	Real Time Gross Settlement
OES	Original Equipment Suppliers	TCS	Tax Collected at Source
RTI	Right to Information	TDS	Tax Deducted at Source
SBD	Standard Bidding Document	ToR	Terms of Reference
SC	Survey Committee	TS	Technical Specification
SCC	Special Conditions of Contract	UAM	Udyam Aadhaar Memorandum
SD	Security Deposit, also see SDBG	UCP 600	The Uniform Customs and Practice for Documentary Credits (UCPDC or simply UCP)
SHG	Self Help Group	UNCITRAL	United Nations Commission on International Trade Law
SLA	Service Level Agreement	URC	Udyam Registration Certificate
SLTE	Special Limited Tender (Enquiry)	URDG 758	Uniform Rules for Demand Guarantees
SoPP	Schedule of Procurement Powers	VAT	Value Added Tax
SPCB	State Pollution Control Board	VfM	(Best) Value for Money
STA	Subject to Acceptance	WOL	Whole of Life (Cost) or Total Cost of Ownership TCO



STC	Special Terms & Conditions
STE	Single Tender Enquiry
TC	Tender Committee also called Tender Purchase or Evaluation Committee (TPC/ TEC)
TCO	Total Cost of Ownership

**PROCUREMENT GLOSSARY**

In this Manual and in the 'Procurement Guidelines', unless the context otherwise requires¹:

- (a) "Bid" (including the term 'tender', 'offer', 'quotation' or 'proposal' in certain contexts) means an offer to supply goods, services or execution of works made in accordance with the terms and conditions set out in a document inviting such offers;
- (b) "Bidder" (including the term 'tenderer', 'consultant' or 'service provider' in certain contexts) means any eligible person or firm or company, including a consortium (that is an association of several persons, or firms or companies), participating in a procurement process with a procuring entity;
- (c) "(Standard) Bid(ding) documents" (including the term 'tender (enquiry) documents' or 'Request for Proposal Documents' – RFP documents in certain contexts) means a document issued by the procuring entity, including any amendment thereto, that sets out the terms and conditions of the given procurement and includes the invitation to bid. A Standard (Model) Bidding Document is the standardised template to be used for preparing Bidding Documents after making suitable changes for specific procurement;
- (d) "Bidder registration document" means a document issued by a procuring entity, including any amendment thereto, that sets out the terms and conditions of registration proceedings and includes the invitation to register;
- (e) "Bid security" (including the term 'Earnest Money Deposit'(EMD), in certain contexts) means a security from a bidder securing obligations resulting from a prospective contract award with the intention to avoid: the withdrawal or modification of an offer within the validity of the bid, after the deadline for submission of such documents; failure to sign the contract or failure to provide the required security for the performance of the contract after an offer has been accepted; or failure to comply with any other condition precedent to signing the contract specified in the solicitation documents.;

¹ The main preferred term is within the inverted commas. Alternative equivalent terms used in certain contexts, if any, are listed in the brackets. Text within brackets is not considered for sort-order of terms.



- (f) “Central Public sector enterprise” means a body incorporated under the Companies Act or established under any other Act and in which the Central Government or a Central enterprise owns more than 50 per cent of the issued share capital;
- (g) “Central Purchase Organisation” means a procuring entity which is authorised by the Government of India by an order, made in this behalf, to make procurement for one or more procuring entities. However, Government can authorise other Organisations for specific categories of materials;
- (h) “Class-I local supplier” means a supplier or service provider, whose goods, services or works offered for procurement, meet the minimum local content as prescribed for ‘Class-I local supplier’ under the Public Procurement (Preference to Make in India), Order 2017²;
- (i) “Class-II local supplier” means a supplier or service provider, whose goods, services or works offered for procurement, meets the minimum local content as prescribed for ‘Class-II local supplier’ but less than that prescribed for ‘Class-I local supplier’ under the Public Procurement (Preference to Make in India), Order 2017;
- (j) “Competent authority” means the officer(s) who finally approves the decision.
- (k) “Consultancy services” means a one-off (that is, not repetitive and not routine) services, involving project specific intellectual and procedural processes using established technologies and methodologies but the outcomes – which are primarily of non-physical nature – may not be standardised and would vary from one consultant to another. It may include small works or supply of goods which are incidental or consequential to such services;
- (l) “e-Procurement” means the use of information and communication technology (specially the internet) by the procuring entity in conducting its procurement processes with bidders for the acquisition of goods (supplies), works and services with the aim of open, non-discriminatory and efficient procurement through transparent procedures;

²Notified vide Order No. P-45021/2/2017-PP (BE-II) issued by Department of Promotion of Industry and Internal Trade dated 16.09.2020

³Notified vide Order No. P-45021/2/2017-PP (BE-II) issued by Department of Promotion of Industry and Internal Trade dated 16.09.2020



- (m) "Goods" includes all articles, material, commodity, livestock, medicines, furniture, fixtures, raw material, consumables, spare parts, instruments, machinery, equipment, industrial plant, vehicles, aircrafts, ships, railway rolling stock assemblies, sub-assemblies, accessories, a group of machines comprising an integrated production process or such other categories of goods or intangible, products like technology transfer, licenses, patents or other intellectual properties (but excludes books, publications, periodicals, etc., for a library), procured or otherwise acquired by a procuring entity. Procurement of goods may include certain small work or some services, which are incidental or consequential to the supply of such goods, such as transportation, insurance, installation, commissioning, training and maintenance;
- (n) "Indenter" (or the term 'User (Department)' in certain contexts) means the entity and its officials initiating a procurement indent, that is, a request to the procuring entity to procure goods, works or services specified therein;
- (o) "Inventory" means any material, component or product that is held for use at a later time;
- (p) "Invitation to (pre-) qualify" means a document including any amendment thereto published by the procuring entity inviting offers for pre-qualification from prospective bidders;
- (q) "Invitation to register" means a document including any amendment thereto published by the procuring entity inviting offers for bidder registration from prospective bidders;
- (r) "Local Content" means the amount of value added in India which shall, unless otherwise prescribed by the Nodal Ministry, be the total value of the item procured (excluding net domestic indirect taxes) minus the value of imported content in the item (including all customs duties) as a proportion of the total value, in percent⁴.
- (s) "Non-consultancy services" includes services of physical and procedural nature and are bid and contracted on the basis of performance of a measurable physical output, and for which performance standards can be clearly identified and consistently applied such as drilling, aerial photography, satellite imagery, mapping and similar operations. It may include small works or supply of goods which are incidental or consequential to such services;

⁴Notified vide Order No. P-45021/2/2017-PP (BE-II) issued by Department of Promotion of Industry and Internal Trade dated 16.09.2020



- (t) "Non-Local supplier" means a supplier or service provider, whose goods, services or works offered for procurement, has local content less than that prescribed for 'Class-II local supplier' under the Public Procurement (Preference to Make in India), Order 2017⁵;
- (u) "Notice inviting tenders" (including the term 'Invitation to bid' or 'request for proposals' in certain contexts) means a document and any amendment thereto published or notified by the procuring entity, which informs the potential bidders that it intends to procure goods, services and/or works.;
- (v) "Pre-qualification (bidding) procedure" means the procedure set out to identify, prior to inviting bids, the bidders that are qualified to participate in the procurement;
- (w) "Pre-qualification document" means the document including any amendment thereto issued by a procuring entity, which sets out the terms and conditions of the pre-qualification bidding and includes the invitation to pre-qualify;
- (x) "Procurement" or "public procurement" (or 'Purchase', or 'Government Procurement/ Purchase' in certain contexts) means acquisition by way of purchase, lease, license or otherwise, either using public funds or any other source of funds (e.g. grant, loans, gifts, private investment etc.) of goods, works or services or any combination thereof, including award of Public Private Partnership projects, by a procuring entity, whether directly or through an agency with which a contract for procurement services is entered into, but does not include any acquisition of goods, works or services without consideration, and the term "procure" or "procured" shall be construed accordingly;
- (y) "Procurement contract" (including the terms 'Purchase Order' or 'Supply Order' or 'Withdrawal Order' or 'Work Order' or 'Consultancy Contract' or 'Contract for Services' under certain contexts), means a formal legal agreement in writing relating to the subject matter of procurement, entered into between the procuring entity and the supplier, service provider or contractor on mutually acceptable terms and conditions and which are in compliance with all the relevant provisions of the laws of the country. The term "contract" will also include "rate contract" and "framework contract";

⁵Notified vide Order No. P-45021/2/2017-PP (BE-II) issued by Department of Promotion of Industry and Internal Trade dated 16.09.2020



- (z) “(Public) Procurement Guidelines” means guidelines applicable to Public Procurement, consisting of under relevant context a set of – i) Statutory Provisions (The Constitution of India; Indian Contract Act, 1872; Sales of Goods Act, 1930; and other laws as relevant to the context); ii) Rules & Regulations (General Financial Rules, 2017; Delegation of Financial Power Rules and any other regulation so declared by the Government); iii) Manuals of Policies and Procedures for Procurement (of Goods; Works; Consultancy Services or any for other category) promulgated by the Ministry of Finance and iv) Procuring Entity’s Documents relevant to the context (Codes, Manuals and Standard/ Model Bidding Documents);
- (aa) "Procurement process" means the process of procurement extending from the assessment of need; issue of invitation to pre-qualify or to register or to bid, as the case may be; the award of the procurement contract; execution of contract till closure of the contract;
- (bb) “Procuring authority” means the officer who finally approves as well as those officials and committee members who submit the notes/reports for the approval for any decision.
- (cc) "Procuring entity" means any Ministry or Department of the Central Government or a unit thereof or its attached or subordinate office to which powers of procurement have been delegated;
- (dd) "Prospective bidder" means anyone likely or desirous to be a bidder;
- (ee) "Public Private Partnership" means an arrangement between the central, a statutory entity or any other Government-owned entity, on one side, and a private sector entity, on the other, for the provision of public assets or public services or both, or a combination thereof, through investments being made or management being undertaken by the private sector entity, for a specified period of time, where there is predefined allocation of risk between the private sector and the public entity and the private entity receives performance-linked payments that conform (or are benchmarked) to specified and predetermined performance standards, deliverables or Service Level agreements measurable by the public entity or its representative;
- (ff) "Rate contract" (or the term ‘framework agreement’ in certain contexts) means an agreement between a Central Purchase Organisation or procuring entity with one or more bidders, valid for a specified period of time, which sets out terms and conditions under which specific procurements can be made during the term of the agreement and may include an agreement on prices which may be either



predetermined or be determined at the stage of actual procurement through competition or a predefined process allowing their revision without further competition;

- (gg) "Registering authority" means an authority which registers bidders for different categories of procurement.
- (hh) "Registered Supplier" means any supplier who is on a list of registered suppliers of the procuring entity or a Central Purchase Organisation;
- (ii) "Reverse auction" (or the term 'Electronic reverse auction' in certain contexts) means an online real-time purchasing technique utilised by the procuring entity to select the successful bid, which involves presentation by bidders of successively more favourable bids during a scheduled period of time and automatic evaluation of bids;
- (jj) "Service" means any subject matter of procurement other than goods or works, except those incidental or consequential to the service, and includes physical, maintenance, professional, intellectual, training, consultancy and advisory services or any other service classified or declared as such by a procuring entity but does not include appointment of an individual made under any law, rules, regulations or order issued in this behalf;
- (kk) "Subject matter of procurement" means any item of procurement whether in the form of goods, services or works or a combination thereof;
- (ll) "Works" refer to any activity, sufficient in itself to fulfil an economic or technical function, involving construction, fabrication, repair, overhaul, renovation, decoration, installation, erection, excavation, dredging, and so on, which make use of a combination of one or more of engineering design architectural design, material and technology, labour, machinery and equipment. Supply of some materials or certain services may be incidental or consequential to and part of such works. The term "Works" includes (i) civil works for the purposes of roads, railway, airports, shipping-ports, bridges, buildings, irrigation systems, water supply, sewerage facilities, dams, tunnels and earthworks; and so on, and (ii) mechanical and electrical works involving fabrication, installation, erection, repair and maintenance of a mechanical or electrical nature relating to machinery and plants.

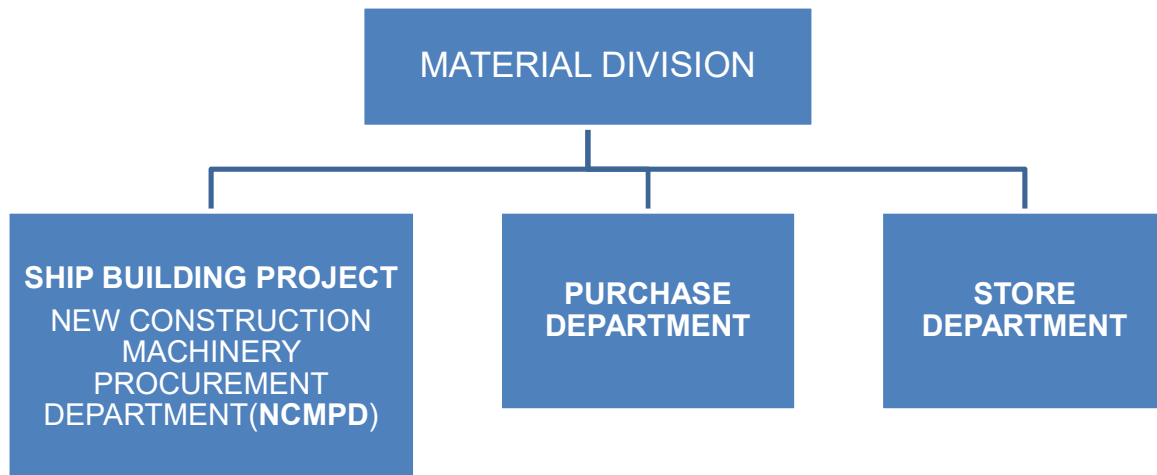


CHAPTER 1

ORGANISATION STRUCTURE & FUNCTIONS

1.1 ORGANISATION

- (a) The Material Division is subdivided into three major departments namely New Construction Machinery Procurement, Purchase and Stores as depicted below:-



1.2 RESPONSIBILITY OF PROCUREMENT/PURCHASE DEPARTMENT

1.2.1 New Construction Machinery Procurement Department (NCMPD)

- (a) New Construction Machinery Procurement Department (NCMPD) will procure items related with shipbuilding, which include all indigenous items manufactured as per Drawing/SOTR issued by GRSE and service (associated with material being procured) of OEM's engineers for shipbuilding against indents received from CDO/ Berth/PP&C. Each Ship Project shall be assigned to individual groups within in NCMPD.
- (b) Import & Export Cell. All imported materials, equipment required by any Department of GRSE (other than Shipbuilding) will also be procured by NCMP Department for which the respective user Department such as Deck Machinery, DEP Ranchi, Bailey Bridge, Non-Ship Building Projects etc. will be responsible for issuance of tender



enquiry and obtain the offer. SM (Import) may be consulted with respect to Commercial terms and other import requirements prior finalizing purchase proposal. After completion of all commercial and technical process and evaluation of L1 bidder, dealing division/ department shall **forward the approved Purchase Proposal** along with Indent, Ordering SOTR, Drawing and other relevant documents to NCMPD-IMP for placement of order. Subsequent processing till delivery of material shall be done by Import Section. Post-delivery formalities are to be carried out by the user / concern division/ department. *Details are mentioned in Chapter-11.*

- (c) E-Procurement Cell: All E-tenders of GRSE are handled by E Procurement cell functioning under NCMPD. (Details *mentioned in Chapter-14*).

1.2.2 Purchase Department

Purchase Department will cater for all requirements related with:

- (a) Stock items, steel, timber, tools, canteen raw materials (rice, groceries, vegetables, fish, egg, sugar, biscuit, tea), safety items etc. in the nature of industrial gases (including commercial LPG), welding consumables, Aluminium plates & sections, Diesel oil, AVCAT oil, Gear oil, Grease, Lubricants, Welding Cables & Hoses, computer & peripherals, standard electrical switches, bulbs & lamps, stationery items, galvanized steel / copper / Cu-Ni tubes, plywood, MPL sheet, tackles, Pressure & Temperature gauges etc.
- (b) Other items commercially available off the shelf only (COTS item).
- (c) Selected standard indigenous bought-out items for shipbuilding requirements not being arranged by New Construction Machinery Procurement Department such as Paints, Electric Cables, Insulation Material, standard measuring instruments, wire ropes, POLs, Deck covering items, CNAL items, Allowance list items, CRETE, navigational instruments, Firefighting Equipment (Portable), Life Saving appliances (other than Life Raft), standard furniture, fasteners, chemicals & resins etc.
- (d) Off the shelf items required for Break-down repairs and maintenance of GRSE equipment– individual items which are of more than Rs. 50,000/- value or as per maximum limit approved by the competent authority from time to time.



- (e) Capital Goods including Computers & IT equipment not available through GeM.
- (f) Safety welfare commodities like employees' uniform, raincoats, safety shoes, hand gloves, helmets, goggles, mask, leather aprons, earplugs, leg-guard, gumboot mementos for long service of employees and retirement.
- (g) Standard bought-out items for all projects (if requested) and consumables.
- (h) Non-standard categories of small tools costing more than Rs.50,000/-.
- (i) Medicines and medical consumable (like- cotton wool / bandage/ small medical instruments etc.).

1.3 PROCUREMENT FUNCTION

1.3.1 Primary Function

- (a) To ensure steady inflow of raw material, components, equipment, consumables, spares and services including system erection and sub contracted outputs of the required quality from the right source at the most economical price.
- (b) To endeavour to match supply schedule with the production requirement/schedule given by respective department (planning/user).
- (c) To match the rate of supply with rate of demand in order to meet the needs of production.
- (d) To ensure availability of right material at the right time, right price and right quantity.
- (e) To ensure minimum inventory level consistent with market conditions.
- (f) To procure from registered vendors as far as practicable
- (g) Assist Vendor Registration (VR) cell in development of new suppliers, manufacturers etc wherever possible with assistance of user departments



- (h) Submit non-performance reports in respect of delinquent Vendors.
- (i) To endeavour for cost reduction and price advantage for optimization of purchase.
- (j) To control and respect financial cannons/commitments.
- (k) To maintain proper record (including MIS) of all procurement activities and production of same on demand.
- (l) To submit periodical report to management as required
- (m) To give due importance and adherence to the Vigilance guidelines and Government Policies issued from time to time.

1.3.2 Secondary Functions

- (a) To co-ordinate with the Indenting Department, Design Department, Production Department QA Department Finance Department Project Planning, Project Monitoring Team, external Inspection Agencies to meet the primary objective and function of procurement department.
- (b) To maintain cordial business relationship with the vendors as business partners or associates.
- (c) To progressively generate a data bank in SAP on lead time for items such as steel castings, steel forgings, non-ferrous items, fabricated items, Steel and also Stock Control items for reference.
- (d) Prepare procurement plan for long lead items in consultation of design and planning department.
- (e) To encourage indigenisation / import substitution as far as possible.
- (f) To provide inputs to indenter for the standardization of ship building and other items.



- (g) To coordinate receipt and release of Bank Guarantees in consultation with Finance Department.
- (h) To conclude long term supply contract for standard items and 'C' class items.
- (i) Continuous monitoring of SAP data and improvement of procurement process by reduction in cycle time.
- (j) To provide information and assistance in the specialised field of purchasing to management.
- (k) To carry out market survey for various goods towards developing a database for benchmarking.
- (l) To follow-up with suppliers till delivery of materials/execution of contract is completed. To visit the production site frequently to assess the production status.
- (m) To ensure rejection settlement within stipulated time frame based on SAP generated Rejection Note issued by Store/ RIC/ Receiving Department.
- (n) Rejections are to be notified by stores/RIC department to Procurement department (Purchase/NCM) in a standard reporting format (SAP generated) on a monthly/fortnightly consolidated basis, based on which the procurement dealing officer has to follow up with vendor for making good rejection. An e-mail concerning damage/rejection is to be sent to concerned dealing officer of procurement cell by Stores/Receipt Inspection Cell immediately upon rejection in order to save time and initiation of prompt remedial action. Email concerning damage/rejections is also to be sent to CDO and Planning department by Stores/Receipt Inspection Cell immediately for taking up the matter with customer in case of nominated supplier.
- (o) To carry out Contract Closure and Project Closure in respect of Purchase orders placed.
- (p) To create and maintain a searchable database which can be used by costing department to arrive at justified cost of vessel prior bidding.



1.4 PROCUREMENT POLICY

- (a) The procurement policy will be integrated with the company's objectives for which purpose unit wise uniform procedures, controls, monitoring and reporting systems will be followed by every purchase point of GRSE.
- (b) The procurement policy shall comply with all statutory government guidelines. Compliance to State/Central government directives shall normally be exercised through internal orders issued by Competent Authority in GRSE.
- (c) Standard Terms and Conditions or STACs for procurement of goods (and related services) at GRSE shall be approved by C&MD.
- (d) Special Commercial Terms if any, for a given project /tender shall be approved by the TC Chairman or Director in case of TC I and above.
- (e) Terms and Conditions are to be negotiated and approved such with the vendors so that GRSE's best interest is served and safe guarded.
- (f) The purchasers will discharge their duties in the most judicious manner and carry on with their work within the company's laid down policies.
- (g) Consolidate procurement of similar or common items where feasible along with staggered delivery as required in order to obtain maximum economic benefits.
- (h) Procurement will be made from approved registered and competent vendors who are experienced, qualified and competent manufacturer or from, authorized dealer/distributors/stockiest whose reputation and financial position and price structures are sufficiently adequate for consideration as a logical source of supply.
- (i) MSE Units registered with GRSE will be especially encouraged to participate in procurement process for supplies and services. Procurement of items from MSE units as per MSME policy of the Govt of India published time to time to encourage growth of MSME units and to comply with GOI circulars / notification / guidelines in this regard. For detailed guidelines refer *Chapter-21*.



- (j) Procure branded items directly from manufacturers as far as possible. Procurement from accredited and authorized dealers may be done only when manufacturers do not sell directly, cannot supply ex-stock or as per required delivery schedule or there is an advantage by way of discount in price. Manufacturers may nominate dealers from whom to procure.
- (k) Encourage Khadi/Village Industries wherever possible as per Govt. guidelines in this regard. National flag is to be procured from khadi& Village Industries Commission, Gol only.
- (l) Purchase preference will be given as per Govt. guidelines issued time to time and as applicable to PSUs.
- (m) Preference should be given to indigenous vendors as per Public Procurement (Preference to make in India) Policy issued from time to time by Gol.
- (n) Procurement of standard and common use items through Rate Contracts or long-time delivery contract, preferably for a minimum period of two years. However, if it is found that due to fall in market price of major raw materials used in the manufacture of the items for which the rate contract has been entered in to, the rate contract should contain a foreclosure clause and by virtue of which such rate contracts need to be closed & a fresh tender invited. For reference of price standard market index like, LME etc. to be referred.
- (o) Quotations are to be invited from vendors as detailed in Chapter 2.
- (p) Use of GRSE website for tender documents publication. All Limited and Open Tender having estimated value more than Rs. **2.00** lakhs are to be published in GRSE website.
- (q) In general, tenders will be issued through E-Portal. After due verification, E-Procurement cell shall forward the request to C&CP department for publishing the tender in GRSE website.
- (r) Manual tenders will only be issued in exceptional cases.



- (s) Quality of item, equipment and service should be as per technical specification / SOTR issued by indenter and shall not be compromised for price under any circumstance.
- (t) Purchaser shall maintain business ethics in all respect throughout the contract period.
- (u) Earnest Money Deposit and Security Deposit to be obtained as stipulated in *Articles 2.3 & 2.4*
- (v) Purchase Order for manufacturing of items as per drawing for projects will be placed directly to entity having own manufacturing facilities. No order for manufacturing of items as per drawing, for projects, will generally be placed on middlemen not having their own manufacturing facilities.
- (w) Change in specification or Scope of Work (SoW) after placement of order is not permitted.
- (x) Under E- Procurement platform any revision of price bid is not possible after last date and time of submission.
- (y) If a bidder offers a rebate **unilaterally** after the closing date and time of the bid, it will not be taken into account for evaluation purposes by the Tender Committee, but **if that bidder emerges as the lowest bidder**, the rebate will be taken into account with approval of TC chairman (not below DGM).
- (z) If during the course of TNC & CNC the vendor requests/offers rebate/reduced price, the same shall not be considered for L1 price determination. However, if the bidder emerges L1 then reduction may be considered at time of PNC.
- (aa) If any Bidder/Contractor/Firm is declared Bankrupt during tendering/**procurement** process, their offer **will not be considered** as valid Bid/ tender.
- (bb) All amendment of procurement policy and procedures stipulated in this manual will be issued through Ty Memo of GM(C)/D(S) post approval of C&MD.
- (cc) **Nodal Procurement Officer(SM)**. Nodal Procurement Officer(SM) is to be designated for each Project & Purchase group in Material Department. An



automatic message in SAP/System is to be generated to Nodal Officer on PR release

1.4.1 Foreign Exchange (FE) Content.

Indigenous bidders quoting for equipment having imported components should clearly state the FE Content (%) in their bids along with base exchange rate and date.

1.4.2 Tender Holiday/Restriction of Business

Tender Holiday/Restriction of Business with Vendors shall be implemented as stipulated in the 'Policy on Vendor Development' issued by QA department Guidelines of MoD on 'Procedure for Penalties in Business Dealings with Entities' has been promulgated by MoD.

1.4.3 Division of Quantity

Wherever the order quantity is divisible, the NIT shall have predefined provision to award part quantity subject to vendor's capability and GRSE's requirement.

1.4.4 New Project Procurement Terms and Conditions

SM/Project Coordinator of every project is to go through complete project contract including build spec and formulate special commercial terms for procurement of equipment, spares, document, deputation of service engineer, training etc. This set of Special Terms and Conditions are to be vetted by HOD.

1.4.5 Procurement Policy for Ship Borne Equipment in Commercial Projects

Refit and Repair of ships comprising of warships as well as commercial ships. It is essential that procurement process for this kind of business is to be undertaken on fast track basis and against back to back order from the client. Therefore, procurement procedures for this business vertical shall be compliant with the Board approved policy on "Vendor Selection at Bidding Stage", which is detailed in CHAPTER-23.

1.5 RETENTION OF RECORDS



1.5.1 Files

Every procurement case is to be recorded/processed in individual files. The procurement files are important and sensitive documents. The pages of the files shall be numbered and files stored in a suitable filing cabinet under lock and key arrangements. Unauthorised personnel shall not be permitted access to any of these documents. Every filing cabinet/shelf shall have a list of files contained in them. The records and documents generated or received during procurement proceedings are to be maintained in chronological order. The files shall be stored in an identified place and retrievable for scrutiny whenever needed without wastage of time.

1.5.2 Retention Period

- (a) On completion of all activities against a Project contract, the related procurement files are to be preserved in the designated record locker/room till expiry of applicable mandatory retention period. Subsequently, post Project Closure (or Second reading of D448), these may be destroyed with the approval of the competent authority (HoD).
- (b) Directives received from Govt of India, orders issued by CMD, Directors and HODs shall be preserved for reference and compliance till they are superseded.
- (c) Procurement manuals of past and present shall be preserved for reference.
- (d) Documents pertaining to litigation, CAG query, insurance claim etc shall be preserved up to 3-yrs after the settlement of the case.
- (e) Duration of preservation of GENERAL records shall be as given below:
 - (i) Files, papers and Documents relating to Contract, Agreement must be preserved, retained for min 08 years immediately preceding FY. In case of specific project documents, same can be preserved additionally for 02 years after project closure.
 - (ii) In cases where, objections have been raised by auditor or external agency, the relevant files and documents shall not, under any circumstances, be allowed to be destroyed till such time as the objections have been cleared to the satisfaction of the audit authorities/external agencies.



- (iii) Records connected with expenditure on projects, schemes or works not completed, although beyond the period of limitation, shall not be destroyed till such time projects, schemes or works are completed.
- (iv) Non-Essential Documents like unsolicited letters which are not relevant to any bid document issued (but excluding complaints), unwanted catalogues, intimation of business products, exhibition etc that is unlikely to serve any useful purpose in future to the organization may be disposed of after 06 months of receipt.

1.5.3 Digitisation

Every effort must be made to digitize important files. Procurement files comprising all documents related to procurement are to be digitized once Purchase Order is placed. The digitized file is to be tagged with PO number, project number and equipment name. On closure of project/procurement case balance documents in the procurement file are to be digitized and tagged with the earlier digitized documents. This digitisation will be as per the provision of IT Act.

1.6 **OTHER PURCHASE POINTS –SCOPE OF ORDERING**

- (a) GRSE has grown many-fold over the years and with that, procurement of various items and services is decentralized. Presently, there are many other departments/projects who are also engaged in the procurement function besides the Material Department.
- (b) Each department will be responsible to carry out, as and when required, buying and off-loading functions and for sake of convenience.
- (c) Officers in the respective departments who are authorised to generate a Purchase Order in SAP have been provided with a purchase group, identification code which is used as a prefix to the PO No generated from SAP. Communications regarding the respective PO shall always mention the Purchasing group code along with PO reference for easy identification of the P.O. issuing department / section.



- (d) It is, therefore, necessary to have not only a uniform procedure relating to buying but also to clearly define and communicate to others about the respective area of responsibility. This will ensure avoidance of over-lapping of purchase activities.
- (e) Other purchase points are listed in succeeding paragraphs.

1.6.1 Bailey Bridge

BB unit is located at 61 park and ancillary units shall carry out all purchase functions relating to procurement of non-standard as well as standard indigenous items connected with respective projects.

1.6.2 Deck Machinery (TU)

They shall carry out all purchase functions relating to procurement of non-standard as well as standard indigenous items connected with respective projects.

1.6.3 Diesel Engine Plant, Ranchi

DEP will arrange procurement for all indigenous items related with diesel engine production and repair / servicing when required.

1.6.4 Commercial Ship Building, Ship Repair and Export Contract (CSB)

This cell will procure of all items as per procurement procedures stated at relevant chapter of this manual.

1.6.5 Maintenance Department (Electrical)

Maintenance Department will look after the contract services for items related with the maintenance of machine tools and allied requirement.

1.6.6 Civil Construction Works /Civil Engineering. Department:

CCW/CE Department will look after all procurement/contractual work related with civil engineering work for Main Unit. Respective Works Sr. Managers will be responsible for



civil works for their units including construction, erection of civil construction on behalf of other user department

1.6.7 Administration Department:

Administration department will issue PO/Work orders for maintenance and upkeep (House Keeping) of Guest houses of the company at Kolkata and other places. Procurement of services of decorators / event management agencies required for official functions like- launching / commissioning of Ships, GRSE Day and other events, procuring services of caterers / food suppliers for events (on nomination/single vendor approval basis), procurement of Air/ Rail tickets based on Travel Advice / Movement order etc.

1.6.8 Transport Department:

Transport Department will carry out all purchase/contract functions related with the hiring of different mode of conveyance for both road and river such as cars/buses/launches etc., except for trucks and lorries (to be used for material shifting and transport). Work order for repair work of transport vehicles will also be carried out by them, through Authorized service *centre's* of the OEM/ Vehicle manufacturer or approved service center.

The Transport Officer will release purchase orders for transport servicing/repairs approved by respective Tender Committee. Emergency procurement of Tyres/Tubes/ batteries etc. for company's car will be arranged by Transport Department

1.6.9 IT Department

- (a) IT department is required to look after the IT infrastructure of GRSE.
- (b) The complete IT infrastructure of GRSE has been revamped as part of ERP implementation and exhaustive hardware / software have been procured. and will be procured in future by ERP department as per requirement.
- (c) Any specific requirement regarding procurement of computer and peripherals are to be brought to IT Department for action as approved by the concerned Director.
- (d) IT department will look after the data-centre, network solution, software, hardware AMC, facility management and will work as a central/corporate function for IT &



Information system across the company. IT department will also incorporate new IT policy in the company. **IT will take purchasing action on PC & peripherals & software for entire company.** All standard items viz. PCs, peripherals not available through GeM etc. will be purchased through the Purchase Department subject to availability of written approval of In-charge of IT on -

(i) Requirement of fresh buying

(ii) Related SOTR for tendering action.

- (e) The procurement of IT projects & services like Disaster Recovery System, SAP Audit & allied activities, Project Management System, AMC of Hardware & software, Facility management etc. will be done by IT department as the expertise is best available with IT department

1.6.10 Out Fitting & Dock Department

Dock related services like hiring of Boats, Tugs, barges, Dry Docks & Navigating Officers, activity related to launching of ship will be through sub contract cell.

1.6.11 Stores Group

Subcontracting for preservation and upkeep of stores and hiring contract for cars, trucks, trailers and tankers for material handling, transportation and shifting in MW, RBD & FOJ and outside GRSE will be done by Stores Department. Stores Import Clearance Cell (ICC) group will be responsible for customs clearance of imports from airports/docks/other entry points in India through Clearing House agents (CHA); similar exercise for items exported for re-import (normally after repairs) and export activities

1.6.12 Central Design Office

CDO will arrange for off-loading of all design & drawing related work.

1.6.13 Sub - Contracting Cell

The cell shall be vested with offloading the jobs related to various ship building sub processes/ construction phases by inducting additional resources for augmenting and supplementing the activities for early completion of the shipbuilding projects.



1.6.14 Centralised Contract Cell

Other than shipbuilding services/contracting.

1.6.15 HR Department.

HR Department will issue the orders related HR department for offloading job and services for discharge of respective function.

1.6.16 Finance & Accounts

Finance and Accounts Department will issue the orders related to their department for offloading job and services for discharge of respective function.

1.6.17 Yard Modernisation Department

YM Department will issue the orders related to yard modernisation work and services.

1.6.18 Regional Office at Delhi, Mumbai, and Vizag

Regional office will place orders related for offloading job and services for discharge of respective function their offices.

1.6.19 Commercial Shipbuilding Cell

Commercial shipbuilding cell shall procure all standard and non-standard items for commercial vessels (other than warships).



CHAPTER 2

TENDERING PROCESS

2.1 GENERAL RULES FOR INDENTS/PURCHASE REQUISITIONS

- (a) Indents/Purchase Requisitions (PR) of items for ship construction and other units will be generated only in SAP.
- (b) Indents will be received in the prescribed pro-forma only (SAP Indent Format is placed at Appendix A and complete in all respects. Incomplete indents will be returned to their respective indenters for completion.
- (c) Person authorized to release Purchase Requisitions (indents) are to ensure that they are complete in all respect. Indents shall be released by the following: -
 - (i) Indents/PRs for values upto Rs. 2,00,000: to be released/ approved by Dy Manager/ Manager.
 - (ii) Indents/PRs for values upto Rs.50,00,000: to be released/ approved by Sr. Manager
 - (iii) Indents/PRs for values upto Rs.500,00,000: to be released/ approved by DGM
 - (iv) Indents for values above Rs. 500,00,000: to be released/ approved by AGM/Head of Department/GM
(Note: - Where a double 'Indent Release' strategy is to be adopted, the second level of release shall be the next higher authority as stipulated above and maximum up to GM).
- (d) In case the indenter and the user are the same as in some project requirement, SAP Indents / PR shall be raised and modified by the respective Planning/Design section and approved by DGM/AGM/Departmental Head concern.
- (e) Splitting of indents / quantity is not permitted generally.



- (f) Indents once released should not be changed without consent of procurement department. ERP is to formulate a mechanism for locking of indents once it is tendered out.
- (g) **Stock Indent**. All stock indents will be made in SAP only and routed through the Surplus Stores. Indenter must also ensure that indent quantity is proposed after verifying following and a certificate in this regard is to be recorded in the indent:-
 - (i) Stock in hand
 - (ii) Stock with yard/site
- (h) The quantity for stock indents can be modified by the indenter upto 10% quantity on receiving the information from the purchaser that increased quantity will result in price discount for the company. This should, however, be done after considering the average consumption pattern, natural deterioration, blockage of capital and company's future requirement. Such decision is to be taken by the Chairman of the TC. If the situation compels to increase the quantity by more than 10%, then the matter will be referred to GM of the indenting department for concurrence.
- (i) **Import Indent** Import Indents (Purchasing Group-Import) should be accompanied with justification for the import and should be released by a DGM/AGM of Indenting Department In case of proprietary or owner's nominated items, the indents must be certified to that effect by Head of the indenting department (not below the rank of GM). If Proprietary / Branded item is required to be procured, indenting department shall provide Single Vendor Nomination (SVN) approved by Competent Authority (*as per format at Appendix K*), with justification for such requirement. In case HOD is below the rank of GM, the same should be signed by respective Departmental Head not below the rank of AGM.
- (j) **Ship Staff Selection Items** Direct offers containing full specification and description is to be obtained for items selected by Ship Staff, in case of Ship Division and items are to be procured from the source selected by ship's staff even if it is not a registered vendor. However, the offer obtained by Ship's Staff directly, is to be routed to purchase point through the indenter. The price has to be checked in case of fixed price contracts with respect to benchmark/market prices as well as budgetary provision for ship's staff selection items of fixed price contract.
- (k) CDO to intimate estimated value of procurement in Indent / Last PO reference for selection of TC during issue of tender.



2.1.1 Information in Indent/PR

- (a) All PRs/ Indents should have the following mandatory information in PR:
- (i) Indent No, Yard No, Date
 - (ii) Indenting officer and Releasing officer name.
 - (iii) Item(s) with complete description and specification, Quantity, Unit of Measurement, requirement Date, Purchase Group, Fitting No. (if applicable), WBS Element as required for meaningful tendering.
 - (iv) Quantity required.
 - (v) SOTR and Drawing Reference.
 - (vi) Packing and preservation required, where applicable.
 - (vii) PSG Code
 - (viii) Draft QAP
 - (ix) HSN Code/Restricted item information for 'import' (where applicable)
 - (x) Binding Drawing Required
 - (xi) ILMS Format
 - (xii) SVN required
- (b) Other information to be mentioned in the PR/ Indent:
- (i) Delivery schedules should be as realistic as possible keeping in view of the lead time of procurement and to ensure that material does not lie as non-moving inventory. Actual date of requirement should be clearly written instead of as early as possible/immediate/urgent etc.
 - (ii) Drawings/specifications, wherever necessary (in electronic readable format in case of procurement).
 - (iii) Signature of the Indenter with name & designation in bold letters.
 - (iv) Delivery point.
 - (v) Inspection parameters, place and authority.
 - (vi) Perishable items should be specifically marked as "Perishable indicating shelf life.
 - (vii) Job sanction copy, where applicable.
 - (viii) Documentation required with offer/supply.
 - (ix) Last purchase reference and supplier name.
 - (x) Range of Estimated Cost.
 - (xi) Tolerance in quantity, weight & dimension where applicable e.g. Al sheets.



- (c) Following information for Stock Item Indents are also to be mentioned in Indent/PR:
 - (i) Average annual demand/latest average monthly consumption.
 - (ii) Last price, if available
 - (iii) Item code, if any
 - (iv) Lead time (approximately)
 - (v) Previous order No. and date for reference
- (d) For Project / Capital Indent, following information are to be additionally mentioned in Indent:
 - (i) Department's financial sanction number as applicable.
 - (ii) Total sanctioned value.
 - (iii) Value already used & earlier indent ref. if any against same financial sanction.
 - (iv) Value catered for the items in estimates
 - (v) Sale/Project/WBS number, if any Last date and quantity purchased, if any, for the same item (order reference).
 - (vi) Whether the indent has been approved.
 - (vii) End use of material, if found necessary.
 - (viii) Scope of inspection and various tests to be carried out
 - (ix) Approximate weight/dimension of components/equipment to be procured.
 - (x) Availability for procurement through GeM.
- (e) SAP shall be configured in such a manner that indent can be released only when pre-requisites information as per para 2.1.1 (a) to (c) are provided.
- (f) The SOTR / SOR shall contain complete scope of supply of equipment, all materials (including O.B. Spares and B&D Spares), services and documentations etc. Refer Appendix-O.

2.1.2 Indent/PR Release in SAP

Indents/PR with requisite technical document like SOTR, QAP, drawing etc. shall only be released in SAP by authorized releasing officers & these will be considered for procurement. Requirement of 'Signed hardcopy' of PR/Indent is to be phased out by Mar 2019. Indent received without all relevant documents like Drawing, SOTR, Model/ Draft QAP and or not released in system will not be considered as valid indent and procurement action will not be initiated. **No alteration to PR shall be made without direct and separate intimation to Procurement Department.** The indenter shall maintain PR/Indent register as per format given in Appendix-AD and share with procurement officer weekly. Similarly, procurement



officer shall maintain PR Register as per format given in Appendix-AE. Indenter and Procurement officer shall reconcile the list weekly.

2.2 TIME FRAME FOR INDENT

A timeframe for entire procurement procedure must be listed for various class of items in conjunction with CDO/Indenter and time schedule need to be placed for approval of Functional Director. For any deviation, approval is required to be sought.

- (a) **Project Indent.** All Indents for ship construction are to be issued at least six months prior ship's delivery schedule (subject to lead time below 04 months). Procurement department will provide certificate to Planning department regarding availability / ordering of all such indented items 03 months prior to ship's delivery schedule. Piecemeal indent for developmental item must be avoided.
- (b) **Other Indent.** Indenting Department should ensure that the indents are sent to the purchasing units well in time considering the lead time to avoid last minute distress. Indent calendar promulgated by Material Department in respect of Capital procurement is to be adhered to.

2.3 CANCELLATION OF INDENT

- (a) An Indent can only be cancelled by the indenter. An Indent will be treated as cancelled, if it is referred back to the originating department by the procurement department for any clarification, documentation or queries and is not returned/ clarified to the procurement department **within one-month time**.
- (b) Any indent un-actioned by procurement department for a period more than 90 days (from indent released date) is to be reviewed by indenter.

2.4 GENERAL RULE OF TENDER/NIT

The invitation to tender or Notice Inviting Tender (NIT), instructions to bidders and the tender schedule are important documents, as the firm's proposal / tender offers will be based on them. Therefore, standard formats to the extent feasible along with GRSE Standard Terms and Conditions (STACs) should be used. Tenders are normally to be of "Two Bid" system.



2.4.1 Bidding System

Bidding systems are designed to achieve an appropriate balance between the countervailing needs for Right Quality, Right Source and the Right Price under different complexities/criticality of Technical requirements and value of procurements. In certain critical and complex requirements, the technical and financial capability of Source of supply becomes an important determinant for value for money. Depending on the complexity and criticality Technical of requirement, Criticality of capability of Source and value of procurement, following types of bidding systems may be used.

2.4.1.1 Single Stage Bidding System

In single stage bidding, all bids are invited together in a single envelope or in multiple envelopes system. This bidding system is suitable where technical requirement is simple or moderate; capability of source of supply is not too crucial and the value of procurement is not too high;

2.4.1.1.1 Single Stage Single Envelop System:

Where qualitative requirements and technical specifications are clear; capability of source of supply isn't critical and value of procurement is low or moderate, the single envelop system, where eligibility, technical/commercial and financial details are submitted together in the same envelop may be followed. This is the simplest and the quickest bidding system and should be the default system of bidding. The lowest responsive priced bid that meets the eligibility criteria, technical and commercial requirements laid down in the bid documents is declared as successful.

2.4.1.1.2 Single Stage Two Envelopes System (Two Bid System) (*Rule 163 of GFR2017*):

In technically complex requirements but where capability of source of supply is still not crucial and value of procurement is not low, a two envelop system may to be followed.

- (a) The tenderers should be asked to bifurcate their quotations in two envelopes. The first envelop, called the techno-commercial bid, contains the eligibility, technical quality and performance aspects, commercial terms and conditions and documents sought in the tender, except the price and relevant financial details. In the second envelop,



called the financial bid, the price quotation along with other financial details are submitted. Both the envelopes are to be submitted together in a sealed outer envelope;

- (b) If required, Technical specification and techno-commercial conditions should be modified, in a pre-bid conference in the two envelop tender and it would be desirable not to invite fresh financial bids after opening of the techno- commercial bids;
- (c) The techno-commercial bids are to be opened in the first instance on the bid opening date and time, and scrutinised and evaluated by the TC with reference to parameters prescribed in the tender documents and responsive, eligible and technically compliant bidders are decided;
- (d) Thereafter, in the second instance, the financial bids of only the techno- commercially compliant offers (as decided in the first instance above) are to be opened on a pre-announced date and time for further scrutiny, evaluation, ranking and placement of contract. The financial bids of technically non- compliant bidders should be returned unopened to the respective bidders by registered acknowledgement due/reliable courier or any other mode with proof of delivery. In e-Procurement, financial bids of technically non-compliant offers would not get opened;

2.4.1.1.3 Single Stage Multiple Envelopes System with pre-qualification

As discussed below, where the procurement is moderately complex and the time, effort and money required from the bidder to participate in a tender is not very high, instead of a separate stage of Pre-Qualification bidding (as described below, a clear- cut, fail-pass qualification criteria can be asked to be submitted as the first (additional) envelop in a three envelop single stage bidding, so that a bidder's risk of having his bid rejected on grounds of qualifications is remote if due diligence is exercised him. Strictly speaking, this is not a pre-qualification but a Post-qualification of bidders. In the first instance on the bid opening date only the PQB envelopes (also containing the EMD and other eligibility documents) are opened and evaluated to shortlist the responsive bidders who pass the Pre-qualification. Rest of procedure is same as two envelop system for only qualified bidders. Rest two envelopes of unqualified bidders are returned unopened to the respective bidders by registered acknowledgement due/reliable courier or any other mode with proof of delivery; Envelope means encrypted document in e-portal.



2.4.1.1.4 Pre-qualification Bidding (PQB)

- (a) In complex technical requirements where capability of source of supply is crucial (for example in procurement of complex machinery and equipment), for the successful performance of the contract, besides considering techno-commercial suitability, it is necessary to ensure that competition is only among bidders with requisite capabilities matching the challenges of the task. In case bidders with inadequate capability are allowed to compete, the better qualified bidders would be eliminated since their bid price is likely to be higher commensurate with their higher capability infrastructure. Such situations a separate stage of PQB bidding system may be considered (or single stage multiple envelop bidding – please refer para above). In PQB stage, competent qualified tenderers are shortlisted by using a Pre-qualification Criterion (PQC – for example, i) past experience of similar contracts, ii) performance capability and iii) financial strength) prior to the issue of the bid document exclusively to shortlisted bidders in the second stage. Pre-qualification Bids (PQB) should meet the norms of transparency, fairness and maintenance of competition. *Since PQB system may strain the transparency principle and there is heightened risk of cartelization among shortlisted bidders, PQB should be done only as an exception under specified circumstances. It should not be a routine/ normal mode of procurement of goods and an eligibility criteria clause as part of single/two envelop/cover tendering should suffice in normal/ routine situations. PQB bidding as a separate stage is contraindicated in the following circumstances:*

- (i) Where procurement can be done through limited tender enquiries;
- (ii) Where the Procuring Entity has at least three registered bidders of the category and grade matching tendered scope of procurement and financial limit;
- (iii) Where the requirement is technically and commercially simple enough that pre-qualification of the bidder is not crucial for the performance of the contract, for example, Commercially Off The Shelf (COTS) requirements; and
- (iv) Where the procurement is moderately complex and the time, effort and money required from the bidder to participate in a tender is not very high. A clear-cut, fail-pass post-qualification criteria can be specified in a three envelop single stage bidding (instead of two stage bidding), so that a bidder's risk of having his bid rejected on grounds of qualifications is remote if due diligence is exercised him.



- (b) **Pre-qualification Criteria:** PQC should be unrestrictive enough so as not to leave out even one capable vendor/contractor. Otherwise, it can lead to higher prices of procurement/works/services. However, on the other hand, these criteria should be restrictive enough so as not to allow even one incapable vendor/contractor and thus vitiate fair competition for capable vendors/contractors to the detriment of the buyer's objectives. A misjudgement in either direction may be detrimental. Certain guidelines⁵⁰ regarding the framing of PQC have been laid down. A sample PQC is given in Appendix-X Due consideration should be given while framing PQC, to its effect on adequacy of competition. To encourage MSEs, past successful bidders, a call may be taken – whether PQC should apply to full quantity/packages or be proportional to part quantity/package quoted by a bidder. In case requirement is suddenly a multiple time the past procurements, blind adoption of past PQCs may lead to disqualification of successful past vendors leading to inadequate competition. PQC should therefore be carefully decided for each procurement with the approval of CA for acceptance of the tender. It should be clarified in the PQB documents that bidders have to submit authenticated documents in support of eligibility criteria.
- (c) **Advertisement and Notification:** The invitation for PQB shall be processed (advertised, bid document preparation, publicity and evaluation, and so on) in the same manner as a normal GTE or OTE (as the situation calls for) tender, ensuring the widest possible coverage. The PQC and evaluation criterion should be notified clearly in the PQB documents. The PQB documents should also indicate a complete schedule of requirements for which this PQB is being done, including approximate likely quantities of requirements. A minimum period of 45 (forty-five) days may be allowed for the submission of PQBs. In the case of urgency, duly approved by CA, the time limit may be reduced to 30 (thirty) days.
- (d) **Evaluation:** At least in high value and critical procurements, the credentials regarding experience and past performance, submitted by the successful bidder, may be verified as per eligibility criteria, as far as reasonably feasible, from the parties for whom work has been claimed to be done. The procuring entity shall evaluate the qualifications of bidders only in accordance with the PQC specified and shall give due publicity to the particulars of the bidders that are qualified on the relevant portals/ websites.
- (e) **Subsequent Procurement Tender:** The pre-qualification shall be valid for such period as may be specified in the pre-qualification document and for a single subsequent procurement within this period, except when it is determined that engaging in fresh pre-qualification shall not result in enhanced competition. During



the period of such validity, the procuring entity shall invite bids for procurement (Request for Proposals – RFP) from pre-qualified bidders and all other bids may be treated as unsolicited offers which are normally rejected. In case bids are not invited within such a period, fresh pre-qualification shall be done. It is desirable that the time gap between the pre-qualification approval and floating of the linked main procurement tender is less than six months.

Pre-Qualification Bidding –Risks and Mitigations:	
<i>Risk</i>	<i>Mitigation</i>
Pre-qualification criteria: PQB has the potential of getting misused or being applied without considering the restrictive nature of competition. PQC should be relevant to the quality requirements and neither is very stringent nor very lax to restrict / facilitate the entry of bidders. These criteria should be clear, unambiguous, exhaustive and yet specific. Also, there should be fair competition.	Lay down criteria when prequalification in single stage or two stage bidding is warranted. Also lay down model PQC criteria for different types of procurements.
Dangers of Anti-competitive bidding: Since in a two stage PQB, shortlisted bidders are announced, there is heightened possibility of these bidders forming a cartel and quoting anti-competitive prices in the second stage of bidding.	Two stage PQB should be done only in appropriately justified situations. Alternatively, Single Stage multiple envelop system may be used for prequalification, in which chances of anti-competitive behaviour and time- taken is significantly lesser.
Two Stage PQB is a time-consuming process.	
Contentious and Disputes: Both the successful and unsuccessful bidders tend to view PQB process as a means for creating rights/ privileges/ entitlement for them by way of hair-splitting, contentious or viciously legalistic interpretations of PQC criteria, disregarding the very rationale of the PQB and PQC.	In the PQC a caveat against such tendencies may be included, asserting the right of procuring agency to interpret the PQC on common usage of terminologies and phrases in public procurement instead of legalistic and hair-splitting judgements and that their decision in this regard would be final.



2.4.1.2 Two Stage Bidding - Expression of Interest Tenders – Market Exploration

There are instances where the equipment/ plant to be procured is of complex nature and the procuring organization may not possess the full knowledge of either the various technical solutions available or the likely sources for such products in the market. To meet the desired objectives of a transparent procurement that ensures value for money simultaneously ensuring upgradation of technology & capacity building- it would be prudent to invite a two-stage Expression of Interest (EoI) Bids and proceed to explore the market and to finalise specifications based on technical discussions/presentations with the experienced manufacturers/suppliers in a transparent manner. Expression of Interest (EoI) bids may be invited in following situations:

- (a) It is not feasible for the procuring entity to formulate detailed specifications or identify specific characteristics for the subject matter of procurement, without receiving inputs regarding its technical aspects from bidders;
- (b) The character of the subject matter of procurement is subject to rapid technological advances or market fluctuations or both;
- (c) The procuring entity seeks to enter into a contract for the purpose of research, experiment, study or development, except where the contract includes the production of requirements in quantities sufficient to establish their commercial viability or to recover research and development costs; or
- (d) The bidder is expected to carry out a detailed survey or investigation and undertake a comprehensive assessment of risks, costs and obligations associated with the particular procurement.
(Rule 164 of GFR 2017)

2.4.1.2.1 The procedure for two stage bidding shall include the following, namely:

- (a) In the first stage of the bidding process, the procuring entity shall invite EoI bids containing the broad objectives, technical and financial eligibility criteria, terms and conditions of the proposed procurement etc without a bid price. On receipt of the Expressions of Interest, technical discussions/presentations may be held with the short-listed manufacturers/suppliers, which are prima facie considered technically and financially capable of supplying the material or executing the proposed work, giving



equal opportunity to all such bidders to participate in the discussions. During these technical discussions stage the procurement agency may also add those other stakeholders in the discussions who could add value to the decision making on the various technical aspects and evaluation criteria. Based on the discussions/presentations so held, one or more acceptable technical solutions could be decided upon laying down detailed technical specifications for each acceptable technical solution, quality benchmarks, warranty requirements, delivery milestones etc. in a manner that is consistent with the objectives of the transparent procurement. At the same time care should be taken to make the specifications generic in nature so as to provide equitable opportunities to the prospective bidders. Proper record of discussions/presentations and the process of decision making should be kept;

- (b) In revising the relevant terms and conditions of the procurement, if found necessary as a result of discussions with the shortlisted bidders, the procuring entity shall not modify the fundamental nature of the procurement itself;
- (c) In the second stage of the bidding process, the procuring entity shall invite bids from all those bidders whose bids at the first stage were not rejected, to present final bid with bid prices in response to a revised set of terms and conditions of the procurement; and
- (d) Any bidder, invited to bid but not in a position to supply the subject matter of procurement due to modification in the specifications or terms and conditions, may withdraw from the bidding proceedings without forfeiting any bid security that he may have been required to provide or being penalised in any way, by declaring his intention to withdraw from the procurement proceedings with adequate justification.
- (e) If the procuring entity is of the view that after EoI stage, there is likelihood of further participation by many more bidders and to avoid getting trapped into a legacy technology, the second stage bidding may not be restricted only to the shortlisted bidders of EoI stage and it may be so declared in the EoI document ab-initio. Thereafter in the second stage, normal OTE/ GTE bidding may be done. Such variant of EoI is called 'Non-committal' EoI.

2.4.1.2.2 Invitation of EoI Tenders:

In EoI tenders, an advertisement inviting expression of interest should be published. The invitation to the EoI document should contain the following information:



- (a) A copy of the advertisement;
- (b) **Objectives and scope of the requirement:** This may include a brief description of objectives and broad scope of the requirement. It may also include the validity period of empanelment;
- (c) **Instructions to the bidders:** This may include instructions regarding the nature of supply, fees for empanelment (if any), last date of submission, place of submission and any other related instructions;
- (d) **Formats for submission:** This section should specify the format in which the bidders are expected to submit their EoI;
- (e) The EoI document should be made available to the interested bidder as a hard copy as well as on its website in a downloadable form; and
- (f) **Eligibility criteria:** The invitation to EoI should clearly lay down the eligibility criteria, which should be applied for shortlisting. Supporting documents required need to be clearly mentioned. An example of EoI eligibility criteria is shown in Table 1. However, appropriate eligibility criteria have to be designed, keeping in mind the specific objectives of the EoI.

Table 1: An example of EoI eligibility criteria

Criteria	Sub-criteria	Weightage*	Break-up of Weightage
Past experience of the firm with similar requirements		A*	
Financial strength of the vendor		B*	
	Turnover figures of the last three years		B1*
	Net profit figures of the last three years		B2*
Quality accreditations, licensing requirements		C*	
Manufacturing capabilities/tie-ups		D*	



After-sales support infrastructure		E*	
Product support		F*	

* Weightage (out of 100) should be pre-decided and declared in Eol documents by the CA based on assessment of the required profiles of the potential bidders. The marking/grading scheme for allotting marks (out of 100) for various parameters should also be laid down.

2.4.1.2.3 Evaluation of Eol:

The bidders should be evaluated for shortlisting, inter-alia, based on their past experience of performance in a similar context, financial strength and technical capabilities, among others. Each bidder should be assigned scores based on the sum of marks obtained for each parameter multiplied by the weightage assigned to that parameter. All bidders who secure the minimum required marks (normally 60 (sixty) per cent) should be shortlisted. The minimum qualifying marks should be specified in the Eol document. Alternatively, instead of weighted evaluation, the Eol document may specify a 'fail-pass criteria' with the minimum qualifying requirement for each of the criteria, such as minimum years of experience, minimum number of assignments executed and minimum turnover. Under such circumstances, all bidders who meet the minimum requirement, as specified, should be shortlisted. The short list should normally comprise at least four firms.

Pre-Notice Inviting Tender (NIT) Conference: In complex and innovative procurement cases or where the procuring entity may not have the required knowledge to formulate tender provisions, a pre-NIT conference may help the procuring entity in obtaining inputs from the industry. Such conferences should be widely publicised so that different potential suppliers can attend.

2.4.2 Integrity Pact(IP)

- (a) The 'Integrity Pact' (IP) would be signed between GRSE and the supplier / vendor for single purchase value exceeding Rs. 2 Crore, or such other amount which may be applicable from time to time based on notifications to the effect. This is a binding agreement between GRSE and the supplier / vendor for specific contracts in which GRSE promises that it will not accept bribes during the procurement process and supplier / vendor promises that they will not offer bribes. Under the IP, the supplier / vendor for specific services or contracts agree with the purchase point / office to carry out the procurement in a specified manner. The IP format is placed at Appendix - N and the same will form the integral part of bidding documents in relevant cases for NIT (Notice Inviting Tender) and the bidders are required to submit them separately along



with Techno-commercial offer. The dealing officer is to ensure availability of IP prior to opening of price bids. The contracts under the purview of Integrity Pact with threshold value above **TWO** Crore shall be intimated to the Independent External Monitors (IEM) through Company Secretary.(CVO Circular dated 01 Jan 2014 also refers)

- (b) The Integrity Pact is to be signed by CGM/GM/HOD of the concerned department undertaking the subject procurement as per CMD's Ty. Order no. 21/17 dated 08.06.2017.

2.4.3 Tender fee

- (a) For open tenders, firms are to submit tender fee (non-refundable) payable by Crossed Banker's Cheque or Bank Drafts or pay order drawn in favour of "Garden Reach Shipbuilders & Engineers Ltd" or NEFT (when operationalized).
- (b) The tender fee shall be charged at uniform rate of Rs. 500. The tender fee will be decided on case to case basis depending on value of purchases with the approval of respective TC Chairman. For TC-I and TC-II cases, Functional Director is competent for waiver of tender fees.
- (c) Tender fee will not be applicable for MSE vendor registered with NSIC and Startup vendors are exempted from submission of Tender Fee against Tender as per GOI circular.
- (d) Tender fees should not be done away with in general, but waived only with the approval of TC Chairman and Director in case of TC II and above.
- (e) The tender fee is non-refundable except in exceptional cases such as cancellation of demand or tender.

2.4.4 Earnest Money

- (a) Earnest Money Deposit (interest free) as fixed amount will be sought from the Tenderers against all Open Tender (OT) in form of crossed demand draft/bankers cheque/ NEFT (when operationalised*) or in the form of Bank Guarantee in approved GRSE format issued by any Scheduled commercial bank other than Co-operative bank. Since any relaxation regarding submission of EMD has financial implications,



the terms & conditions should clearly stipulate that offers without EMD would be considered as non-responsive and will be summarily rejected. EMD is also applicable for GRSE registered vendors in case of Open Tender.

- (b) Waiver of EMD may be granted only with approval of TC Chairman as per estimated value of tender.
- (c) Amount of Earnest Money to be deposited has been promulgated vide C&MD's Ty. Order No. 44/17 dated 28 Oct. 17 as follows:-

ESTIMATED VALUE OF TENDER (IN INR)	EMD AMOUNT (IN INR)
Rs.2 lakh to Rs.500 lakh	2% of Tender value subject to Max Rs.10.0 lakh

- (d) For successful bidder awarded the contract, GRSE may reserve the right to retain EMD till such time bank guarantee towards contract performance is submitted as per contract.

*Note: GRSE is attempting to receive EMD, Tender Fee directly to GRSE bank account. Once implemented, Hard copy of acknowledgement receipt is to be uploaded/ submitted along with the Part –I Bid.

- (e) EMD for Open Tenders for value less than Rs.2.0 lakh is not essential with a view of generating more competition for having the best price.
- (f) MSE units/SSI units registered under single point registration with NSIC for the tendered items will be exempted from the earnest money deposit. However, this will be as per guidelines circulated by D.P.E. from time to time. NSIC Registration certificate must be valid as on due date of tender opening and Technical Bid should be accompanied with a copy of valid NSIC Registration Certificate to consider bidder for exemption of EMD. NSIC registration should be for the product /service (product group or class of product) for which the tender is floated (For details refer chapter 21).
- (g) EMD in Limited/Single Tendering. EMD shall not be applicable for Limited/Single Tender Enquiry, but failure to participate or execute the contract will invite penal action against the Delinquent Vendor. Submission of the Earnest Money / Bid Security may be waived with the approval of CA (as per DOP) in the case of Indigenisation / development tenders



- (h) Earnest Money/ EMBG will be refunded to unsuccessful tenderer(s) within 30 days from the date of release of Purchase Order. EMD can also be released to the firms rejected during TNC/CNC stages against claim by the vendor. For this purpose, the department initiating the tender will communicate with the unsuccessful bidders to claim the EMD submitted by them upon surrender of the original money receipt/acknowledgement issued by Fin Department (for EMD submission).
- (i) In case L1 bidder withdraws his offer before work order is placed, Earnest Money Deposit (EMD) by the bidder should be forfeited in full. Any exemption from forfeiture of EMD will be with specific approval of concerned Functional Director with financial concurrence of GM(F).
- (j) Where EMD is provided by way of BG, same shall be retained by the Finance Department and should be returned to unsuccessful tenderers on receipt of advice from the concerned Purchase Point. As conversion of EMD to SD is a complex activity, EMD will be refunded on submission of Security Deposit. In case of BG, this may be returned to successful tenderers on submission of fresh BG for Security Deposit within two months from order. Bank Guarantees should be issued by any Scheduled Bank (as per RBI) except Co-operative Banks.
- (k) Interest free Earnest Money Deposit (EMD) in the form of crossed demand draft, or banker's cheque or by direct deposit (in favour of Garden Reach Shipbuilders & Engineers Limited., Kolkata, payable at Kolkata) or Bank Guarantee (as per GRSE format) issued by reputed scheduled bank (**other than cooperative bank**) is to be submitted against tender. In case EMD is submitted in form of Bank Guarantee, it should be valid at least for **180 days** from due date / extended due date of the tender. Submission of EMD by Cheque or in any other form shall be treated as offer without EMD and shall not be acceptable.
- (l) EMD should be forwarded in separate envelope (super scribed with tender subject/ item, number, and due date & time) and should be deposited by the bidder within due date and time. Units registered with NSIC shall also send the hard copy of EMD exemption document (Copy of valid registration up to specified volumes / Monetary Limit for the offered items) within due date. GRSE shall not be responsible for any postal delay or non-receipt of EMD by tender due date / time, for any reasons whatsoever. Offer received without requisite EMD as explained above may be rejected.



- (m) GRSE also reserves the right to verify and accept the offer accompanied with a copy of NSIC Certificate. Online checking of NSIC SPRS can also be done by logging in www.nsic.in and www.nsicsonline.com
- (n) TC-Chairman may approve:
- Waiver of EMD requirement
 - Fixation of higher EMD above Rs. 10 Lakhs,
- In each case, reasons/justifications is to be recorded in file.

2.4.5 Security Deposit

- (a) To ensure due performance of the contract, performance security [or Contract Performance Bank Guarantee (CPBG) or Security Deposit (SD)] is to be obtained from the successful bidder awarded the contract. Performance security may be furnished in the form of Insurance Surety Bond issued by IRDA approved insurance company, account payee demand draft, fixed deposit receipt from a commercial bank, bank guarantee issued/confirmed from any of the commercial bank in India, or online payment in an acceptable form, safeguarding the purchaser's interest in all respects. In case of GTE tenders, the performance security should be in the same currency as the contract and must conform to Uniform Rules for Demand Guarantees (URDG 758) – an international convention regulating international securities.
- (b) Security Deposit (interest free) in the form of Crossed Demand Draft/ Banker's Cheque/NEFT (WHEN OPERATIONISED) or Bank Guarantee in approved GRSE format from scheduled Banks other than Co-operative Banks should be obtained from successful tenderers against open tenders @ 5% of order value (without applicable tax in India). The SDBG shall be valid till completion of delivery of goods and services.
- (c) Security Deposit will not be demanded in general (for supply of materials) from registered vendor under limited tendering system but failure to participate or execute the contract will invite penal action against the Delinquent Registered Vendor including cancellation of registration and banning of business dealings.
- (d) SD will be demanded from sub-contractors who are given free issue material for fabrication job (SD value may be decided appropriately by contracting authority), as also sub- contractors who work without free issue materials.



- (e) SD will be deposited afresh by the successful bidder as per terms & conditions mentioned in PO and thereafter the EMD amount will be refunded. Failure to deposit SD amount will invite penal interest from the date from which the amount was required to be deposited and such penal interest would be deducted from the vendor's subsequent payments for goods delivered/ services rendered. The above clause to be clearly mentioned in the NIT/PO.
- (f) The rate of interest would be the Base Rate/MCLR declared by RBI (Median value applicable for public sector Banks) plus 2% thereon on the amount(s) at variation and/or for the period (in no. of days) at variation and LIBOR plus 2% in case of Foreign bidders.
- (g) Provision for extension of Bank Guarantee towards satisfactory contract performance where the completion period may extend due to late commissioning/installation may be considered and incorporated in NIT.
- (h) SSI/MSE units registered under single point registration with NSIC will be exempted from the Security deposit subject to the monetary limit to which they are registered. However, this will be as per guidelines circulated by DPE from time to time. Registration for a product line will only qualify for exemption against similar product / group of products for which bid is submitted. Refer Chapter 21 for detail guideline.
- (i) In case of PSU/Central Government Department, Indemnity Bond may be accepted in place of Security Deposit Bank Guarantee.

2.4.6 Performance Security / Performance Bank Guarantee

- (a) Performance security [or Performance Bank Guarantee (PBG)] is to be obtained from seller towards warranty obligation of materials. The value of Performance security or PBG shall be 5% (five percent) of material value. Performance security may be furnished in the form of Insurance Surety Bond issued by IRDA approved insurance company, account payee demand draft, fixed deposit receipt from a commercial bank, bank guarantee issued/confirmed from any of the commercial bank in India, or online payment in an acceptable form, safeguarding the purchaser's interest in all respects. In case of GTE tenders, the performance security should be in the same currency as the contract and must conform to Uniform Rules for Demand Guarantees (URDG 758) – an international convention regulating international securities.



- (b) Against orders for equipment /items covered by Guarantee /Warranty Clause a Performance Bank Guarantee in approved GRSE format equivalent to an amount as per Purchase Order should be obtained from the vendor and the same will be retained till the expiry of the Guarantee/Warranty period plus one month.
- (c) Bank Guarantee (as per GRSE format) should be issued by any reputed scheduled bank as promulgated by RBI (**other than cooperative bank**).
- (d) PBG is to be submitted against tender the requirement of PBG may not be pursued upon the vendor for value of order less than Rs. 5.0 lakh. PBG submission may be in lieu of retention of percentage of amount equivalent to PBG value (as mentioned in PO) till contractual warranty period plus one month.
- (e) For release or invocation or extension of PBG, the User Department/ Yard/Planning Department (executive not below the rank of MANAGER) is to give recommendation to purchase point with justification and thereafter the purchase point (executive not below the rank of MANAGER) is to advise Finance Department to release/renew/invoke the BG accordingly. In case of renewal of BG, specific period of extension is to be indicated by the procurement department to Finance Department.
- (f) In case the ship is delivered and no guarantee defect is reported within the contractual warranty period or no BG extension request is received from the user department/Planning within the contractual warranty period, purchase point may advise Finance department to release the BG on receipt of claim from the supplier.
- (g) Provision for extension of Bank Guarantee for satisfactory performance where the guarantee period may expire due to late commissioning/ installation, may be considered and finalized at the time of CNC or placement of order.
- (h) In case pf PSU/Central Government Department, Indemnity Bond may be accepted in place of Performance Bank Guarantee.

2.4.7 Information to be furnished in Tender Notice (NIT)

- (a) Mode of Tender (In case of Single or Limited Tender, LTE/STE is to be mentioned on website)
- (b) Complete specification of item, equipment, work to be carried out.
- (c) Unit of Measurement / supply



- (d) Quantity required as per indent (No MOQ should be indicated in the tender enquiry. Same may be taken up at negotiation stage as required).
- (e) General Terms & Conditions of Purchase.
- (f) Schedule of price, Currency.
- (g) Payment terms
- (h) Warranty for a period of 12/24/36 or 48 months as applicable.
- (i) Terms of delivery, schedule of phases of delivery, if any.
- (j) Provisions of IP, Tender Fee, Earnest Money and Security Deposit where applicable.
- (k) Bid Rejection criteria.
- (l) Whether sample test required before bulk production or delivery commencement.
- (m) Mode of Transportation for delivery.
- (n) Insurance, if required
- (o) Mode of Inspection/Certification
- (p) Extended Warranty for a period of TWO years beyond normal warranty where applicable.
- (q) Requirement of Operation/Manning of Equipment such as HPAC, DA and AC for a stipulated period.
- (r) Preservation Requirement as applicable.
- (s) Wherever large quantities of material are required and it is envisaged that more than one Supplier would be required in order to meet the delivery schedule, the same may be indicated in the NIT.
- (t) Instruction to Bidders
- (u) Conditions of Contract (Special Terms and Conditions)
- (v) Schedule of Requirement
- (w) Specification and allied technical details (SOTR/SOR)
- (x) Price Schedule/Price Bid
- (y) Commercial Bid format
- (z) Any other forms as applicable

2.4.8 Exchange Rate Variation (ERV) Clause

- (a) Foreign Exchange (FE) Elements: Indigenous bidders quoting for equipment having imported components should clearly state the FE Content (%) in their bids along with rate of exchange and date of base rate in their bids. the Exchange Rate found from RBI website as on tender closing date will be considered as Base Rate for the purpose of ERV if it is higher than rate quoted by bidder. If the quoted prices include F.E. Elements, the same shall be clearly indicated separately in the Price Bid for each yard.



No upward revision in F.E. content, once specified in the purchase order based on vendor's quote will be entertained.

- (b) F.E. Variation and Cut-off date:
- (c) An ERV clause is applicable where the delivery period is more than one year and there is stated FE content.
- (d) The date of reckoning for ERV consideration shall be the tender closing date (rate as per exchange rate available in RBI website on).
- (e) Exchange rate variation shall be applicable on the date of Bill of lading/contractual delivery whichever is earlier. ERV shall be reimbursed subject to submission of proof and limited to FE content in vendor's offer/actual whichever is less.
- (f) FE variation upto +/- 5% to be absorbed by either side. FE Variation only on the percentage beyond +/- 5% (i.e. upward or downward) at the time of actual import shall be reimbursed/recovered by GRSE.
- (g) No ERV shall be payable on the portion of contract price paid to the contractor as an interest free advance. Wherever stage payment, if any, is allowed with reference to procurement of bulk material, ERV will be limited to the date of such procurement or upto a date three months before scheduled delivery whichever is earlier.
- (h) Following documents are generally required for claiming ERV.
 - A bill of ERV claim enclosing worksheet. (enclosed worksheet to be certified by Internal Auditor of vendor or by a CA)
 - Banker's Certificate / debit advice detailing FE paid & Exchange rate, date of the transaction.
 - Copies of import orders placed on the suppliers.
 - Invoice of supplier for the relevant import orders
 - All copies of documents are to be countersigned/authenticated by vendor's authorized signatory.(Note: All Documents applicable as per Main Project Contract are to be obtained)
- (i) Bidders should have minimum 50% indigenous content or as applicable in order to avail Purchase Preference under Public Procurement (Make in India) policy)



2.4.9 Bid Rejection Criteria:

(a) Categorical Rejection Criteria

- (i) Bid received other than through e-portal in case of E-tender.
- (ii) Bidder not agreeing to accept Integrity Pact (IP) or submitting integrity pact with deviation to GRSE format, wherever Integrity Pact is to be submitted.
- (iii) Bidder not agreeing to aid wherever required for installation, commissioning, STW, HATs, SATs of equipment supplied by them and any other assistance required till successful delivery of Ships.
- (iv) EMD & Tender fee not received for Open tender/Global tender if applicable unless specific exemption is sought for the approval of Competent Authority

(b) Liable for Rejection Criteria. The following criteria for bid rejection may be applied with approval of GM of Purchase Point: -

- (i) Failure to submit sufficient or complete details for evaluation of the bids within the given period which may range in between two to three weeks depending on the deficiencies noticed in the drawings / technical data which shall not however conflict with validity period. However, over all time allowed in respect of normal procurement shall not exceed 3 weeks.
- (ii) Incomplete / misleading / ambiguous bids in the considered opinion of TNC/CNC.
- (iii) Bidder not complying with the Pre-Qualification criteria stipulated in Tender/TSP.
- (iv) Bidder not agreeing to supply spares (On Board spares, B&D spares) if applicable / post sale product support / post work completion support if required.
- (v) Bid with technical requirements and or terms not acceptable to GRSE/Customers/External agency nominated as applicable.



- (vi) Unreasonably longer delivery period quoted by the bidder.
- (vii) Validity period indicated by bidders is shorter than that specified in the tender enquiry.
- (viii) Bidders not agreeing to furnish required Security Deposit till validity of contract/PO or Indemnity Bond in case of PSU or variation in quantum of Security Deposit as mentioned in the tender.
Note: Indemnity Bod submitted by PSU must be either notarized or to be executed with 'Power of Attorney" affixing common seal.
- (ix) Bidder not agreeing to furnish required Performance Bank Guarantee for Equipment to be supplied/Services rendered or not agreeing for retention of equivalent amount by GRSE up to the period till completion of contractual & Warranty obligations or variation in quantum of PBG.
- (x) Bidder not agreeing for Warranty period as specified in the tender.
- (xi) Any deviation sought, which is not accepted to GRSE.
- (xii) Bid received without 'Certificate of conformity' duly filled in & signed, if applicable.
- (xiii) If the bidder had been declared as insolvent/bankrupt/prohibited in the recent past and or is under scanner of any statutory bodies, they must confirm their present status in that respect with adequate supporting documents. Non-submission of adequate document or if submitted document is not acceptable, the bidder shall be liable for rejection.
- (xiv) Quote received with Price Variation Clause.
- (xv) Bid received without pre-qualification documents where required as per the tender. Bids not meeting the pre-qualification parameters stipulated in the tender enquiry.
- (xvi) Delivery by High seas sales / Sales in transit.



- (xvii) In case bidder has uploaded scanned image of Integrity Pact (IP) but original copies of IP are not submitted to GRSE within 07 working days from tender closing date.
- (xviii) Bidder does not agree to provide warranty extension.
- (xix) Bidder does not quote for all line items where it is mandatory to quote as such.
- (xx) Bidder not complying the GRSE's indigenisation policy or Preference to Make in India policy.
- (xxi) The Bid received without scanned image of IP along with the Part-I offer. However, in case the bidder has prepared IP but could not be uploaded in the e-portal and submits original IP within seven GRSE's working days from tender closing date, then such bids shall be accepted.
- (xxii) Any deviation is sought which are not acceptable to GRSE.
- (xxiii) Bid received with Nil value for 'Deputation of Service Engineer by Supplier, wherever 'Deputation of Service Engineer' is appearing as separate deliverable in technical bid/tender documents.
- (xxiv) **If firm is issued with Risk Purchase Notice / Cancelled POs against Risk Purchase / Banned/ Under tender Holiday issued by any PSU/ is pending with GRSE offer will be liable for rejection.**

2.4.10 Goods and Service Tax (GST):

2.4.10.1 GST in BID Evaluation

- (a) As per GST Law, ITC is not available:
 - (i) For goods and services which are not in furtherance of business.
 - (ii) In some cases, for e.g. rent a car, insurance premium, work contract services for immovable property as mentioned under section 17 of CGST Act 2017. In such cases, evaluation of bid is inclusive of GST quote by bidder.



- (b) In all other cases i.e., goods and services not covered under sr. no. (a) above evaluation of bid is to be exclusive of GST quoted by bidder.
- (c) Further, in the case of composition dealer, since composition dealer is not allowed to charge GST, in such case, evaluation of bid will be on the price quoted by bidder.

2.4.10.2 Terms related to Taxes

- (a) All references to taxes, duties, octroi, excise etc. are to be substituted by “GST, Basic Custom Duty” in STACS and GT&C. GST Laws (i.e. the Central Goods and Services Act, 2017, the West Bengal and Services Act, 2017, the Integrated Goods & Services Act, 2017, the Goods and Services Tax (Compensation to States) Act 2017, various rules, notification etc.) GST includes Central Tax (CT), State Tax (ST), integrated tax (IT) and Cess.
- (b) Following to be specified in clauses for taxes:
 - (i) GST as per GST Laws shall be payable extra as quoted and agreed.
 - (ii) In case of purchases of goods/ services from unregistered dealers under GST Laws, GST will be paid by GRSE under reverse charge mechanism.
 - (iii) Benefits from reduction in rate of tax / ITC is required to be passed on to consumer. Where “applicable GST” has been quoted as extra, Goods and service provides (except un-registered dealers under GST Law) have to submit declaration that they have complied with “Anti- profiteering clause’ under GST Law. Such declaration be given in technical bid. The calculation of the benefit in the reduction of price should be provided by the vendor.
 - (iv) If the vendor is registered under GST, vendor shall mention the HSN code for goods & / or services in their tax invoice, etc. These codes must be in accordance with GST Laws and responsibility of specifying correct HSN codes for goods and / or services is that of the vendor, GRSE shall not be responsible for any error in HSN code for goods and / or services specified by supplier/ contractor. Supplier / Contractor shall pay penalty and / or interest imposed on GRSE or any loss due to delay in availing ITC by GRSE or any loss of ITC to GRSE due to errors by vendors at any stage. GRSE reserves right to recover any such interest, penalty or loss from any amount due to Supplier / Contractor or otherwise.



- (v) If the vendor is registered under GST, the GST registration number (15-digit GSTIN) issued by GOI shall be mandatorily provided by the vendor. Vendor having multiple business verticals within state / at multiple states with separate GST registration numbers shall forward GSTIN of only that vertical which is involved in supply of goods and / or services. Vendor shall mention the same while invoicing and avoid any data entry error on GST portal.
- (vi) If the vendor is registered under GST, vendor shall ensure timely submission of invoice as per the provisions / requirement / timeline promulgated by GOI in relation to GST Law with all required supporting documents to enable GRSE to avail input tax credit promptly. The vendor's invoice inter alia should contain GSTIN of vendor, GSTIN of GRSE, GST tax rate separately, HSN code wise goods or services, place of supply, signature of vendor etc. Original invoice needs to be submitted to Bill Receipt Centre at GRSE and a copy of the invoice should be given to the goods receiving section (GRSE).
- (vii) If the vendor is registered under GST, vendor shall file all applicable returns under GST Laws in the stipulated time & any losses of tax credit to GRSE arising due to delay in filing will be recovered from their invoice wherever GRSE is eligible to avail tax credit. Any default towards payment of tax and / or uploading of monthly returns by supplier / contractor, GRSE retains right to withhold payments towards tax portion until the same is corrected and complied by the supplier / contractor with the requirement of GST along with satisfactory evidence.
- (viii) The rate sheet enclosed with the tender will indicate the rates to be entered under each head wherever applicable. Bidders must clearly mention the applicable Taxes & Duties

2.4.11 Payment of EMD/Security Deposit/furnishing PBG by GRSE to Vendor for Procurement of Goods and Services:

In case of requirement for GRSE to provide EMD/Security Deposit/furnishing PBG, approval of concerned Functional Director with financial concurrence of GM(F) is to be obtained in accordance with DOP.



2.4.12 Consortium Bidding

- (a) Consortium bidding is the term used to describe the situation where two or more economic operators/partners come together to submit a bid for a contract. A consortium comprises two or more partners who combine resources and strive towards a common goal.
- (b) In case of consortium bidding, technically & financially competent and prominent firm having proof of previous manufacturing, supply, and installation & commissioning of Equipment shall be nominated for Lead Partner or Principal Bidder. The lead partner shall be authorized by submitting a legally certified power of attorney signed by consortium partners. Same consortium partners shall not be part in separate bid.
- (c) In case if the principal bidder is a foreign firm / company and its consortium partners are Indian firm, Order for work share portion of Indian Consortium partners shall be placed only in INR, on Indian Consortium Partners by GRSE.
- (d) **Collaboration Agreement:** Bidder is required to submit Collaboration agreement between Principal Bidder and Consortium partners in the part-I bid as per format placed **at Appendix-AB**. Following indicative terms of a collaboration Agreement is laid down in case Bidder proposes to partner with another entity (a “Consortium Member”) inter alia stating that:
 - (i) The selected Bidder shall have single point responsibility and assume the responsibility for itself and be vicariously for the Consortium Member which could be the Indian partner to whom purchase orders may be issued at the behest of the bidder;
 - (ii) The agreement shall specify the scope of work of the Indian partner along with the quality control checks that the selected Bidder (Indian / foreign) shall put in place during execution by the Indian partner of the contract(s)/ purchase orders awarded by GRSE. All agreements are to be valid till Defect Liability Period (DLP).
 - (iii) The selected Bidder shall be responsible to GRSE in fulfilling all obligations as are required under the contract(s)/ purchase orders awarded to it, at no extra cost or expense to GRSE;



- (iv) The Bidder along with the consortium member shall be jointly and severally liable to GRSE for performance and timely execution of the contract(s)/ purchase orders awarded by GRSE;
- (v) The Bidders and the Indian partner may incorporate additional clauses to the collaboration agreement without diluting or modifying the clauses specified in the attached format at **Appendix-AB**.
- (e) In case Principal Bidder is Indian company/firm, the order would be placed to Indian firm only in INR. The Indian company/firm (principal bidder) would submit their quote in INR only.
- (f) Change in consortium partners is not permissible at any stage of contract unless in extreme circumstance with written consent of GRSE.

2.5 ISSUE, RECEIPT, OPENING AND ACCEPTANCE OF TENDER

The tendering system for procurement at GRSE will be followed to ensure a cost and time effective mode of buying. When indents, complete in all respects, are received by the Ordering Department, following tendering system will be resorted to. Wherever applicable (as per Project Contract), the budgetary quotes for Onboard Spares and Base & Depot Spares are to be obtained along with the offer for Main Equipment.

2.5.1 Single Tender

- (a) Single tender refers to a case where a purchase/contract enquiry is sent to only one selected supplier having due approval of appropriate authority. In case of material purchase which is manufactured by OEM, the enquiry will be addressed to the OEM who may nominate any of its authorized resellers to participate in the bid. The company should restrict sending out enquiry to authorised reseller / dealer (under single tender) on its own unless specific dealer has been nominated by OEM. The reasons for placement of order(s) on single tender should be clearly recorded in writing.
- (b) Single Vendor Nomination. Wherever any procurement is to be resorted from a single source to meet the indented requirement, approval from the competent authority for such Single Vendor Nomination (SVN) shall be submitted along with indent. Indents or PRs for SVN are to be approved (As per format placed in Appendix-K). Approving authority for SVN shall be as per DOP.



- (c) SVN is not essential in case of following Single Vendor Procurements: -
- (i) For re-procurement when undertaken from original supplier due to loss/damage/consumption of original item/s. The same shall be mentioned in PR.
 - (ii) For procurement of 'Spares' from OEMs against OEM 'Part Number' which shall be mentioned in the Purchase Requisition.
 - (iii) For procurement from dealer of OEM, the OEM nomination in favour of the dealer has to be provided.
 - (iv) In case of build-spec items as per Contract with customer, the SVN will be substituted with the relevant extract of the Contract / Agreement duly endorsed by the official of indenting dept. (viz. CDO).
- (d) Certificate for SVN will indicate basic value of item and reason for sourcing from Single Source. In case of offered value is more than SVN value, negotiated / final price will be intimated to SVN approval authority for concurrence.
- (e) Cases in which bids had been submitted by more than one bidder in a competitive manner and the evaluation Committee after assessment / trials finally short-lists only one equipment for introduction into service, same would not be considered as a single tender situation as the techno-commercial offers would have been received before assessment / trials and the price bids were competitive in nature. Bidders had submitted their offers in an open competition and were not aware of any single bidder getting approved after assessment / trials. Such cases shall be treated as OT/LT as the case may be.
- (f) In case of single offer, otherwise technically qualified, the price has to be verified with reference to previous one if available. In all cases, negotiation with vendor towards reduction in price may be resorted to wherever so justified for SVN case.
- (g) When current price list of reputed manufacturers is available / email confirmation about validity, discount, delivery etc. may be obtained by the ordering department to avoid tendering delay. The purchase order will mention the price list reference. All aforementioned documents will be kept along with order copy.



- (h) For transparency in works / purchase / consultancy contract, all orders awarded on nomination basis (as per format placed at Appendix-AN) is to be submitted by all purchase points through their concerned GM / CGM / HOD to the Internal Audit Deptt. for compilation and subsequent checking of at least 10% of such cases and submission of comprehensive report to the Board through the Audit Committee on quarterly basis with concurrence of Functional Directors and CMD. (vide circular DF / Nomination / 01 dated 24.11.2023).

2.5.2 Limited Tender.

- (a) Limited Tenders are issued towards undertaking procurement from selected sources for procurement value not exceeding Rs.25 Lakhs and all cases of procurement from sources nominated by customer.
- (b) Limited Tender may also be resorted to for value exceeding Rs. 25 Lakhs with approval of C.A. justifying the reasons. Refer clause 2.5.3 for approval of Limited tender for procurement value above Rs. 25 Lakhs.
- (c) Minimum three (3) sources are required for issuing Limited Tender Enquiry. In case the number of sources are less than three, approval of C&MD is required. In that case, to improve competition, registered and experienced vendors for similar product category who have good track record of supply and fresh vendors identified by the procurement department may also be considered for issuing tender with the approval of TC Chairman or GM(Com) for TC II and I.
- (d) An undertaking regarding compliance to GRSE's registration requirements shall be obtained from such new vendors during finalization of commercial terms. Any addition/ deletion of vendors is to be approved by TC chairman / Head of the Department. All such vendors considered for tender are to be advised to approach VR Cell for getting registered at the earliest with GRSE for future procurement.
- (e) In case of limited tenders, tenders are to be issued to all vendors registered with GRSE and with 10 days of submission time for Limited tender through E-Procurement mode and **21 days** for Manual mode unless there are recorded exigency justifying curtailment of tender duration as explained below:



- (i) In case of exigency, tender submission time can be curtailed from normal 10/21 days to a short duration of 7/10 days for limited tender with the approval of concerned General Manager/ Departmental Head responsible for procurement provided the value is not exceeding **Rs. 25.00 Lakh** and the exigency of requirement is justified and recorded.
- (ii) For value exceeding **Rs.25.00** Lakh, approval for curtailment of tender duration is to be obtained from the Functional Director.
- (iii) If there is only one response within the specified time, the due date of submission of tender may be extended with approval of GM of Purchase Point, to avoid single vendor situation.
- (f) Tender is to be kept open for submission of bid till the prescribed date and time. Reason for any extension of tender due date and time to be recorded properly and to be approved by the TC Chairman/Head of Department of Procuring point.
- (g) In case of vendors nominated by Customer, DGQA organizations or professional directorates / GRSE CDO, only nominated sources are to be issued with tender.
- (h) Wherever available, evaluated and approved vendor / contractors list maintained by the Vendor cell/ company will be used and in other cases, the suppliers based on past experience and current market intelligence to be selected. The selection of contractor/supplier should be carefully made based on the vendor rating as available and past experience.
- (i) The selection of suppliers/contractors to be issued tender enquiry, if not included in the approved supplier's list (i.e. supplier is not registered in GRSE nor has provisional code allotted by GRSE) should have the prior approval of Tender Committee Chairman.
- (j) Generally, the offer for items having technical implications and high value, orders should be taken in two - part bid system. Tender enquiry in the standard form only will be floated to vendors as mentioned above. However, this need not be applicable in the following cases:
 - (i) Owners'/ Indenter's nominated or proprietary nature of items and & developmental item.



- (ii) Items being procured at GEM/Govt. controlled price.
- (iii) Specific brand which has been standardized in GRSE.
- (iv) Items covered under IS/International standards
- (k) Publishing in website in case of limited tenders will be for the sake of transparency and not for participation by vendors other than those selected for limited tender enquiry.
- (l) Manual Limited tender enquiry/NIT (less than Rs 2 lakh estimated value) shall be posted UNDER CERTIFICATE OF POSTING/telefax / e-mail or other approved mailing system. For manual limited tenders and through E-Procurement portal for e-tender to keep proper record of floating enquiry, it will be desirable to get at least 70% responses either as sealed offer (for manual mode) or regret letters/ mails/ fax. In case, same is not forthcoming despite extension of one due date or in case of urgency, the tenders may be opened after recording the responses received, urgency etc.
- (m) If multiple items are tendered and different vendors quote lowest rates for different items, orders will be placed on different vendors for the items for which they have quoted lowest prices, if the items are separable and can be ordered on different vendors. CDO/ Indenting department is to confirm whether items are separable in the indent itself. Applicability of part order under this condition to be clearly mentioned in NIT.
- (n) If the items are inter-related, require matching alignment, compatibility etc. negotiations will be held with the overall lowest bidder to see, if the vendor is prepared to match the lower bid of the other tenderers for other items for which they quoted lower bids. CDO/ Indenting department to confirm applicability of grouping of item based on matching alignment and this condition to be clearly mentioned in tender condition.

2.5.3 Open Tender/ Press Tender

- (a) Open tender will generally be resorted to in case of high value (total estimated value more than Rs. 25 lakh) item purchase. Open Tendering is a system whereby even non



– registered Vendors/ Contractors are free to participate and allowed to quote against the tender advertised in at least three leading newspapers of all India Circulation/ Indian Trade Journal and GRSE Website. In addition, all the known and possible sources for the supply of a particular material/contract including registered / approved vendors are made aware of the requirements. Refer clause 4.4.1 of Manual for Procurement of Goods issued by Ministry of Finance.

- (b) Bid submission time in general for open tender through E-Procurement will be 21 days and 30 days for manual mode (minimum). Bid submission time in general for open tender through E-Procurement will be 21 days and 30 days for manual mode (minimum). The duration of E tender may be curtailed to 14 days with approval of Functional Director and for manual tender duration may be curtailed upto 21 days with approval of Functional Director. Valid reasons are to be recorded.
- (c) Publishing of Tender on GRSE website is deemed to meet the requirement of open tender/ unrestricted declaration of intent to procure materials or services.
- (d) This system is not mandatory for purchase of items/contracts from already approved customer nominated / developed sources and also where License Agreements / Long term contracts are in force. For all other tenders whose estimated value is above Rs. 25.00 lakh, open tender method as indicated above should be adopted.
- (e) However, due to special circumstances of the purchase/contract, for valid reasons including GeM to be recorded, the open tender procedure may be waived off for procurement value above Rs. 25 Lakhs and limited tender to be issued with prior approval as follows:
 - (i) Functional Director for value above Rs. 25 Lakhs and up to Rs. 5 Crores.
 - (ii) C&MD for value above Rs. 5 Cr.

[Refer clause 4.4.1 of Manual for Procurement of Goods issued by Ministry of Finance]

- (f) The purpose of open tendering is to get a wider response from the market and reach out to all intended suppliers. In case, open tender is not resorted to due to certain limitations, reasons for the same will be recorded in the purchase proposals and to be ratified later through the respective TC.



- (g) The system of Open tender will not be mandatory in the following cases:
- (i) Owners' nominated items/ developmental items.
 - (ii) Purchase made at DGS&D Contract or Govt. Controlled price.
 - (iii) Specific brand which has been standardized in GRSE or approved by the concerned Director of GRSE.
 - (iv) Steel and Alloy steel.
 - (v) Oils & lubricants (Engine oil/ gear oil/ fuel oil – HSLSD, AVCAT, MS, liquid coolant etc.).
 - (vi) Items conforming to tailor-made/ made to order specifications/ patent numbers/ pattern number of shipbuilding items.
 - (vii) Items for which confidentiality of drawings are required.
 - (viii) License agreement / Long term contracts in force.
- (h) Pre-qualification Criteria in Open Tendering. Where technology, source, experience etc are decisive criteria, at the instance of the Management, pre-bid qualifications are necessary for selection and /or short listing of the prospective vendors. The Notice Inviting Tender (NIT) is to clearly specify such requirements.
- (i) All Open Tenders are to be published in GRSE website. The Indenting/Procurement Department after due verification of tender document shall forward the request (complete in all respects) to E-Procurement cell for hosting of tender in GRSE e-Portal and GRSE website.
- (j) **Press Tender**. Open Tender through Non-GEM portal for estimated procurement value above Rs. 500 lakhs shall be called as "Press Tender". Press tender shall be hosted on GRSE website and will also be published in at least three leading dailies (a reference of e-tenders in brief is published). The PR department will have standard rates and norms for publication of press tenders and will arrange publication of press tenders on advice from purchase point not below the rank of DGM (Sr. Manager in case of units where DGM is not available). Tender due date to be considered from the



date of publication of tender in newspaper and GRSE website. For procurement through GEM Portal, press advertisement is not required.

- (k) All 'Press Tenders' of value 500 lakh and above are also to be published in GRSE website. The Indenting Department after due verification of tender document shall forward the request for publishing the tender in website to Public Relation Officer, AGM(C&CP) along with soft copy and hard copy of the tender document through HOD.
- (l) The requirement/NIT shall also be hosted on other government procurement websites as per extant policy.
- (m) 'Open Tenders' shall be designated as "GLOBAL" where participation from foreign suppliers are expected/solicited. The "GLOBAL TENDER" shall be categorically mentioned in NIT. The allowable currencies along with applicable STACS(IMPORT) are to be specifically indicated in this regard. The requirement of procurement via Global tender is to be indicated by the Indenter. The decision for issue of Global Tender shall rest with TC-Chairman/Head of Procurement Department
- (n) **Public Procurement (Preference to Make in India), Order 2017 is applicable for Open/Global tender. For details refer to Appendix-B.**
(C&MD's Ty order No. 44/17 Dated 03November 2017)
- (o) Against Open Tender invitation, provision should be made to restrict entry of mushroom/unreliable vendors. For this purpose, provision of Earnest Money/Security Deposit as explained elsewhere of this manual, will be adhered to. Tenderers may be asked to submit their past performance records and compliance of pre-qualifying requirements of the tender as well.
- (p) Expression of Interest (EOI). Suppliers/OEM shortlisted against an invitation for Expression of Interest (EOI) for a particular item category may be utilized for processing through '**Deemed Open Tender**' within a period of two year (closing of EOI), unless in the meantime alternate source of supply is established (to be certified by TC). In that case, issue of tenders to only these short-listed suppliers/vendors shall be treated at **par with open tender**.
- (q) Where no suitable offer has been received against limited tender enquiry, open tendering may be adopted even if value is below Rs. 25.00 lakhs with concurrence of TC chairman. During issue of such open tenders all care should be taken that



guideline drawing, QAP, SOTR etc. are available and can be published with the tender document.

- (r) In case of new vendors, not registered with the company earlier, their credentials will first be established by the tender committee in consultation with V.R. Cell.
- (s) A sample NIT Format for Press Tender for Capital Items is enclosed for reference at Appendix —C

2.5.4 Global Tender Enquiry (GTE)

GTE is similar to OTE but, through appropriate advertising and provision for payment in Foreign Currencies, it is aimed at inviting the participation of inter-alia foreign firms. The point of balance between VfM and cost/ complexity of procedure is further aggravated as compared to OTE. Development of local industry also needs to be kept in mind. Hence, it may be viable only in following situations:

- (a) Where Goods of required specifications/quality are not available within the country and alternatives available in the country are not suitable for the purpose;
- (b) Non-existence of a local branch of the global principal of the manufacturer/vendors/ contractors;
- (c) Requirement for compliance to specific international standards in technical specifications; and
- (d) Absence of a sufficient number of competent domestic bidders likely to comply with the required technical specifications, and in case of suspected cartel formation among indigenous bidders.
(Rule 161 of GFR 2017)
- (e) Nomination of vendors by the Buyer.

2.5.4.1 Terms and Conditions

- (a) Advertisement in such cases should be given on Central Public Procurement Portal (CPPP) at www.eprocure.gov.in and on GeM. An organisation having its own web site should also publish all its advertised tender enquiries on the web site. The procuring entity should also post the complete bidding document in its web site and on CPPP to enable prospective bidders to make use of the document by downloading from the web site. The advertisements for invitation of tenders should give the



complete web address from where the bidding documents can be downloaded. In order to promote wider participation and ease of bidding, no cost of tender document may be charged for the tender documents downloaded by the bidders.; and

- (b) The sale/ availability for downloading of tender documents against NIT should not be restricted and should be available freely. Tender documents should preferably be sold/ available for download upto the date of opening of tenders; and
- (c) The tender documents, shall be priced minimally (if at all priced, refer Para 5.2.1 Cost and Availability of Tender Documents) keeping in view the value of the tender as also the cost of preparation and publicity of the tender documents;
- (d) GTE tender documents must be in English and the price should be asked in Indian Rupees or US Dollars or Euros or Pound Sterling or Yen or in currencies under the Reserve Bank of India's notified basket of currencies;
- (e) GTE tender documents must contain technical specifications which are in accordance with national requirements or else based on an international trade standard;
- (f) In such cases E-Procurement may not be mandatorily insisted upon.
- (g) The due date fixed for opening of the tender shall be minimum four weeks from the date of advertisement which may vary considering the nature of material called for as well as the time required to prepare the bids. The due date may be subsequently extended with the approval of the CA only to promote better competition and also considering account delivery requirement; and
- (h) Relevant INCOTERMS should be included in the tender.

2.5.4.2 Restriction of GTE

No Global Tender Enquiry (GTE) up to Rs. 200 crores³⁶ shall be invited or such limit as may be prescribed by the Department of Expenditure from time to time. In exceptional cases where the Ministry or Department feels that there are special reasons for inviting GTE, for tenders below such limit, it may record its detailed justification and seek prior approval for relaxation from the Competent Authority specified by the Department of Expenditure.

- a) The proposal for approval shall be submitted by Administrative Ministry with the concurrence of Financial Advisor and approval of Secretary concerned. The proposals submitted by individual offices/ organisation (e.g. autonomous bodies,



Central Public Sector Undertakings and subordinate offices of Central Government etc.) will not be entertained.

- b) The proposals shall be submitted along with duly filled format.
- c) Circular and subsequent policy issued by GoI will prevail and be applied accordingly.

2.5.5 Emergency/ Procurement.

- (a) When delivery of an item ordered on a supplier is unduly delayed and the production programme is adversely affected due to the delay, the Procurement Department is empowered to procure and position the item from the alternate known/registered sources on fast track basis. In case of part supply / no supply, the order already released would be cancelled/ foreclosed post approval by the Head of Department
- (b) Under this mode of Procurement, only the minimum inescapable quantity as certified by the indenting/planning/PMT department is to be procured to meet the immediate urgent requirement. Subsequently, normal procurement process such as 'Risk Purchase' etc are to be adopted for formal closure of the existing Purchase Order.
- (c) Delayed delivery against original order can be accepted if repeat requirement is envisaged in near future. Otherwise, such order shall be cancelled as per terms of the Purchase Order.
- (d) All such emergency procurement shall be limited to a maximum value of Rs. 40-20 Lakhs. Single bid system from the suppliers who had previously supplied similar types of materials shall be adopted.
- (e) Under the emergency purchase, the enquiry and receipt of quotation can be made by e-mail/sealed envelope to be received by dealing officer and Countersigned by Head of Department (not below DGM).
- (f) Turnaround time in such cases shall be 03 to 05 days and purchase order shall be placed within a week from receipt of response.
- (g) All evaluations and purchase formalities shall be completed within time frame by formation of a committee comprising representatives of Design, Finance and Materials.
- (h) 'Repeat Order' feature shall not be applicable to orders placed under 'Emergency' procurement.



- (i) Purchasing department shall generate a quarterly report / return for emergency procurement conducted during each quarter for onward submission to Functional Director for information.

2.5.6 Procurement under Memorandum of Understanding.

A Memorandum of Understanding may be entered in to with reputed and reliable suppliers for standard items used by shipyard regularly where administered price or GRSE approved rates are available. Suppliers who are nominated/qualified by GRSE's customers shall be preferred for such MoUs. All other suppliers are to be carefully evaluated for their performance prior entering in to MoUs. Due market survey through 'Expression of Interest' or other mechanisms must be undertaken. MoUs shall normally not exceed a period of two years. All MoUs entered into by GRSE for procurement of 'Goods', shall be approved by the C&MD. All MoUs where the estimated annual procurement value is expected to exceed INR. 100 Cr., are to be signed post approval of Board. MoUs where the estimated annual procurement value is more than INR. 30 Cr. and upto INR 100 Cr. are to be signed post approval of Procurement Committee of Board. CGM/GM (Commercial) is authorized to sign MoU on behalf of GRSE. Issue of 'NIT' for procurement under MoU shall not be mandatory and shall be governed by provisions of the MoU. Quality of the product and price reasonability are to be established.

2.5.7 Resultant Single Vendor Situation (RSVS).

There are cases where only a Single valid Offer is received against Limited Tender Enquiry / Open Tender Enquiry. This is known as 'Resultant Single Vendor' situation indicating lack of competition. These cases should be considered / treated as 'Single Tender' for determination of financial powers/TC level.

- Indenter shall be informed in case of RSVS and indenter to be requested to revisit the SOTR/Technical specification and obtain confirmation from indenter regarding any change of specification/SOTR.
- Price reasonability is to be established.
- Approval shall be accorded from TC Chairman for waiver of Re-tender and proceed for procurement and valid reasons to be recorded.

(Reference GFR 2017 Rule 173 (xxi))



2.5.8 Procurement without Financial Concurrence (other than capital item):

Procurement up to Rs. 5 Lakhs (other than capital) will be carried out by dealing Purchase officer without finance concurrence subject to price reasonability and normal tendering procedure are followed.

2.5.9 Procurement without Calling Tendering

Procurement without calling tender shall be of following two types.

- a) Direct Procurement without Quotation;
- b) Direct Procurement by Purchase Committee;

2.5.9.1 Direct Procurement without Quotation

- (a) Direct procurement of goods without formal quotations is normally done for the small value procurements. This is also called petty purchase. It should be used for off-the-shelf goods of simple and standard specifications and when the required goods (of required specification or within required delivery period etc.) are not available on GeM⁴⁶. However, it is mandatory for a buyer to generate a “GeM Availability Report and Past Transaction Summary” (GeM AR&PTS)⁴⁷ with a unique ID on GeM portal using his login credentials on GeM for procurement outside GeM. *The procedure is the simplest and quickest but VfM may be poor; hence it is suitable only in very low value, urgent and simple requirements in the following situations:*
 - (i) Procurements do not exceed the threshold (for each requirement) of Rs. 25,000 (Rupees Twenty-five Thousand) for each case with approval of GM/HOD;
 - (ii) The requirement is urgent but was not covered in the procurement plan; and
 - (iii) The requirement is for off-the-shelf goods of simple and standard specifications. Examples of procurement are day-to-day needs of the office and field units, and so on.
(Rule 154 of GFR 2017)
- (b) Terms and Conditions
 - (i) The competent officer of the procuring entity can initiate and complete this purchase after diligent enquiries from the market and filling the certificate prescribed (Appendix-V). Such powers to a limited extent can also be given to



various user sections for operational needs.

- (ii) Normally an imprest amount (with facilities for cheque payments) sufficient for two months' estimated procurements can be sanctioned for such officers to handle such procurements. The imprest amount can be recouped on monthly basis by submission of expense vouchers.
- (iii) In a summary form, records should be kept of the vendors/contractors approached and prices indicated by them.
- (iv) Selection of seller by diligent market enquiry is of essence of this mode of procurement.
- (v) In larger cities, the presence of reputed Shopping Malls may also be included in the market survey. Reputed internet shopping portals may also be explored.

Direct Procurement without Quotations - Risks and Mitigations	
Risk	Mitigation
The main risk is splitting of demand to avoid higher approvals or higher modes of procurements.	Supervisors should carry out periodic review of such procurements to ensure that the demand is not split into small quantities for the sole purpose of avoiding the necessity of getting an approval from the higher authority required for sanctioning the purchase of the original demand or for avoiding LTE or OTE mode of procurement. An annual review of such procurements shall be carried out to ensure that future anticipated requirements are clubbed and procured through LTE/ OTE/ RC. To keep a better control, an annual ceiling may be fixed for each office for such a mode of procurement say Rupees five Lakh for each office per year Each office should maintain records to monitor such limits
Over a period of time intentionally or otherwise, the due diligence of enquiries from market may	Supervisors should cross check a percentage of cases in the market for prices, fake vouchers, and so on. Supervisors



degenerate into a mechanical obtaining of quotations, leading to development of nexus and crony suppliers. Vendor selection may actually be manipulated with fake supporting vouchers. Since such small value materials do not undergo accounting and inventory control, the risk of development of a nexus, leakages and fake procurements and payments are there. The same set of vendors may get patronised repeatedly for a wide variety of requirements. Since only cursory visual inspections are done, quality may be at risk.	should also check that the same vendor(s) is not being patronised repeatedly. For the sake of transparency, payments should be made by cheque or through Electronic Clearance Service except that cash payment may be allowed up to Rs. 5,000 (Rupees Five thousand). Staff involved with such procurements should not continue in the same role for long and should be rotated frequently.

2.5.9.2 Direct Procurement by Purchase Committee

- (a) This mode of procurement is used for procurements valued above Rs. 25,000/- (Rupees Twenty-five Thousand) and upto Rs.2,50,000 (Rupees Two Lakh Fifty Thousand) only on each occasion with approval of Functional Director. It is made by a local purchase committee constituted by HOD only in case when a certain item is not available on the GeM portal (of required specification or within required delivery period etc.)⁴⁸. However, it is mandatory for a buyer to generate a “GeM Availability Report and Past Transaction Summary” (GeM AR&PTS)⁴⁹ with a unique ID on GeM portal using his login credentials on GeM for procurement outside GeM. This mode of procurement is described in parlance of procurement of goods; however, in principle, it is equally applicable to contingency expenditure on small works/services also. *This procedure is slightly more complex and is likely to provide better than direct procurement without quotation and hence is suitable for marginally higher thresholds (Rule 155 of GFR 2017)*
- (b) Terms and Conditions
- The controlling ministry may lay down an annual ceiling value per office/unit for such procurements;
 - In case of emergency procurement, facility of withdrawing requisite advance cash amount and its subsequent accountable may also be considered.



- (iii) This is intended to be fast track, simple mode of procurement. The committee will survey the market to ascertain the reasonableness of rate, quality and specifications and identify the appropriate supplier.
- (iv) Selection of suitable product and supplier by actual market survey (not by calling of tenders like a mini LTE) is of essence of this mode.
- (v) Before recommending placement of the purchase order, members of the committee will jointly record the certificate prescribed (Appendix-W); and
- (vi) In larger cities, the presence of reputed Shopping Malls may also be included in the market survey. Reputed internet shopping portals may also be explored.
- (vii) Minimum 03 quotations are to be obtained for procurement value above Rs. 25000/- and material should not be available in GeM.

Direct Procurement by Purchase Committee - Risks and Mitigations	
<i>Risk</i>	<i>Mitigation</i>
Risks are the same as in the case of direct procurement without quotation mentioned above, with mitigation due to involvement of three members. Over a period of time intentionally or otherwise, the due diligence of enquiries from market may degenerate into a system of floating and obtaining of limited tenders, leading to delays, development of nexus and crony suppliers.	Mitigation strategies are also the same as in direct procurement without quotation.

2.5.9.3 Approval for procurement without calling tender for procurement value exceeding above limit as stipulated in clause 2.5.9.1 and 2.5.9.2.

- (a) For contract value upto Rs. 2.5 lakh: Concerned Purchase Point.
- (b) For contract value from more than Rs. 2.5 lakh upto Rs. 7 lakh: Concerned Functional Director with FC of CGM (F) / GM (F).
- (c) For contract value for more than 7 lakh and upto Rs. 10 lakh, CMD with financial concurrence of D(F).
- (d) Conditions: Minimum 03 no. quotations are to be obtained.

2.5.10 Time bound processing of procurement:



- (a) The tender shall be published within 10 working days of receipt of complete documents, indent, SOTR and other relevant information from Indenter.
- (b) TNC and CNC is to be concluded within 21 working days from date of opening of techno commercial bid. Towards this, Commercial negotiation may be commenced in parallel with Technical evaluation. However, it is to be clearly stipulated that Commercial acceptance is subject to technical clearance.
- (c) Financial clearance/observations (if any) for opening of Price Bid is to be accorded within 02 working days. Comparative Statement vetting should be completed within 03 working days from the date of price bid opening. In case of procurement coming under PSC/Board, the time duration would be 3-4 working days.
- (d) Finance is required to give observation/concurrence within 02 working days from receipt of Purchase Proposal.
- (e) Finalisation of order/ issue of LOA / Purchase Order are to be completed within 21 working days from receipt of Technical clearance. Exceptions are to be reported to the concern Material Head.
- (f) Monthly MIS on the Technical bids opened vis –a-vis the status of TNC and TNC clearance followed by PNC clearance would be maintained by Procurement In-Charge and forwarded to Project Head for this purpose.
- (g) Non-project-based procurement is excluded from above timelines.

2.5.11 Ship Staff Selection Items:

- (a) Several items are required to be procured based on selection by the respective Ship Staffs.
- (b) The procedure for procurement of such items are enumerated below:
 - (i) Budgetary quote is obtained from the vendors by the concerned ship's staff.
 - (ii) The budgetary offer/ quote, duly endorsed by representative of WOT(Kol) is forwarded to CDO. The endorsement only being applicable to the specification/ quantity / quality of the materials standard therein and not the price.



- (iii) The budgetary offer should be completed in all respects as regards the specification (manufacturer / model / capacity / material description) in order to enable GRSE to estimate the benchmark prices of such items from the sources in the market.
- (iv) CDO is to examine the budgetary offer and on technical acceptability, raise an indent in the SAP system.
- (v) Based on the indent and endorsed budgetary offer, Purchase department / concerned procurement section processes the file for ordering, after thoroughly scrutinizing and verifying the quotations / offers with appropriate brand/model and justifying with respect to competitive prices for the COTS items, available in the market.
- (vi) If it is found that the budgetary quote is substantially higher than the benchmark prices as estimated by GRSE from open sources, the company may go in for a limited tender or negotiable the prices to such level.
- (vii) The vendor on whom the purchase order is placed supplies the ordered items to the requisite GRSE Stores.
- (viii) The supplied material is then handed over to the ship staff by GRSE Stores on the basis of the necessary SAP documentation.

2.5.12 Receipt of Manual Tenders:

- (a) For Manual tendering, a securely locked tender box will be kept in a prominent place in the concerned procuring department to enable the tenderers to drop their sealed cover tenders in the same. Tenders received by post upto the prescribed date and time of submission of tender shall be dropped inside the tender box when received by the Purchase Department Tenders will be opened only on the specified date and time.
- (b) The tender received beyond due date and time of submission or extended due date and time of submission will not be considered for tender finalization. However, for Single Tender/PAC Tender late Tenders will be accepted and may be opened by the purchase point.



- (c) In case of exceptional situations Email quotation may be received from vendor : In view of the secrecy aspect of any price-bid, email quotations are allowed only in the form of password protected pdf files / documents containing the price bid to be emailed to a specific email-id which is to be accessed by designated officer of FFC dept and the password shared to the office in separate email / sms. The said procedure to be communicated to vendor Replace the email quotation with password protected pdf quotation. Separate SOP to be prepared in this regard.
- (d) In case of Two Bid system of Tender, combined offers received will be rejected except for Single Tender.

2.5.13 Ordering Instructions (OI) by customer:

- (a) Customer i.e. Indian Navy, Coast Guard etc. and or DQA(WP) / (N) will issue OI in respect of items related to Naval Ships under construction / repair as per the schedule laid down in the relevant annexure to the contract and as delineated between the Shipyard and the owner as follows:
 - (i) For equipment which are being indigenized for the first time.
 - (ii) For equipment already indigenized but where the number of manufacturers promulgated/ listed in the compendium is less than four for the category / type of equipment.
 - (iii) It is expressly understood that no OI will be required to be issued for materials where the specifications are frozen / well defined, for equipment where repeat orders are to be placed and for items four or more indigenous manufacturers have already been established and their names promulgated / included in the compendium.
 - (iv) Owners' nominated items will be procured from owners' approved sources.

2.5.14 Transparency in Tender Processing:

- (a) In case of all press-advertised / global tenders, 30 days normal time is to be provided for vendors to offer their Bid. For limited tenders 21 days' time (for manual tender) and 10 days' time (for E Tender) should be given for the vendors



to offer their Bid. In case of exigencies (to be recorded in file) justifying curtailment of tender duration, the same may be undertaken with permission of concerned authority as explained in 2.5.2 & 2.5.3.

- (b) The tender is normally to be kept open for participation till two day prior to the date of opening.
- (c) For limited tenders, in case the number of registered vendors is less than three for a particular product category, to improve competition, vendors with provisional code for similar product category who have participated in earlier tender may also be considered for issuing tender. All such vendors considered for tender are to be advised to approach VR Cell for getting registered earliest with GRSE for future procurement.
- (d) All procurement advertisements appearing in newspapers are to be hosted on GRSE website for better participation and transparency.
- (e) In cases of pre-qualification and expression of interest, the tender may be issued to non-registered firms and subsequently registration of the firms to be made based on existing procedure.

2.5.15 Pre-Bid Meeting

Consequent to the issue of RFP/Tender Enquiry, a number of queries relating to the RFP/Tender Enquiry may be raised by the vendors. It should be ensured that all the queries are answered in an acceptable time frame so that the vendors are able to submit their techno-commercial offers by the due date. If deemed necessary, the requirement of a pre-bid meeting shall be stipulated in the SOTR/NIT/RFP. All the vendors may be invited by the Indenting/procurement department along with representatives from other departments including procurement department for providing/seeking clarifications. The clarifications should be processed by the TNC and be given in writing to all the vendors by the TNC preferably within 01 weeks of the pre-bid meeting. However, it needs to be ensured that the major parameters of RFP/Tender Enquiry (SOTR) should not be changed/amended at this stage.

2.5.16 Samples for Tender/PO. or test conditions in Tender / PO:



- (a) The object of a sample is to present to the eye the real intention of the parties regarding quality, size etc. of the goods which it might be difficult to express in words. There are three conditions in the case of a contract for sale by sample, namely-
 - (i) That the bulk should correspond with the sample in quality. If, however, the contract is for sale by sample as well as by description, then both the conditions must be complied with.
 - (ii) That the buyer shall have reasonable opportunity for comparing the bulk with the sample.
 - (iii) the goods will be free from any defect rendering them un-merchantable. There must be clause in the P.O. that the purchase is by sample.
- (b) As far as possible, procurement of stores “as per sample” will be avoided and materials will be procured to Indian Standard Specification or to other standard specifications/drawings.
- (c) In absence of complete specification, when it becomes unavoidable to call for samples, the same will be asked for at the tender enquiry stage and following clause is to be included in the tender enquiry: “Tenderers are required to submit a sealed sample duly stamped/labelled with the name of the firm and tender reference”. Quotations received without samples where asked to be rejected.
- (d) The samples will be asked to be supplied at free of cost. They are non-returnable unless specifically requested in the quotation. Where a returnable sample is rejected after test and examination, the same or whatever remains of the sample shall be returned to the tenderers within ONE month from the date of rejection at the tenderer’s cost. No extra cost will be payable by GRSE for such sample, unless specifically agreed upon in writing in the contract.
- (e) If it is decided to call for samples after the opening of tenders due to unforeseen circumstances, the same will be done by the officer of the initiating department only after obtaining approval of Tender Committee.
- (f) The samples will be approved by the indenter/Using Department as the case may be and the approval of the accepting officer shall be in writing. Acceptance or the decision will be conveyed to the Ordering Department within 7/10 days from the date of receipt.



- (g) If the tenderer submits a sample, the same shall not be deemed as part supply unless it has been specifically mentioned in the purchase order.
- (h) The inspection copy of the purchase order will enclose the certified sample/drawing and the same will be handed over to the inspecting authority under clear acknowledgement.
- (i) Where the contract does not require any advance sample to approve, the vendor may, before proceeding with bulk supply if he so desires, submit a sample for approval to the inspecting authority. The vendor will not, however, be entitled to be shown any consideration or given any extension of time on the ground of delay in the approval of such sample.
- (j) For ship repair project specially where purchase order is released on the basis of sample, approximate size/suitable description will be stated in the purchase orders for future assessment/reference.
- (k) Accounting of samples: As soon as the samples are received by the purchaser against a particular tender, its receipt will be noted in following manner-
 - (i) Date of receipt
 - (ii) Indent No. and date
 - (iii) Name of supplier
 - (iv) Description of the sample
 - (v) Quantity/Nos. received.
 - (vi) Returnable/non-returnable
- (l) Imported Sample. The samples for items to be imported will follow the procedures as given in the prevailing Import Policy.



CHAPTER 3

TENDER COMMITTEE

3.1 INTRODUCTION

- (a) The Tender Committee (TC) plays a vital role in procurement decision through group decision making process. Tender Committees are intended to function efficiently by virtue of taking into consideration distinct viewpoints of the representing members in evaluating buying alternatives. Tender Committees provide leadership by navigating through conflicting objectives of various departments. As a team, TCs are to achieve unity of purpose. TC also serves the vital purpose of ensuring transparency in decision making.
- (b) TC is composed of members from Material Department / Purchase Points and Finance Department and Directors concerned as relevant. Six levels of Tender Committees, I to VI as detailed in Articles 3.2 and 3.3 is authorized to participate in procurement process and decisions for various ranges of procurement value.
- (c) Proposal for consideration by a TC shall be circulated among its members by the dealing officer to facilitate the members of TC to get adequate time to scrutinize the details before final approval.
- (d) TC is empowered to finalize and approve the tendering process and the procurement proposal in the best interest of the company.

3.2 PROCUREMENT SUB COMMITTEE

Pursuant to MOD instruction in Aug'04 regarding delegation of power to CMD & revision thereof, the following procedure will apply: -

- (a) Proposals for placement of orders for procurement of materials, equipment, tools, stores and spares, imports including from Russian sources, approval of works, sub-contracts, facility hire etc. in excess of value of Rs.100 crores in each case for sanctioned projects will have to be forwarded to Board of Directors for approval.



- (b) Proposal for value above Rs.30 Crores and upto Rs. 100 crores to in each case for sanctioned projects shall be approved by Procurement Sub Committee (PSC).
- (c) **Capital Expenditure**
 - (i) Proposal of Capital expenditure upto Rs.5 crore will be approved by CMD.
 - (ii) Any proposal of Capital expenditure exceeding Rs.5 crore will be approved by the Procurement Sub Committee of Board, if proposal value is within approved budget.
- (d) Composition of PSC. PSC shall consists of following members:-

Chairman & Managing Director	Chairman
Independent Director	Member
Director (Finance)	Member
Director (Shipbuilding)	Member
Company Secretary	Secretary to the Committee

3.2.1 Financial Power of PSC

The Procurement Sub Committee will be delegated full powers in respect of following within financial limits stipulated at para 3.2(a)-(c):-

- (a) Approval of proposals for placement of orders for procurement of materials, equipment, tools, stores and spares, imports including from Russian sources, approval of works, sub-contracts and facility hire etc. for sanctioned projects.
- (b) Approval of proposals for capital expenditure in respect of the items provided for in the Capital Budget approved by the Board / Government.
- (c) The proposals for consideration for the committee will be prepared by the CGM / GM / HOD of the concerned department. The same will be submitted to the Company Secretary for collation and submission to the committee.
- (d) The Committee will meet as frequently as required. The Company Secretary, with the approval of the Chairman of the Committee, will issue notice for the meeting of the Procurement Committee, allowing for adequate time. The Agenda papers containing procurement proposals will be forwarded along with the notice for the meeting.



- (e) During the meeting of the committee, the proposal will be presented by the concerned CGM/GM/ HOD.
- (f) Company Secretary will be responsible for preparation of Minutes of the meeting of the Committee and to forward the minutes/ record notes/ approval note of the committee and relevant documents to the concerned GM/CGM/HOD.
- (g) The Procurement Committee will examine all the procurement proposals in conformity and compliance of the Purchase Manual of the Company, CVC Guidelines, Government Regulations, Guidelines etc. and approve the proposals. In the event of any deviations of procedures, the proposal with the recommendations of the Committee, is to be placed before the Board of Directors for approval. However, if the Committee feels that a particular proposal requires consideration by the Board, same can be submitted to the Board with recommendation of the Committee.
- (h) On approval of the proposals by the Procurement Committee GRSE Management or concerned department is authorized to place the order for procurement/ service as the case was placed for approval within the sanctioned monetary limit.
- (i) All the procurement proposals approved by Procurement Committee are to be placed before the Board for information.

3.3 TENDER COMMITTEE

Refer Delegation of Power (DOP).

Note: An executive of the level of Manager/Sr. Manager shall be designated as the 'Member Secretary' of TC-IV and above. He/She shall be responsible for coordination of all activities of the TC.

3.4 SUB DELEGATION OF FINANCIAL POWER OF TC:-

Refer Delegation of Power (DOP).

Note:

- (a) Procurement against MOU shall be treated as Single Tender.



- (b) TC for any Amendment of Purchase Proposal shall be the same TC approving the original Purchase Proposal provided the procurement value is within delegated Financial power of the TC.
- (c) If the total procurement value exceeds the limit of TC, the PP amendment shall be approved by the next higher/appropriate level TC.
- (d) Purchase Proposal and Financial Concurrence is not required for any amendment of order due to change in tax structure or other statutory rules/levies. The PO shall be approved by PO release authority.

3.5 TECHNICAL NEGOTIATION/ TECHNICAL CLEARANCE COMMITTEE

3.5.1 Composition.

Technical Negotiations shall normally be carried out by a Technical Negotiation Committee (TNC). The team shall comprise of representatives from Technical, Planning, User and QA departments according to the individual tender requirements. In case of deviations or deficiencies, the department carrying out technical scrutiny shall correspond with the bidders directly. If bidders are required to be called for discussions in person, they may be given suitable (01-03 weeks) notice, depending on whether they are indigenous or overseas bidders. The discussions that have taken place shall be recorded and signed by those who participated in the discussions. Wherever GRSE's contract with customer stipulates inclusion of customer representative in the TNC, it shall be adhered to. The composition based on procurement value shall be as follows:-

Member of Design/ Indenting Department	For procurement value (other than Capital item)	For procurement value (Capital Item)
Dy. Manager	Up to 25 lakh	
Sr. Manager / Manager	> Above 25 lakh to 200 lakh	
DGM	> 200lakh to 1000 lakh	
AGM	> 100 lakh to 2500 lakh	Up to 200 lakh
GM/CGM	> 2500 lakh	Above 200 lakh

3.5.2 TNC Guidelines

- (a) The TNC conducting officer shall carry out scrutiny of bids as expeditiously as possible. The normal time for completion of technical scrutiny after opening of the



technical bids shall be 4 weeks. However, in case of major equipment, the technical scrutiny shall be completed within 45 days. In case of any delay in completion of technical scrutiny, reason for the same shall be recorded by TNC Chairman.

- (b) If for any reason a nominated member is unable to attend either being on leave, or away on duty or absent, the concerned HOD shall nominate a suitable alternate member.
- (c) Any member having any personal relationship with the bidder rep who is attending the TNC or having any business interest with the firm shall refrain from participating in the committee.
- (d) It is preferable that all technical requirements are tabulated and compliance or alternatives offered or otherwise against each be obtained from bidder. Seeking piecemeal information from bidders shall be avoided.
- (e) During technical evaluation, ability of a bidder to deliver the items or provide the services according to the requisite time line (say because of large number of existing orders, fund flow etc) is also be examined to avoid slippage of delivery.
- (f) Confirm delivery schedule, Warranty / Guarantee Offered and Product Support.
- (g) If a bidder is not responding to technical queries before the set time for clarification or buys time in not clarifying points raised and thereby delaying finalization of TNC, the TNC Chairman officer, at his discretion, may reject the bid on this ground after giving adequate notice in writing to the bidder.
- (h) To ensure fair competition, deviations shall not be granted to one firm putting other firms in a disadvantageous position.
- (i) The final scope of work or supply shall be same or on par with all bidders. In case of change in specification or scope of supply or work during TNC that will have impact on price, the changes made shall be clearly brought out in the TNC minutes of meeting, indicating specifically the details of changes made in the scope of supply and need for submitting the supplementary price bids by the firm. The TNC in its recommendation/Technical Clearance Certificate is to clearly indicate their recommendation regarding submission of supplementary/revised price bids. In such cases, all eligible bidders shall be afforded an opportunity to review their price and



quote price for the deletions or additions made. Price revision /supplementary bid shall be accepted only on approval of TC Chairman.

- (j) However, such changes should not be misconstrued or misused to substantially change the tender conditions or the scope of the supply to favor any bidder.
- (k) There shall be no waiver of 'Qualification Criteria' (where specified in NIT) after issue of bid documents, as this may result in denial of opportunity to firms which could have met the revised essential parameters, had this been reflected initially in the Tender
- (l) The TNC report shall clearly state unconditionally whether a bid is accepted or rejected. If a bid is rejected on technical grounds, it shall be specified in the minutes of TNC itself and the minutes shall be signed by all who participated in the TNC. The concerned bidders shall be intimated subsequently on approval of rejection by TC Chairman.
- (m) **Division of Order.** Where the order is divisible and it is felt by the TNC that any particular vendor would be unable to supply the order in full, the same is to be recorded in TNC MoM along with due justification. Recommended quantity for procurement from subject vendor is also to be recorded.
- (n) **TNC for Standard Items.** No TNC for standard items conforming IS/BS specification are to be conducted and same is to be specified in indent by CDO/indenter.
- (o) TNC to contact with bidder directly for any clarification/ documents for bid evaluation.
- (p) During TNC, technical capacity for manufacturing of tendered item of new firm should be evaluated by TNC committee before issue of TCC. For C / Standard items, TNC to approve vendor QAP to avoid delay in approval post placement of order.

3.6 CNC/ COMMERCIAL NEGOTIATION COMMITTEE: -

- (e) Based on the estimated cost of the procurement, CNC will be formed as follows:



Member of Purchase Point/ Material Department	For procurement value (other than Capital item) Value in INR	For procurement value only For Capital Item
DM/AM	Up to 60 lakh	
MGR	> 60 lakh to 100 lakh	
SM	> 100 lakh to 500 lakh	Up to 50 lakh
DGM	> 500 lakh to 800 lakh	Up to 100 lakh
AGM	> 800 lakh to 1500 lakh	Up to 200 lakh
GM/CGM	> 1500 lakh	Above 200 lakh

- (f) The power of the member of the CNC should not be sub-delegated under normal circumstances. However, if the situation so demands due to exigency, then sub-delegation may be allowed, subject to approval of GM for AGM/below and Director for GM level.

3.6.1 CNC Guidelines

- (a) It shall be carried out by the concerned Procurement officer in consultation with from Finance department officer to confirm commercial terms indicated in bid document are fulfilled.
- (b) Commercial Terms and Conditions of all bidders shall be brought on par during CNC and examined that all charges are taken in to account. Some of the important aspects to be examined are as follows:-
- (i) Check whether Custom Duty, Goods & Service tax and any other levies, as applicable, as per statutory requirements are taken into account.
 - (ii) Prices are fixed and firm or having Price variation Clause (PVC) or ERV clauses etc as relevant to NIT.
 - (iii) Extend validity of offer to suit processing time, if required.
 - (iv) Examine Payment terms.
 - (v) Confirm inspection agencies and inspection charges are included.
 - (vi) Legal Jurisdiction as applicable.



- (vii) Compliance to LD clause, penalty clause, Integrity Pact, PBG clauses, cost of warranty extension, preservation, de-preservation, re-preservation etc as sought in NIT are quoted.
- (viii) Test and trial /Commissioning spare, installation and commissioning tools and initial consumables such as oils etc are catered.
- (ix) Total service engineer man days, service engineer charges for additional requirement of man days, on board training, class room training, notice period for attending Factory Acceptance Trials etc are catered.
- (x) Confirmation on all loading factors for determining total 'Price' for L1 determination.
(Note: Detailed Check List is Placed at Appendix-L)
- (c) Commercial deviations if any are to be resolved to mutually acceptable levels through correspondence or discussions in person, considering the time frame available for finalizing the orders.
- (d) Once the bids are commercially cleared and categorized as "Techno commercially cleared bids", the price bids of are to be opened after approval of Competent Authority.
- (e) CNC should consider only clauses published in NIT document. Additional conditions if any submitted by the firm shall be applicable only if discussed in CNC/TNC and recorded in relevant minutes.
- (f) Wherever supply of equipment, spares are made in lots, the number of lots and delivery schedule are to be finalized in TNC/CNC. Material supplied at GRSE on same day on same LR against a given Purchase Order(PO) shall be treated as one lot. This is to be intimated to supplier during CNC.

3.7 PNC / PRICE NEGOTIATION COMMITTEE (VALUE IN INR LAKH):-

3.7.1 Financial Powers

PNC Member for each TC shall be as follows:

Sub Delegation of Power – Constitution of Price Negotiation Committee (PNC)



Constitution Of PNC	Board/ PSC	TC I	TC II	TC III	TC IV	TC V	TC VI
CFA	Board /PSC	CMD	Functional Director	CGM/GM of Purchase Pt./GM of Unit/HOU	AGM of Pur. Pt. DGM (SR)	DGM of Pur. Pt	SM/Mgr. of Pur. Pt.
PNC Member							
1	Director	Functional Director	CGM/GM Of Purchase Pt./GM of Unit/HOU	AGM/DGM Of Pur. Pt./Head of Pur. Pt. of unit/ AGM/ DGM(SR)	DGM /SM Of Pur. Pt.	SM/ Mgr of Pur .Pt	DM /AM of Pur. Pt.
2	CGM/GM of Pur. Pt. /GM of Unit / HOU	Same as PSC	AGM/DGM of Pur. Pt /Head of Pur. Pt. of Unit/AGM/ DGM(SR)	-	-	-	-
3	CGM/GM/G M of Unit (of Indenting / Execution Dept.)	Same as PSC	AGM/DGM of Indenting/ Execution Dept.	DGM/SM of Indenting/ Execution Dept	SM/M of Indenting / Execution Dept.	M/DM of Indenti ng / Executi on Dept.	DM/-AM of Indenting/ Execution Dept
4 FC/Fin. Authority	D(F) & GM(F)	GM(F) & Head of FC Section	Head of FC	DGM/SM(FC)	SM/Mgr.(FC)	DM/AM (FC)	DM/AM(F C)
Member Secretary	GM/AGM/DGM Of Pur. Point	Same As PSC	Same as TC I	DGM/SM of Pur. Pt.	Officer of Pur. Pt.	Same as TC IV	Same as TC V

Notes:

- PNC would be Chaired by the Senior Most Member
- Additional members may be co-opted by PNC Committee based on the requirement.



- (c) For Customer Funded items, representative of the Customer Organisation Could be invited to participate in PNC, wherever required.
- (d) Indenting / execution department member may be based on the requirement of PNC

3.7.2 Technical Member in PNC.

A technical member is to be part of PNC for category A & B class items. TC Chairman may co-opt a member from TNC team and member from cost estimation cell in PNC for other cases with concurrence of respective HOD.

3.8 CONDUCT OF PROCEEDING THROUGH VIDEO CONFERENCING (VC)

Conduct of proceedings of TNC, CNC and PNC through VC shall be permitted. However, Record of discussions/Minutes of Meetings are to be made, duly signed by all participants and retained.

3.9 RE-PROCUREMENT OF ITEMS LOST / DAMAGED/REPAIR OF DEFECTIVE ITEMS AT OUT OF WARRANTY

- (a) Re-procurement of items due to lost or damaged/Repair of Defective Items at out of warranty will require loss / damage statement (as per approved format placed at Appendix AI to be approved by following:-

Ser	Financial limit	Financial Concurrence	Approval Authority
(i)	Above Rs. 100 lakh	GM(F)/F-FC I/C	Functional Director
(ii)	Upto Rs. 100 lakh	SM(F-FC)	CGM GM/Unit Head of Purchase Point

- (b) A quarterly report on such re-procurement is to be submitted by the purchase point to D(S)/D(F)/Functional Director.
- (c) It shall be ensured that a mandatory Departmental Enquiry Report duly approved by concerned CGM/ GM/ HOD where loss/ damage has taken place is made separately



and is enclosed with the loss / damage statement. The loss and damage statement report should incorporate in detail the cause of such loss/damage of material.

- (d) In case of loss of material / equipment, Security-In-Charge of the concerned Unit / Works shall be immediately informed on notice of such occurrence along with a copy of intimation to Chief Security Officer (CSO).
- (e) Where original procurement has been made through Single/Limited Tender, re procurement may be undertaken from last supplier without SVN in order to reduce procurement time line.

3.10 EXPLANATORY NOTES:

- (a) Reasons for considering item as single source one, to be established by the indenter and to be approved by the concerned authority as per Article 2.5.1.
- (b) For purchases made against indents, normal procedure of TNC, CNC& PNC recommendations to be followed based on projected value of procurement.
- (c) For items having technical implications and for high value equipment/bulk quantity/ single unit orders, two-part bid system to be resorted to. Price bid is to be opened only after the technical suitability is established and certified by TNC and after CNC.
- (d) For capital items, the delegated power to the Units excludes computer and peripherals (printer, scanner etc), refrigerator, A/C(all types) , furniture and unproductive office equipment. (refer Chapter 9).
- (e) Purchase of extra-ordinary/emergency capital items by the Divisions /Units with the approval of the concerned GM should not exceed Rs.25,000/- (single limit) and Rs.1 lakh (annual limit). This is got to be ratified by Corporate authority for budgetary control. The Corporate Finance may earmark Rs. 1.00 lakh for such case for each Unit, as annual limit.
- (f) Negotiation should be avoided as far as possible. Negotiation, if required, can be carried out with lowest bidder only.



CHAPTER 4

OPENING OF TENDER & NEGOTIATION

4.1 OPENING OF MANUAL TENDERS

- (a) All Tenders will be opened in presence of bidders on the specified date at the specified time and at the notified place by a tender opening committee comprising of the concerned officer of the procurement Department and representative from Finance / Internal Audit at appropriate level. In case it is decided to extend the date of submission/opening of tenders, it should be intimated to all the intending tenderers and those who have purchased the tender forms preferably before the submission date. However, any subsequent changes promulgated in this respect, will be applicable.
- (b) In case of Open Tenders, the same will be opened in presence of intending tenderers or their authorized agents and the names of the tenderers as well as the rates shall be read aloud. Every tender will be signed by all the officers of the opening committee giving serial number and date. Details of attendance of the intending tenderer are to be kept on record. If there be any over-writing, erasing and correction in the tender rate, the same will be circled and written in words and attested by members to avoid any ambiguity or further alterations in future.
- (c) Tender documents must remain in the custody of the dealing officer of Ordering Department.
- (d) In case of two bid system, only techno-commercial bids are opened first. In such cases, the dealing officer and internal audit rep should sign on the techno commercial offer and sealed price bid and obtain acknowledgement of the bidder's representative (if present). Thereafter these should be kept in safe custody of dealing officer till opening of price bids.
- (e) The opening of tender is to be intimated to the bidders and requesting the presence of the bidder's representative should be scrupulously followed. The acceptability of the firm / bidder through prequalification criteria should be finalized either before or during technical negotiation. The firm whose bids are evaluated and are not found to



have met with the pre-qualification criteria should be intimated about unacceptability of their offer along with the **return of the unopened price bid**.

- (f) No document presented by the bidder/firm after the closing date and time of the bid will be entertained by the Tender Committee unless it is of a purely technical nature which has no bearing financially on the contract and which does not seek major changes in technical specifications given in the bid documents.
- (g) Technical Negotiation Committee (TNC) will examine the technical bids and the scope of supply as per tendered technical specification and SOTR. For details refer Article 4.6.
- (h) Commercial Negotiations Committee (CNC) shall negotiate the commercial terms and conditions with the technically qualified firms for acceptance of tendered terms to the most. The commercial terms shall be brought on common platform if the vendor quoted differently. For details refer Article 4.7.
- (i) The price bids of only those tenders whose bids are technically and commercially accepted/acceptable are to be opened. The criteria for bid evaluation shall always remain finalized prior to opening of price bids.
(Note: For e-tendering, refer chapter on e-procurement. Presence of the bidder's representative is not required at the time of price bid opening for e-tendering. Bidders can view price comparison details from their own portal at their own premises.)

4.1.1 Purchase Preference

Govt. directives issued from time to time by the Ministry of Industry, Department of Industrial Development are to be followed.

4.2 SUBMISSION AND REVISION OF BIDS

- (a) Change in SOTR by amending specification(s) during TNC is to be avoided if it is to result in revised bid. Minor inescapable specification changes, if any is to be approved by TNC Chairman provided it will not result in price revision. Marginal changes in scope of supply may be accepted based on clarity in TNC in case of systems and major equipment.



- (b) Technical Negotiation Committee/Commercial Negotiation Committee is not to decide whether price revision (to the submitted quote) is required. Only the request of vendor(s) (as desired by them) can be recorded in the MOM. TNC/CNC Chairman is to recommend for acceptance of vendor(s) request for submission of revised bid to TC Chairman with justification of such requirement. In case, obtaining revised price bid is not feasible through E portal, issue of Short Limited Tender is to be considered among qualified bidders. In case any bidder is not interested to submit revised bid within stipulated time, revised Bids received from other qualified bidder may be opened with approval of TC Chairman.
- (c) In case the competent authority does not approve for acceptance of revised bid as requested by vendor in MOM of TNC/CNC due to any reason(s), the vendor(s) is to be intimated along with notice for price bid opening, that their request for submission of revised bid had not been accepted and their offer **shall** be deemed as disqualified on this ground. ***Provision in this regard is to be included in RFQ suitably.*** All action in this case is to be taken by Material Division/Purchase Point.
- (d) If revised Price bid is required the same is to be communicated to the qualified vendors unambiguously after the approval of TC Chairman. In all such cases, cut-off date & time for submission of revised price-bid is to be clearly indicated in the communication. Bids will be opened in presence of vendors present and signature of the bidders' present and owners' representative if applicable, shall be taken on the price sheets. **In case revised price bid is allowed by TC Chairman, all the qualified vendors should be allowed to submit revised price bid.**
- (e) Price bid opening /PNC date & time is to be after the bid submission time in all cases and the bids are to be received/opened accordingly during specified date and time. Any notice relating to extension of bid submission time or price bid opening should be issued before expiry of relevant time and date.
- (f) Revalidation of Bids. Validity extension of the offer will be asked by the Commercial Department/ purchase point if the same expires in course of processing the tender (Prior to Price Bid opening). In case validity is not extended by any or all of the vendor(s) the equal opportunity will be offered to all the tenderers for submission of revised price bids with extended validity of offers and tender is to be processed based on revised offer(s). Revision of Price Bid is to be allowed with approval of TC Chairman.



- (g) In case there is inadequate response in first LTE, tender enquiry may be floated again. On re-tendering, if there is no suitable response, open tender may be resorted to. But if the requirement cannot be delayed due to production scheduling then the offers received against LTE shall be opened with due justification, which shall be brought out in Purchase Proposal.
- (h) However, before re-tendering, tender precedent should be closed.

4.2.1 Bid Resubmission

In case of Manual Bid, a bidder shall be allowed to re-submit his bid before the due date for submission of bids. In such cases, only the last submitted bid shall be reckoned for processing. In case of e-procurement, the system caters for bid revision during the period of tender.

4.2.2 Bid Withdrawal

A bidder shall be allowed to withdraw his bid before the due date of submission. His withdrawal shall be treated as 'regret bid' for the purpose of deciding whether a bidder has responded to a tender or not. EMD amount paid if any by such bidders shall not be forfeited. No bid shall be allowed for withdrawal after opening of the tender. Withdrawal of such bids shall result in Bidder's forfeiture of bid security or any other action as per GRSE rules on Vendor engagement.

4.3 POSTPONEMENT OF TENDER SUBMISSION/OPENING.

Whenever extension of tender submission/opening is given due to any reason (like changes in scope of work or changes in specification of some of the equipment etc.) the intimation regarding extension is to be sent to all eligible bidders. It is mandatory that any change in the tender terms and conditions, specification and tender opening dates etc. shall be notified to all the bidders sufficiently in advance of the revised tender opening date.

4.3.1 Press Tenders

In case of Press tenders such notification should invariably be through the publication of corrigenda in the media and also through individual intimation of those firms who had participated in the tender within the original tender date.



4.4 ISSUE OF CORRIGENDUM

At any time prior to the last date of submission of bids, the tenderer may, whether on his own initiative or in response to any clarifications sought by prospective bidders, modify bid documents by issuing corrigendum. Prior approval of TC Chairman shall be obtained for issue of corrigendum. To facilitate prospective bidder, a reasonable time to take the amendment into account in preparing their bids, the tenderer may, at his discretion, extend the due date for submission of bids. Such corrigendum shall be issued in the same manner in which original tender was published.

4.5 RE-ISSUE OF ENQUIRY

- (a) Reissue of enquiry will be done in the following major cases where:
- (i) There has been a basic change in the specification after receipt of tender.
 - (ii) None of the offers received conforms to the given specification.
 - (iii) The prices quoted are unreasonably high compared to the estimate.
 - (iv) All the firms withdraw their offers.
 - (v) In case L-1 Vendor backs out during negotiation or before the order is placed. In such cases, there should be re-tendering in a transparent & fair manner. Earnest Money Deposited (EMD), if any by the bidder should be forfeited. In Competitive bidding, L-1 vendor, who has backed out, will not be considered during re tender.

Note: In such a situation, limited or short notice tender may be called and a decision on the basis of lowest tender may be taken.

4.6 TECHNICAL NEGOTIATION AND TECHNICAL NEGOTIATION COMMITTEE (TNC)

4.6.1 Technical Negotiations

- (a) A Technical Negotiations Committee (TNC) shall be constituted for evaluation of the "Technical Offer" as per para 3.5. TNC will be the sole authority to decide acceptance or rejection of any offer on technical ground. Design / Indenting Department, on receipt



of Technical Offers from the Purchase Points shall make all correspondence directly with bidders and convene Technical Negotiation meetings in cases where desired, under intimation to the Purchase Points. On conclusion of Technical evaluation, the Design / Indenting Department shall forward their recommendation on technical clearance of the offers evaluated through MOM of TNC and/ or through correspondence.

- (b) TNC or Technical Approving Authority shall bring out clearly the names of the firms whose offers are technically qualified and specific deviation in Scope of Supply (if any) from tendered requirement. A TNC Clearance Certificate is to be issued listing the names of the technically qualified firms/offers.
- (c) In case during TNC any bidder/vendor expresses desire to submit revised price bid that should be duly recorded in MOM of TNC (or in correspondence where TNC meeting was not carried out). The Design Department or the Processing Department is to make the recommendation (in a separate file) and obtain approval from TC Chairman based on the estimated/ approx. value of tender and forward to the Material Division / Purchase Point for carrying out commercial negotiation.
- (d) In case of items of low technology and/or standard commercial nature, Design / Indenting Department are to decide and confirm in the Indent / Purchase Requisition to Purchase Points that no Technical Negotiation is required for the indented items. The Purchases Points shall float Tender Enquiry / RFQ as single bid system with a condition stipulated that GRSE shall reserve the right to reject the technical offer of the bidder not conforming to the tendered requirement, and process for finalization of Tender accordingly.
- (e) If Technical negotiation is done through correspondence, concerned TNC Chairman is to ensure business confidentiality of respective vendor. The summary recommendation of Technical Negotiation will be signed by all constituent members and supported by either through endorsement on the MoM or through relevant written communication of the vendors.
- (f) Owner's representative is to be included in the technical negotiation committee as promulgated in the Project Contract and for jobs being done under MOD.
- (g) **Bought out/Outsourced Items.** OEM/Supplier is to provide list of bought out items/outsourcing. The same is to be discussed and recorded during TNC especially



where it is of import nature. The same is to be mentioned in SOTR/SOR where applicable.

4.6.2 Procurement of Complex Systems.

To achieve better understanding of SOTR as well as to bridge the gaps of technical appreciation in a streamlined and transparent manner avoiding delay in ordering, following will be implemented for complex system and individual equipment falling under the purview of TC-II and above:

- (a) TNC Chairman is to decide and confirm the requirement of pre-bid conference/meeting along with tendering SOTR. Material Department/Purchase Point is to issue RFQ/Tender with this SOTR specifically stipulating Pre-bid meeting schedule and subsequent tender submission/tender opening cut-off date and time. The actual meeting dates can be promulgated separately if required.
- (b) Pre-bid conference/meeting is to be organized by the TNC Chairman.
- (c) TNC members are to participate in Pre-bid meeting along with customer representative as required. There shall be no pre-TNC meeting (other than scheduled Pre-bid meeting) after issue of Tender.
- (d) Material Department/ Purchase Point will notify Pre-bid conference to be held well before the bid submission cut-off date.
- (e) After completion of pre-bid meeting, Material Department/Purchase Point will issue final SOTR released by Design/Technical Department, to all participating vendors for submission of bids.
- (f) Pre-bid meeting Chairman is to record summary of points of discussion of Pre- bid meeting and circulate within 7 days from the date of pre-bid meeting. Exclusivity of documents is to be maintained in case of pre-bid MOM distribution to the vendors. This is to be ensured by the Chairman of TNC.
- (g) Pre-bid meeting is to be normally held with all vendors together participating in pre-bid meeting. It may be held separately with approval of TNC Chairman in following cases:



- (i) Vendor has requested exclusive meeting to avoid product specific information from being known to other vendors.
- (ii) Shipyard feels that information on restricted vendors may hike the product cost.

4.6.3 Proprietary Article Certificate (PAC).

- (a) In procurement of goods, certain items are procured only from Original Equipment Manufacturers (OEMs) or manufacturers having proprietary rights (or their authorised dealers/stockists) against a PAC certificate (Appendix-U) signed by the appropriate authority. Once a PAC is signed at the designated level as per SoPP, the powers of procurement are the same as in normal conditions as per the delegation of powers. This mode may be shortest but since it may provide lesser VfM as compared to LTE/OTE and also strains the transparency principle, it should be used only in justifiable situations. (Rule 166 of GFR 2017)
- (b) PAC Procurement is not to be treated as SVN case.
- (c) Terms and Conditions
 - (i) Users should enclose, with their Indent, a PAC certificate indicating the justification and approval at the appropriate level as per DPFR/ SoPP, for sourcing an item from OEM or PAC firms or their authorised agents;
 - (ii) Proprietary items shall be purchased only from a nominated manufacturer or its authorised dealer as recorded in the PAC certificate;
 - (iii) In certain unavoidable cases, the procuring authority may have no alternative but to waive payment of EMD/SD for procurement on a proprietary basis;
 - (iv) To the extent feasible, the firm may be asked to certify that the rates quoted by them are the same and not higher than those quoted with other Government, public sector or private organisations;
 - (v) In case of PAC/single tender procurements⁴⁵:
 - A. Reports relating to such awards should be submitted to the Ministry every quarter;
 - B. Internal audit may be required to check at least 10 (ten) per cent of such cases; and
 - C. Details of such contracts should be published on the website of the Procuring Entity.



PAC - Risks and Mitigations	
<i>Risk</i>	<i>Mitigation</i>
There is a risk that this mode may get used unjustifiably to restrict competition. Such risks get aggravated, in case of secrecy about such procedures as alternative vendor/contractors may not even come to know about such opportunities	The delegation of powers should be restricted for signing of PAC. Audit may take-up 10 (ten) per cent of cases of PAC procurements for review. Even in PAC procurements the NIT and the Award of Contract should be put on the website of CPPP and Procuring Entity.
Once approved, there is a risk of a nexus getting developed and the mode may continue to be used for many years,	No item should be procured on PAC basis for more than three years, after which a mandatory OTE mode may be

PAC - Risks and Mitigations	
<i>Risk</i>	<i>Mitigation</i>
without fresh application of mind	used, to test the market
The bidder may charge a price higher than the market	The firm should be asked to accept a “fall clause” undertaking that, in case it supplies or quotes a lower rate to other Governments, public sector or private organisations, it would reimburse the excess. Negotiations may be called for to get prices reduced.

4.6.4 Technical Negotiation Committee (TNC)

- (a) TNC will comprise of member from Design/Indenting department and owners' representative for Cost Plus Ship. TNC will be empowered to co-opt any other member as required for the system / item.

⁴⁵<http://cvc.nic.in/005crd19.pdf>;

<http://cvc.nic.in/OfficeOrderNo23-7-07.pdf>;

<http://cvc.gov.in/Transparency20052010.pdf>



Constitution Of Members Forming TNC. Refer clause no. 3.5

- (b) IHQ/ Owner's representative is required to be present in the TNC as per provision in the build contract.
- (c) The power of Technical Authority should not be sub-delegated under normal circumstances. However, if the situation so demands due to exigency, the sub-delegation may be allowed subject to approval of GM(D)/GM(Functional) for AGM/below level and D(S) for GM(D)/ GM (Functional).
- (d) Minutes of meeting of TNC will be signed by all members of TNC and in case the technical evaluation done through correspondence the Technical Authority will sign the recommendation on technical acceptance of the bid(s).

4.7 COMMERCIAL NEGOTIATION AND COMMERCIAL NEGOTIATION COMMITTEE (CNC):

4.7.1 Commercial Negotiation:

- (a) Purchase point shall carryout commercial negotiation with only the firms who are technically cleared and accepted by Technical/Design/Indenting Department Commercial Negotiation can be initiated as required particularly in critical time bound cases when technical negotiation is in final stage. However, Commercial Negotiation will be concluded only after minutes are agreed and signed by TNC.
- (b) In case revised bid(s) was desired by vendor(s) during technical negotiation and approval on acceptance of request of vendor(s) is pending with the approving authority, the initiation of commercial negotiation before conclusion of technical negotiation by TNC will be without prejudice to the outcome of TNC and acceptance of revised price bid(s).
- (c) Commercial Negotiation Committee (CNC) shall be constituted as detailed in para 3.6. CNC shall negotiate the commercial terms and conditions with the technically qualified firms for acceptance of tendered terms to the maximum possible. The commercial terms shall be brought on common platform if the vendors have quoted differently. **Loading factors for deviation, if any indicated in NIT/RFQ, should be brought to the notice of the vendors in writing in the record of discussions.** In case of major



commercial deviation, the same is to be specifically mentioned for accepting revised price bid as an exception.

- (d) Negotiation for commercial terms and conditions may not be necessary in cases of vendors who are regular suppliers having accepted standard terms and conditions with GRSE or have made MOU with GRSE.
- (e) In case revision of price bid is desired by the vendors during correspondence on commercial terms & conditions and or during CNC meeting, the same is to be duly recorded in MOM of CNC or in correspondence, as applicable. The purchase point / Department processing commercial negotiation is to make the recommendation (in a separate file) and obtain approval from TC chairman based on the estimated value of tender.
- (f) On completion of commercial negotiations, the Procurement Officer shall prepare the MOM duly signed by its constituent members and endorsed by the vendors. Sample CNC MoM Format is placed at Appendix-Q.
- (g) **Combined Technical and Commercial Negotiations**. For procurement value up to **Rs. 50 Lakhs**, Technical and Commercial negotiations **shall be conducted and completed simultaneously by a single team of GRSE** to reduce procurement cycle time. CDO / Indenting Department is required to depute suitable representative to the Commercial Department to form the combined team of TNC / CNC. Combined MOM of TNC and CNC is to be prepared and signed by members of both Commercial Department and Technical Department. Bidders found qualified in combined TNC / CNC shall be considered for the next level i.e. price bid opening / PNC, etc.
- (h) The initiation of commercial negotiation before conclusion of technical negotiation by TNC will be without prejudice to the outcome of TNC. The same is to be communicated to the bidders in format as at Appendix - AJ

4.7.2 Commercial Negotiation Committee (CNC)

4.7.2.1 CNC Composition

CNC will comprise of member only from Material department/ Purchase point. CNC will be empowered to co-opt any other member as required for the system/equipment under procurement. Based on the estimated cost of the procurement, CNC will be formed as detailed in para 3.6.



4.8 OPENING OF PRICE BID & PRICE NEGOTIATION

4.8.1 Opening Of Price Bid

- (a) Opening of Price Bid will follow after conclusion of Technical and Commercial Negotiations. In all cases where revision of price bid was desired by the bidder(s), approval of TC Chairman is to be obtained for accepting the revised bid and all the vendor(s) are to be informed for submission of revised bid with cut-off date & time of submission. The Department concerned (Design/Indenter or Commercial) will seek approval of Tender Committee Chairman for acceptance of revised price bid. For details in case of revision of Price Bids (refer to Article 4.1.1.)
- (b) The Price Bid opening, and date and time of PNC meeting are to be after 'bid submission time' in all cases. The gap between the events could be as close as practically feasible and the same is to be informed to vendor(s) in time and bids received/opened accordingly.
- (c) **Estimates of Rates / Cost.** As the estimated rate is a vital element in establishing the reasonableness of prices, it is essential that the same is worked out in a realistic and objective manner on the basis of prevailing market rates, last purchase prices, economic indices for the raw materials / labour and other input costs, wherever applicable and assessment made on intrinsic value. In case of procurement of new equipment on Single Tender/Resultant Single Vendor, the PNC should establish a benchmark price with technical inputs from relevant departments and also the basis and assumptions on which the estimate was prepared.
- (d) C&CP /Design/Indenting Department are to forward their estimated price in closed envelope, as well as estimated price received from customer/client to Material Department/Purchase Point well before price bid opening cut-off date & time. Estimates are normally to be made based on last procurement price or by way of budgetary quote/estimate, current market study and considering rate of inflation since last purchase. *The above estimate/bench mark will also make justification for conducting negotiation or acceptance of price without negotiation.*
- (e) For all cases of price bid opening, certificate/ check list as per Appendix-L are to be complied with by relevant purchase point and signed by TC member/HOD of purchase point.



- (f) FC representative is not required for opening of price bid of techno-commercially clear bids. In order to reduce the procurement cycle, TC member of Commercial dept. is to fill up and sign the duly approved check list as per existing practice for all procurement files as per amendment in DOP dated 22.4.2021. For TC-II and above advance event notice is to be sent to CVO. Only relevant / valid price bid is to be retained for bid opening and all other unwanted price bids (wherever applicable) are to be returned to the vendors present during price bid opening. PNC in “cost plus cases”, B&D, MOD cases for shipbuilding project must include customer’s rep for value beyond Rs.5.00 lakhs or as mentioned in the relevant Contract. Price Bids of Techno-Commercially cleared vendors are only to be opened. System generated Comparative Statement is also to be extracted for further necessary action.
- (g) For manual tender, after opening the Price Bid, the tender opening Officer / Committee will read out particulars of bids like prices, taxes, duty, etc. to the vendors present during opening of price bids.
- (h) In the case of single nominated vendors/resultant single vendors, the previous bids (where applicable) is not to be returned till completion of PNC. The same may be used (with the approval of TC Chairman) for negotiation if the PNC feels that the single nominated vendor is making use of monopoly situation. In such cases, the vendor is to be cautioned before opening the original bids and recorded accordingly in PNC minutes. The unopened bids are to be returned to the vendor by hand after PNC and necessary certificate/receipt is to be obtained.
- (i) **Quotation for B&D Spares is to be invited along with main equipment.** Efforts are to be made for ranging & scaling to be done by IHQ, MOD(N)/customer and conclusion of case for ordering at the time of finalization of the order for main equipment. NIT condition will stipulate this clause. However, for the delivered ships for equipment which had already been ordered, separate offers for B&D are to be obtained based on requirement. The offer being proprietary/ single nominated in nature the **price bid can be opened by the Material Department / Purchase Point.**
- (j) After opening the Price Bids the Buyer Department shall prepare comparative statement (Cost to Company basis) and will get same verified and endorsed by Finance Department (F-FC cell) within 07 working days for determination of L1 bidder.



4.9 COMPARATIVE STATEMENT OF PRICE

4.9.1 Information in the Comparative Statement

Incomplete price bid will not be considered. The details for such shortcomings will be noted in the Comparative Statement prepared by dealing officer.

- (a) After opening the price bids, comparative price statement of offers will be prepared with utmost care by the dealing officer. It will be checked and signed by an officer of the initiating department, authenticated and signed by an officer of finance department with name and designation of the officer.
- (b) Wherever exemption and or concessions towards taxes and duties (GST, Customs) are available by law/ notification, the same shall not be reckoned for evaluation of bids for determining the L1 status. However final evaluation of landed price for management approval and placement of purchase order shall be carried out by the procurement officer in consultation with Finance department after considering the price implication on cost to company basis. A worksheet signed by the dealing officers including Finance member mentioning all cost inputs is to be placed in the file for this purpose.
- (c) All errors and subsequent alterations must be scored off neatly. Corrections made must be attested by the dealing officer of the department where from the enquiry was made. The alteration made should be supported by documents or to be justified by dealing officer. No correction of figure to be done with correcting fluid or by overwriting.
- (d) Information to be incorporated in the comparative statement
 - (i) Indent No. & Date.
 - (ii) Items with specifications indented and the details quoted, so that the difference is clear.
 - (iii) Quantity indented and quoted.
 - (iv) Tenderers' names, price with unit rates and total
 - (v) Terms of Delivery: Ex-Works, F.O.R. Despatching Station, or F.O.R. GRSE, FOB, DAP, GRSE Store Kolkata
 - (vi) Customs Duty and exemption provided/ available.
 - (vii) Freight, Packing & forwarding charges etc.
 - (viii) % / GST (when applicable)



- (ix) Landed Cost
 - (x) Validity
 - (xi) Delivery schedule
 - (xii) Payment terms
 - (xiii) Sample asked for / submitted.
 - (xiv) Last Rate with order reference, date & supplier's name where available.
 - (xv) Accountability of materials for Transit Insurance.
- (e) Sometimes for an inferior brand/specification, a bidder may quote lower rates e.g. Bearing No. same but brand changes from SKF to FAG or other make. These should be treated as alternative offer and considered only in extra ordinary circumstance with justification and approved by the TNC chairman and TC chairman.
- (f) The Freight charges, discounts etc. should be properly considered so that the net price payable is noted.
- (g) All like items only must be compared. There will be no vagueness or ambiguity in comparison. It is advisable to compare the same brand.
- (h) A sample landed price calculation procedure for indigenous procurement for arriving at L1 price is enclosed for reference at Appendix D.

4.9.2 Ranking of Bids & L-1 Determination.

4.9.2.1 Additional Parameters for Ranking of Bids & L-1 Determination.

Ranking of bids for L-1 determination shall be done considering following parameters (subject to relevant requirements stated in NIT): -

- (a) The ranking shall be made done "Cost to Company" basis.
- (b) Delivery postponement charges for 02 years from original Delivery Date in percentage of total basic price of Main Equipment, OBS for 1 Year and Documentation on per annum compounding basis.
- (c) Warranty Extension charges for 02 years from original date of expiry of warranty in percentage of total basic price of Main equipment and OBS for 1 Year on per annum on compounding basis.



- (d) Re-preservation charges for 02 years from expiring of initial preservation period in percentage of total basic price of main equipment on per annum basis on compounding basis. Number of re-preservation per year shall be as per TSP/SOTR.
- (e) Loading factors as applicable, including Service Engineer/Operator Charges per month for running of machinery such as air compressors, air conditioners and Diesel Alternators if sought in NIT.
- (f) TDS on Service portion of Price Bid. Service portion of price bid of foreign bidder will be loaded during ranking of L-1 determination at such percentage (presently 10%), which is to be deposited by GRSE to Indian Government on account of income tax for provision of service by Foreign bidder. All Foreign bidders are required to submit Tax Residency Certificate or PAN or similar document applicable in country of bidder prior to claim of payment for service bills. If Tax Residency Certificate or PAN or similar document applicable in their country is not submitted, additional tax liability, which is to be borne by GRSE, is to be deducted from service bill of bidder during payment of service bill.

Note: The above requirement is under liable for Rejection criteria. However, in case these are being accepted under exceptional circumstances appropriate loading of price may be carried out with approval of TC.

4.9.3 Loading for Deviations in Terms and Conditions.

These are optional conditions ("Loading for Deviation as per GRSE Terms shall be undertaken for L1 determination purpose only" is to be stipulated in NIT) and are to be considered for major equipment procurement. The loading for deviations to tender terms shall be carried out as per following guidelines: -

- (a) Payment Terms. It is desirable that the bidder accepts the Payment terms indicated in the tender/NIT. Varied payment terms quoted by bidders as compared to the terms stated in the Tender document shall be normalized by adopting the Base Rate/MCLR declared by RBI (Median value applicable for Public Sector Banks as on tender closing date) plus 2% thereon on the amount(s) at variation and/or for the period (in no. of days) at variation and LIBOR plus 2% in case of Foreign bidders.
- (b) Delivery of the Goods. As a matter of policy, delivery of the goods at GRSE premises should be responsibility of the Supplier. 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 GRSE. As freight amount is a matter of estimate based on mode of transport and destination, before opening of the price bids, a list of rates is prepared and approved by the concerned AGM/DGM containing the estimated amount of freight that would have to be incurred in respect of the supplies from each of the participant bidders. The estimated freight amount in the list may be based on contracts with the transporters / approved freight rates released by Association of transporters / cargo movers etc. In the case of overseas bidders, FOB as well as CIF basis prices must be obtained for this purpose. The amount of freight to be loaded is to be intimated to the participant bidders post completion of CNC (before opening of the price bids) so that evaluation of tenders is free from avoidable controversies.

- (c) Additional Delivery Period. For the additional delivery period sought by the bidder over the stipulated date of delivery as per Tender, 0.50% per completed week will be loaded to the quoted price, provided the extended delivery period is acceptable to GRSE.
- (d) Applicable LD Rates. 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 seeks to limit it to, say 3.50% then the price quoted will be loaded by 1.5%. If the rate of LD per week is 0.50% per week or part thereof as per tender and the bidder seeks it as, say, 0.40% per week or part thereof, the maximum ceiling on LD as per tender will first be equated to weeks (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.
- (e) Warranty Period. Deviation in respect of the period of warranty/guarantee shall be loaded to the quoted price @warranty/guarantee extension charge quoted by bidder for 2 years from initial warranty period sought in tender documents, if bidder does not quote for warranty period extension charge then @0.25% per month for period of warranty in deviation.
- (f) **The above loading is for bid ranking (L-1 determination only). The actual quoted price of L1 bidder shall be considered at time of negotiation.**



4.9.3.1

The Loading Factors stipulated above are to be exercised in extreme circumstance with express approval of TC-Chairman/GM in case TC-Chairman is below the rank of GM with due justification recorded on file.

Note: The applicable taxes, which are cost to GRSE (Ex. Service Tax for Foreign bidders) are also to be included

4.9.4 Freak Low Bid/Abnormally Low Bid

An Abnormally Low Bid is one in which the Bid price, in combination with other elements of the Bid, appears so low that it raises material concerns as to the capability of the Bidder to perform the contract at the offered price. Procuring Entity may in such cases seek written clarifications from the Bidder, including detailed price analyses of its Bid price in relation to scope, schedule, allocation of risks and responsibilities, and any other requirements of the bids document. If, after evaluating the price analyses, procuring entity determines that the Bidder has *substantially failed* to demonstrate its capability to deliver the contract at the offered price, the Procuring Entity may reject the Bid/Proposal. However, it would not be advisable to fix a normative percentage below the estimated cost, which would be automatically be considered as an abnormally low bid. Due care should be taken while formulating the specifications at the time of preparation of bid document so as to have a safeguard against the submission of abnormally low bid from the bidder. In the case of predatory pricing as well, procuring entities may refer to the above consideration of Abnormally Low Bids to assist themselves in finalization of tenders.

No provisions should be kept in the Bid Documents regarding the Additional Security Deposit/ Bank Guarantee (BG) in case of Abnormally Low Bids. Wherever, there are compelling circumstances to ask for Additional Security Deposit/ Bank Guarantee (BG) in case of ALBs, the same should be taken only with the approval of the next higher authority (TC) competent to finalise the particular tender, GM(Com), whichever is higher.

4.9.5 Date of Exchange Rate for conversion of Foreign bids to Indian Rupees for the purpose of comparison of various bids:

All foreign bids will be brought to a common denomination in Indian Rupees by adopting exchange rate available in RBI website on the tender closing date for the purpose of



comparison of various bids. If the date of closing the tender happens to be holiday or non-transaction day, the exchange rate on the immediate previous working day will be adopted.

4.9.6 Deviation from STACs/Terms of NIT

Deviations from Standard Terms & Conditions, General Terms & Conditions of NIT need to be discouraged. Non-Compliance to 'Terms & Conditions' of the tender need to be resolved through TNC and CNC. In respect of any deviations, in deserving cases, specific financial concurrence and approval of TC Chairman shall be obtained before opening of Price Bids. Deviations if any in GRSE's STACS are to be approved by Competent Authority as per DOP.

4.9.7 Price Negotiation

4.9.7.1 Criteria for Price Negotiations

As post tender negotiations could often be another source of corruption, **there should not be any post tender negotiation with L1** except in certain exceptional situation which will include following: -

- (a) Procurement of items on Single Tender basis subject to justification for PNC.
- (b) Cases where there is unreasonableness of the quoted rates. Unreasonableness of the price will be determined by relating to last procurement price (LPP / adjusted LPP / estimated price / benchmark price.
- (c) Procurements where there is suspicion of cartel formation which should be recorded.
- (d) Where resulting number of sources is limited to one or two.
- (e) Where the requirements are urgent and the delay in re-tendering for the entire requirement due to the unreasonableness of the quoted rates would jeopardise essential operations, maintenance and safety, negotiations with L1 bidder(s) may be done for bare minimum quantum of requirements. The balance bulk requirement should, however, be procured through a re- tender, following the normal tendering process.
- (f) Procurement of proprietary items.
- (g) Where specific benchmark price / estimate is not available.



- (h) Where nature of work is complex or under development with restricted vendors

4.9.7.2 Negotiations (Rule 173 (xiv) of GFR 2017)

- (a) Normally, there should be no negotiation. Negotiations should be a rare exception rather than the rule and may be resorted to only in exceptional circumstances. If it is decided to negotiate for reduction of prices, they should be held only with the lowest acceptable bidder (L1), who is techno- commercially responsive for the supply of a bulk quantity and on whom the contract would have been placed but for the decision to negotiate. In no case, including where a cartel/pool rates are suspected, should negotiations be extended to those who had either not tendered originally or whose tender was rejected because of unresponsiveness of bid, unsatisfactory credentials, inadequacy of capacity or unworkable rates. The circumstances where negotiations may be considered are explained above.
- (b) The decision whether to invite fresh tenders or to negotiate and with whom, should be made by the tender accepting authority based on the recommendations of the TC. Convincing reasons must be recorded by the authority recommending negotiations. The CA should exercise due diligence while accepting a tender or ordering negotiations or calling for a re-tender and a definite timeframe should be indicated.
- (c) Normally all counter offers are considered negotiations by other means and the principles of negotiations should apply to such counter offers. For example, a counter offers to L1, in order to arrive at an acceptable rate, shall amount to a negotiation. However, any counter offers to L2, L3, and so on (at the rates accepted by L1) in case of splitting of quantities shall not be deemed to be a negotiation.
- (d) After the CA has decided to call a specific bidder for negotiation, the following procedure should be adopted:
- (i) It must be understood that, if the period of validity of the original offer expires before the close of negotiations, the original offer will not be available for acceptance. The period of validity of the original offer must, therefore, be extended, wherever necessary, before negotiations;
 - (ii) The tenderer to be called in for negotiations should be addressed as per the appropriate format of letter laid down in Appendix, so that the rates originally



quoted by him shall remain open for acceptance in the event of failure of the contemplated negotiation;

- (iii) A negotiations meeting should be started only after obtaining a signed declaration from the negotiating supplier as per Appendix-AK; and
- (iv) Revised bids should be obtained in writing from the selected tenderers at the end of the negotiations in the format of letter laid down in Appendix-AA. The revised bids so obtained should be read out to the tenderers or their representatives present, immediately after completing the negotiations. If necessary, the negotiating party may be given some time to submit its revised offer. In case, however, the selected bidder prefers to send a revised bid instead of being present at the negotiation, the offer should be considered. In case a bidder does not submit the revised bid, its original bid shall be considered.

Note:-

- (a) Negotiations are not to be misused as a tool for bargaining with L-1 with dubious intentions and leading to delay in decision making.
- (b) If the Company decides to have negotiations with L-1 under any of the above exceptional circumstances, justification and details for the same should be duly recorded and approval of one level below Tender Committee Chairman is to be obtained on file prior to invitation for price negotiation.
- (c) If a need is felt by the Company to have negotiations with L-1 bidder under any other circumstances, justification and details for the same should be duly recorded and approval of Functional Director is to be obtained.

4.9.7.3 Negotiations through Correspondence

Where the value of tenders is up to Rs: 20Lakhs and where attending PNC meeting by the bidder is not considered economical/feasible and also where the L-1 price is higher than estimate/LPP, the price negotiation may be carried out through correspondence by the dealing procurement officer and appropriate discount / reduction to be availed. PNC MoM/PNC recommendation shall be in the form of all relevant correspondence duly endorsed by concerned officer in this case.

4.9.7.4 Price Validity



It should be ensured that tenders are finalized within their validity period in the absence of which the same should be justified on file by record.

While accepting a tender or ordering negotiation or calling for re-tender, a definite time – frame should be indicated that the time taken for according requisite approvals for the entire process of award of tender did not go beyond a period of one month from the date of submission of recommendation.

4.9.7.5 Procurement of Minimum Quantity

If unreasonableness of quoted rates is observed but the requirement is urgent where re-tender would lead to delay in procurement of items / services contract (where the delay would jeopardize essential operation, maintenance and safety), negotiations can be done with L-1 bidder(s) for the supply of minimum quantity with the provision that balance items would be re-tendered.

4.9.7.6 Procurement from Multiple Sources

Splitting of quantity of the total quantum of material supply / work execution in tender can be done as follows:-

- (a) As far as possible in respect of critical items and jobs requiring timely completion to meet the delivery schedule, **the Department concerned is to decide in advance requirement of more than one source of supply and the ratio for splitting the Supply Order / Contract indicating the same in the tender itself to bring in transparency & fairness.**
- (b) In case pre-disclosure of splitting could not be done in the tender itself and if after due processing of the tender it is discovered that the quantity to be ordered is for more than that of lowest bidder's capacity then the quantity being finally ordered should be distributed among other bidders in a manner that is fair, transparent and equitable.
- (c) To affect such distribution in fair, transparent and equitable manner the assessment may be made out in the meeting of the technical committee covering of technical parameters of the bidders, the capacity, the capability, the completion period of work / supply, the volume of work / supply etc. based on which the distribution of jobs / order will follow through chronological ranking of bidders (L2 & L3 likewise). The assessed capacity of the bidders should be clearly indicated in the minutes of the TNC so that the same is transparent to the bidders also. The TNC Clearance Certificate shall endorse the requirement of Splitting quantity.



4.9.7.7 Counter Offers

Counter – offers to L-1, in order to arrive at an acceptable price shall amount to negotiation. However, any counter-offer thereafter to L2, L3 etc. (At the rate accepted by L-1) in case of splitting of quantity as stated at para (d) above, shall not be deemed a negotiation.

4.9.8 Price Negotiation Committee (PNC) – Sub Delegation Of Power

4.9.8.1 Constitution of Committee

- (a) In case price negotiation is to be carried out, the same may be done only after **approval of the Chairman of the respective Tender Committee**. The Chairman & Managing Director shall have the right to constitute such number of different tiers of Price Negotiation Committee (PNCs) as may be required for procurement of items as per clause no. 3.7.
- (b) PNC will comprise of members from Commercial/Purchase point and Finance. Owners' representative shall be a member for Cost Plus Ship, Variable Cost Equipment, B&D spares and MOD job and all other cases where specifically agreed upon in Project Contract (to be indicated by C&CP as applicable). Representative from Design/Indenting Department may be co-opted as PNC Member with approval of TC Chairman.
- (c) The PNC is only the recommending authority. The Tender Committee shall be the final approving authority for tendering and the proposals for purchases /contracts.
- (d) In all cases of price negotiation, falling under purview of TC – II and above, the meeting schedule is to be informed to CVO in advance.
- (e) Revised bids should be obtained in writing from the L-1 bidder at the end of the negotiations in the format of letter laid down in Appendix-AA.
- (f) Based on the cost (or actual value after Price Bid opening) of the procurement, PNC will be comprised as detailed at para 3.7.

4.9.9 PNC Guidelines.

- (a) Negotiations should be conducted through PNC in case of single tender situations including PAC cases.



- (b) Negotiations may also have to be conducted in multi-vendor cases where the offered price is considered high with reference to the assessed reasonable price considering interalia, the competition observed from the response of the trade to the enquiry.
- (c) PNC Should record its recommendations regarding the reasonableness of the price offered by the L1 Bidder and the need for negotiations or otherwise with detailed justification.
- (d) Procedure for holding Price Negotiation with L1 Vendor
- (i) Based on the recommendations of PNC negotiation may be undertaken with the approval of CFA
 - (ii) The PNC is only the recommending authority. The tender Committee shall be the final approving authority for tendering and the proposals for purchases / contracts.
 - (iii) Brief for holding PNC, duly vetted by PNC Chairman.
 - (iv) Technical Evaluation statement duly vetted by the Technical Committee
 - (v) Commercial evaluation statement duly signed and approved.
 - (vi) Price comparison statement duly vetted by Purchase point and Finance representative
 - (vii) Points for discussion / negotiation
 - (viii) Prior to holding negotiation with the vendor, The PNC will hold an internal meeting to work out the strategy.
 - (ix) In all cases of price negotiation, falling under purview of TC-II and above, the meeting schedule is to be informed to CVO in advance.
 - (x) Subsequent to the PNC, PNC Member Secretary will put up MOM of the PNC meeting and proposal for approval of CFA in PP Format along with the revised offer of the vendor based on negotiation and confirmation from the vendor regarding acceptance of the negotiated price and other terms.
 - (xi) Revised bids should be obtained in writing from the L-1 bidder at the end of the negotiations in the laid down format.
 - (xii) Agenda for Negotiation may be prepared in following format.

Sl. No.	Terms and Conditions as per RFQ	Terms and Conditions as per Offer of Vendor	Comments of Purchase Point
Signature	Rep. of Pur. Point		Finance-FC



(xiii) Format of Price justification may be as under:

Sl. No.	Description of items	Qty	Last Purchase		Current Purchase			% Incr.	No. of Year between Last and current Purchase	% incr. Per Yr.
			PO dt.	Year of Executio	Price before neg.	Price after neg.	Year of Delivery			

Note: In case previous order is not available & item is being procured for the first time, comparison to be made with estimates.

(xiv) PNC Recommendation Format as under:

Sl. No.	Project / Non-project : Type of Item			
1	Item Description			
2	Approval ref. of PNC and members			
3	Analysis of quoted price			
4	Progress of negotiations			
5	Final offer after negotiations			
6	Observation on final offer / reasons for acceptance of proposal			
7	Savings of negotiations			
8	Recommendation of PNC			
Signature				
Designation				
PNC	Member-1	Member-2	Member-3	Chairman

4.10 ACCEPTANCE OF LOWEST OFFER

- The lowest offer(L1) amongst the technically cleared parties is to be accepted.
- The PNC is only a recommendatory body. The final decision in all cases will rest with the Tender Committee within the shipyard. In case of Fixed Price (FP) contracts, the



shipyard can take the decision at its own level without reference to the customer. However, the non-acceptance of PNC recommendations should be a reasoned decision.

- (c) In case of other than FP contracts, the Approving Authority will additionally require concurrence of the customer of his proposal, in cases where he favours a deviation from the PNC recommendations. If there is continued disagreement between the customer and the shipyard, the matter should be referred to the Govt. Committee.

4.11 RATE/ RUNNING RATE CONTRACT

- (a) Rate Contract (RC) shall be resorted when need for the subject matter of procurement is expected to arise on a recurring basis during a given period of time. The process of tendering every time a demand arises may be dispensed with by entering into Rate/Running Rate Contract with the Supplier/Vendor.
- (b) By combining the requirement and tendering out, quantity discount could be obtained. It also helps in reducing procurement cost and inventory carrying cost. Therefore, efforts shall be made to bring as many goods under RC as feasible.
- (c) Rate Contracts (RC) are those in which only the rate is fixed while Running Rate Contracts (RRC) are those where apart from rate, the approximate quantity is also stipulated. These contracts are normally entered into with the vendors with reference to items which are steadily required and are standard products in the market with seldom fluctuations in rate.
- (d) RC/RRCs are normally to be concluded for a maximum period of two years. Before entering into a Rate/Running Rate Contract, proper tendering process have to be complied with. Normally, Limited Tender or Open Tender is to be resorted to. The 'anticipated quantity' is to be stipulated.
- (e) When two or more suppliers quote DGS&D/other rate price, then before splitting the order, other considerations such as distance, quality, reliability, quantity etc. will be taken into consideration.
- (f) Fulllest benefit of Rate/Running Contract should be passed on to/availed of by all other units of GRSE without resorting to Tender Enquiry or other procurement procedure.



- (g) The Authorized signatory for all Material Procurement/Services on behalf of GRSE shall be as delegated for signing of Purchase Orders.
- (h) Parallel Contracts. Where it is envisaged or deemed necessary to have Rate Contracts or RRC with more than one Supplier/Service Provider to meet contingencies, the requirement may be suitably incorporated in NIT after obtaining approval of HOD not below AGM. However, parallel contracts should not be used in prejudice to primary RC/RRC Supplier. Thus, a minimum of 60% of procurement value must be executed through the L1 or primary Supplier.
- (i) Enhancement of Rate/Running Rate Contract Duration and Quantity. Contracts can be extended for further period of 01 year (from date of expiry of original contract) upto 100% of original value with approval of Functional Director.
- (j) Enhancement of Rate/Running Rate Contract Value. Contract value can be enhanced upto 100% of original value with due financial concurrence and approval of concerned GM subject to the total value after enhancement not exceeding delegated power of TC-III for Open Tender. Rate Contract value can be enhanced upto 200% of original value with approval of Functional Director subject to the total value after enhancement not exceeding delegated power of TC-II for Open Tender.
- (k) Termination of RC/RRC. GRSE as well as the firm shall have the option to terminate the contract with three month's prior notice from either side. Termination shall be approved by TC Chairman.
- (l) It shall also be stipulated in the RC/RRC that GRSE reserves the right to procure items under RC/RRC directly from any other source at any time. Further, GRSE shall have the right to place orders for supply of material even on the last day of validity of the RC/RRC, notwithstanding that the delivery/supply date for such an order shall be beyond the date of validity of RC/RRC.
- (m) Tender for new RC/RRC shall be floated at least THREE months prior to the expiry of the existing contract.

(Note:- In case of (i) & (j) above, Purchase Proposal is to be amended)



- (n) There should be a suitable price variation clause in NIT to update the existing rates in line with prevailing market rates in fixed intervals as per current practice in case of rate contracts.

Price variation $PR = PO + PO * \{(WPID - WPIB) / WPIB\}$,

where PR = Price applicable at the time of supply,

PO = Price in the PO.

WPID = WPI in the month of supply, WPIB = WPI in the month of bidding

4.12 ABSENCE OF BIDDERS

- (a) If any tenderer does not participate in the techno-commercial negotiations, but his offer is found technically and commercially acceptable, the quoted price of the firm may be accepted by the PNC, if the same is valid on the date of the conduct of PNC.
- (b) In case revised bids are called for from the bidders who are present and if extra time is allowed, similar opportunity should also be afforded to the bidders who are absent.
- (c) In case of manual bid, the bidder may be allowed to modify or withdraw its bid after submission provided that written notice of the modification or withdrawal is received by the purchaser prior to the dead line prescribed for submission of bid.

4.13 RE-TENDERING

Re-tendering may be resorted to on the recommendation by procurement officer and approval of TC Chairman. If the CFA is CMD/ PSC/Board of Directors, the proposal for re-tendering duly justified and recommended by the concerned functional Director and concurred by Director (Finance) is required to be approved by CMD. Re-tender is normally undertaken due to following: -

- (a) When bids received do not conform to qualitative requirements and other terms & conditions set out in the bid documents.
- (b) When major changes in specification emerge during technical discussions and TNC recommends re-tender which may enable even others to participate in the bidding process.
- (c) When L-1 price is unreasonably high with reference to estimated price
- (d) There is evidence of a sudden slump in prices after receipt of the bids.



- (e) Cartelization is suspected.
- (f) There is no major likely impact on Project Timelines subject to Indent are issued at least six months prior to expected/schedule date of PO placement.
- (g) When L-1 bidder withdraws his bid. A limited or short noticed (not beyond 10 / 15 days) tender may be invited if so justified in the interest of progressing the work.
- (h) When successful bidder did not fulfil contractual obligations.
- (i) Any other compelling situations.

4.14 METHODOLOGY FOR SELECTION OF DESIGN FIRM BY CDO TO RESPOND TO RFI/RFP

4.14.1 Background.

Effective, comprehensive and timely response to RFI and RFP by any shipyard is a prerequisite for winning new shipbuilding orders. The essence of these methodology is to enable prompt response to RFI/RFPs, issued by various agencies, which include Indian Navy, Indian Coast Guard, Foreign Navies and other Indian and foreign authorities, where specific design is not available with CDO or CDO is engaged in other ongoing projects and thereby does not have capacity to undertake the task.

4.14.2 Empanelment of Design Firms.

Concept design, preparation of bid documents and costing of ships are specialised activities that play a major role in winning a shipbuilding order. CDO shall therefore empanel specialist design houses for undertaking these activities for shipbuilding tenders (RFI/RFP) on a case-to-case basis. NDA (Non-Disclosure Agreement) as required shall be signed with each of the empanelled design firms. The firms shall be registered with GRSE. The list of empanelled Design Firms shall be updated at least once in two years by CDO to accommodate new design firms and revise capability and experience of the existing design firms in the empanelled list. Removal of design firms from this empanelled list shall also be considered based on their performance in the last two years.

4.14.3

On receipt of RFI/RFP that has administrative approval for GRSE's participation, CGM/GM(D) will assess the internal capacity and capability of CDO to undertake contract design and prepare technical offer based on time availability and complexity of project.



4.14.4

In case in-house capacity or capability is not available to prepare bid documents then CGM/GM(D) shall decide on the suitability of adoption of one of the procedures listed in succeeding paragraphs.

4.14.5

Following three procedures are hereby promulgated that shall be adopted on case-to-case basis as deemed appropriate.

4.14.6 Process-1.

Selection based on cost of preparing Contract Design and Technical Bid.

a) In this process the design agency shall be selected to undertake the contract design and technical bid only. Selection of suitable design firm from empanelled list shall be targeted to be completed in 5 working days.

b) A committee of officers for selection of a design firm from the empanelled list shall be constituted by CGM/GM(D).

c) Separate confidential emails inviting techno-commercial proposals shall be sent to the suitable design firms from the empanelled list. The emails shall METHODOLOGY FOR SELECTION OF DESIGN FIRM BY CDO TO RESPOND TO RFI/RFP indicate clearly that the quoted price and technical offer will be final and used for the selection of the design house for placement of order.

d) In order to ensure fair and transparent selection, the email shall also indicate the exact date and time by which the techno-commercial bids of the design agencies (by encrypted email) is to be sent to email id of CGM (D)/GM (D). Encrypted emails received after due date and time shall not be considered.

e) The committee of officers shall carry out technical/commercial evaluation of the offers received and prepare a list of qualified bidders. Firms that fail to comply with all technical/commercial requirements shall be rejected without any further negotiation. Thereafter, PNC shall be conducted with the L1 firm by a separate committee of officers from CDO and Finance, appointed by CGM/GM(D)/ GM(F).

g) Purchase Proposal for Placement of direct order on the selected firm shall be approved by CGM/GM(D) with concurrence of DGM/AGM(F) when the final cost does not exceed Rupees 10 lakhs. Approval of D(S) with concurrence of GM(F) will be sought when the cost exceeds rupees 10 lakhs and below rupees 25 lakhs.



4.14.7 Process-2.

Selection based on cost of carrying out Basic and Detailed Design

- a) In this process, the design agency shall be selected to undertake the complete basic design and detailed design in addition to preparation of the contract design and technical bid for the project. The firm will be required to prepare the contract design and the technical bid for the RFP at no cost to GRSE.
- b) A committee of officers for selection of a design firm from the empanelled list shall be constituted by CGM/GM(D).
- c) Separate confidential emails requesting techno-commercial proposals shall be sent to the shortlisted design firms. In order to ensure fair and transparent selection, the emails shall indicate the exact date and time by which firm shall submit their techno-commercial offer.
- d) Firms shall submit their quoted price in separate sealed envelope to CGM/GM(D)'s office before the stipulated date & time. However, technical offer shall be submitted through email. Offers received after due date and time shall not be considered.
- e) TNC/CNC shall be conducted by the appointed committee of CDO officers. Price bid shall be opened only for firms who have cleared that TNC/CNC. Thereafter, PNC shall be conducted with the L1 firm by a separate 2 METHODOLOGY FOR SELECTION OF DESIGN FIRM BY CDO TO RESPOND TO RFI/RFP committee of officers from CDO and Finance, appointed by CGM/GM(D)/ GM(F).
- f) CDO will sign a MoU with selected firm during the contract design/bid submission stage, to sub-contract the design to the selected firm on SVN basis at the negotiated cost.
- g) The final selection of the firm and MoU with firm shall be approved by Director (Shipbuilding).

4.14.8 Process-3.

Selection of Design firm on SVN basis where RFI/RFP has not been received directly by GRSE.

- a) In cases where the RFI/RFP is not received directly from the end customer but through an external design agency then CDO may consider partnering with that firm (irrespective of the fact whether the design agency is in the empanelled list or not) to participate in the project. Approval of competent authority shall be sought first for participation of GRSE in the RFI/RFP.
- b) On receipt of approval of competent authority for participation, the committee appointed by CGM/GM(D) shall verify the capacity/capability of the agency to carry out the



basic/detailed design of the vessel and support CDO in preparing the RFI/RFP response for the project.

c) The offered price of the firm shall be negotiated and finalised through PNC by the committee appointed for conducting the PNC.

d) As per the recommendations of the committees, CDO will sign an MOU with the agency during the bid submission stage, to sub-contract the design to the selected firm on SVN basis at the negotiated cost, in case GRSE wins the tender. The MoU with the agency shall be approved by Director (Shipbuilding).

4.14.9

The selected design agency through either of the above three processes shall be permitted, if required, to work inside CDO and shall be allowed to use hardware/software available at CDO to prepare the contract design, technical offer and basic & detailed design of the ship without compromising the IT security policy of GRSE.

4.14.10

The aforementioned processes shall be adopted with due diligence and as appropriate for the benefit of the organization.



CHAPTER 5

PURCHASE PROPOSAL AND ORDER PLACEMENT

5.1 PURCHASE PROPOSAL

- (a) Purchase Proposal is a formal proposal in the prescribed format which is essential for consideration and acceptance of the subject procurement by the appropriate authority. Before issue of any Purchase Order, approval of Purchase Proposals in the prescribed form is mandatory.
- (b) Purchase Proposals (PP) are prepared by the department initiating the tender enquiry (normally by the dealing officer).
- (c) All PPs are to be appropriately documented and proper record is to be maintained so that same could be produced on demand in future (min 08 years from date of procurement or two years from Project closure whichever is later). As per IT Act, document can be kept in digital form i.e. signed digitally.
- (d) Purchase Proposal are also to be made in case of following: -
 - (i) For all amendments involving financial implications.
 - (ii) For all Repeat Orders.
 - (iii) In case of change of supplier, and
 - (iv) In case of amendment of payment terms having financial implication.
 - (v) Procurement without calling tender.
- (e) In case of emergency, the Departmental Head may use his discretion to initiate actions and subsequently report to the Tender Committee to avoid delay.

5.1.1 Information in a PP

The following important information will be furnished in all the Purchase Proposals:



5.2 PROPOSAL DATE, NUMBER AND REFERENCE

- (a) Indenter details
- (b) Purchase requisition ref. number and date
- (c) Code number of the item, if any (applicable for stock items)
- (d) Item(s) with complete specification and quantity
- (e) Mode of purchase
- (f) MSE Vendor/Startup (including Women and SC/ST ownership)
- (g) No. of enquiries floated and offers received
- (h) Validity of Price.
- (i) Payment terms
- (j) Inspection clause
- (k) Risk Purchase Clause
- (l) LD Clause
- (m) Total value of Purchase Proposal
- (n) Approximate Landed Cost/Total Value of Order

Note: In case of imported items (PP in foreign currency), Landed Cost in INR is subject to variation in foreign exchange rate as on date of payment. Thus, landed cost based on INR value on date of PP is to be also indicated. However, TC shall be as per INR value used for L1 determination (FE rate on bid closing date)



5.2.1 Check Points

The following are important checks to be done whilst preparing a PP

- (a) Previous rate vs. present rate
- (b) Delivery required by the indenter vs Delivery quoted and accepted.
- (c) Whether lowest offer, if not, justification for accepting non L1.
- (d) Vendor(s) recommended, if registered with GRSE, and SAP Code number.
- (e) Present order(s) status with recommended vendor(s) (if not a new vendor)
- (f) Approximate order value
- (g) Estimated value, wherever necessary
- (h) Present stock position Vs. annual consumption (as applicable for stock items).
- (i) Status of surplus stock is to be checked with due care for procuring further quantity.
- (j) Mode of despatch and inspection.
- (k) Terms and Conditions are as agreed in TNC and CNC meetings.
- (l) Price Justification clause is to be incorporated.

5.2.2 Approving Authorities

Purchase proposals for the orders beyond the purchase powers of the procurement departments are to be forwarded to appropriate **Tender Committee** as the case may be through proper channel, for obtaining approval. Purchase check list cum proposal of high value format is placed at Appendix — E.

5.2.3 Approval of Purchase Proposal



No Purchase Order will be placed without approved Purchase Proposal by concerned TC.

5.2.4 Letter of Acceptance (LoA)

In case of inability to release a formal SAP PO post approval of Purchase Proposal due to unavoidable reasons, a LoA may be issued to the Supplier after obtaining approval of Head of department of Purchase Point. LoA is to be treated as a PO for all practical purposes and is to be followed up by a formal SAP(System) PO at the earliest. Refer Appendix-AF.

5.2.5 Letter of Intent (LoI)

In case of urgency, a 'letter of Intent' or LoI may be placed on L1/Selected bidder **only by the Departmental Head** (GM and above) authorized to make the purchase. A letter of intent shall normally include GRSE Tender no. & date, supplier offer no. & date, reference of TNC and PNC minutes, value of order with taxes, duties and applicable charges, delivery schedule and details of payment terms. A LoI is issued when the PP is still under process and there is urgency to procure item. LoI is to be followed up by a formal SAP (System) generated PO at the earliest and not later than 30 days from the date of issue of LOI.

5.3 PRICE

- (a) While placing orders, it will be clearly stated if it is on "Firm Price Basis" or with "Escalation Clause applicable". In case escalation is accepted, the determinant escalation strategies will be well defined in the order itself mentioning factors, components etc.
- (b) While considering price discount on purchase of bulk quantity, the overall after-effects regarding inventory build-up, storage and deterioration problems will be considered.
- (c) Terms of price will be clearly stated in the Purchase Order.
(**Note:** - Latest applicable INCO terms may be used to avoid ambiguity. Wherever use of non-standard terms are inevitable, appropriate explanatory terms are to be provided.)
- (d) As far as possible, an ex-works price contract will be avoided and FOR GRSE (now DAP, GRSE Stores, Kolkata) price should be attempted.



- (e) It will be clearly stated if the price is inclusive of any leviable charges/taxes etc. or extra. If extra, the percentage or quantum is to be specified in the Purchase Order.
- (f) Where it is unavoidable, packing, forwarding and incidental charges will be stated without any ambiguity giving the percentage or quantum considering value / volume of the stores.
- (g) Price is an important factor in the finalization of any tender, nevertheless, due consideration and appropriate weightage is to be provided for quality, delivery and dependability of the firm.
- (h) Impact of applicable Customs Duty if any, is also to be evaluated.

5.3.1 Splitting of Purchase Orders.

Requirement of Splitting of tendered quantity is to be mentioned clearly in 'Tender terms' and to be recorded in TNC/CNC MoM. Purchase order may be split between two or three suppliers if the quantity is large or order value is appreciable or the delivery schedule is of great importance **without any differential price**. Justification for splitting up the order should be explicitly mentioned in PP.

5.4 **DELIVERY**

- (a) Delivery schedule will be given precisely instead of vaguely stating "URGENT", "IMMEDIATE", "AS EARLY AS POSSIBLE" etc. It should also be clearly stated indicating specific date/month/year or week(s) in the indent/purchase order. Preferably, a delivery date is to be mentioned.
- (b) Number of lots for delivery are to be discussed during CNC and finalized. The same is to be mentioned in PO and strictly adhered to. In order to reduce avoidable paper work and related expenditures for making G.R.N., bill passing etc. vendors should be instructed that deliveries are not to be made in instalments unless so specified in the purchase order. For stock items this is to be strictly adhered to.
- (c) A delivery "Not before" or "Start Delivery" date may be specified in PO if deemed necessary.



- (d) An unambiguous delivery schedule stipulated in the order is the essence of the Contract (PO). Goods should be delivered as per the stated Contractual Delivery Date (CDD).
- (e) In case of unavoidable delay for occurrence of Force Majeure Conditions (or as laid down in Purchase Order), the vendor should intimate the ordering Department about the possible period of delay so that an amendment in writing is issued accepting mutually agreed grace period.
- (f) In connection with the delivery date mentioned in the purchase order, the following important points will be considered to avoid any bone of contention:
 - (i) Mutually agreed upon delivery dates between vendors and the buyer (in writing), should be stated in PO. No arbitrary date should be stated in the purchase order (e.g. quoted delivery time 4 months vis-à-vis delivery mentioned in the order two months).
 - (ii) Whether delivery period is to be counted from the date of placement of order or from the date of furnishing all the technical and commercial points including the approval of drawings, if any is to be clearly defined as per TNC/CNC MoM. *This is one of the major disputes and as such prompt settlement should be arrived at.*
 - (iii) If delivery is to be counted from the date of opening the LC where applicable.
 - (iv) If the delivery is to be counted from the date of approval of sample or this period is built-in the stipulated delivery schedule.
- (g) Where firm's submission of drawing and approval by various authorities is required, a schedule should be set as agreed in TNC. The same is to be mentioned in order for submission of good quality and complete drawings by firm with a stipulated period, approval time within a stipulated time by approving authority so that final stipulated delivery date of order can be met without any dispute. This is more important in cases where stage payments or advance payments are to be made.



5.4.1 Incomplete delivery

Following would be constituted as incomplete delivery: -

- (a) Delivery of the goods without complete documents like Test Certificate, Guarantee Certificate, Inspection Note etc. will be deemed as incomplete supply and as such it will also be in the category of delayed delivery.
- (b) Wherever stipulated in the order to the effect of 'Supply in matching sets only', non-adherence will be counted as incomplete delivery.

5.5 DELIVERY PERIOD EXTENSION

5.5.1 Aspects to be considered for amending Contractual Delivery Date (CDD).

The following aspects are to be considered while amending the CDD:-

- (a) Ordering Department will be consulted by 'Stores' before receiving (making GRN) any consignment for a delayed delivery i.e. beyond contractual delivery period including Liquidity Damages Period (as applicable).
- (b) In deciding a request for extension of time for delivery, the basic points to be considered are:
 - (i) If the requirement is still alive.
 - (ii) If the supply can be arranged earlier.
 - (iii) If the item can be purchased at a lower cost from an alternative source.
 - (iv) If any 'liquidated damage' clause for such extension needs to be relaxed.
- (c) Price trends. In case of downward trend in price, the same will be taken advantage of. In case of upward trend in the prices and the stores are still required, extension of delivery period may be allowed provided the vendor agrees to supply at old prices.
- (d) Any demand for increase in price, levies and taxes beyond the agreed date of original delivery period should not be accepted unless the buyer has contributed to the delay in giving the commercial and technical clarifications as desired by the vendor.



- (e) In case of pro-forma payment where the consignment was kept ready for delivery but delay in issue of cheque from the buyer's end resulted in delayed execution of complete order.

5.5.2 Extension of delivery period with levy of Liquidated Damages (LD).

It will be left to the discretion of the Head of the Ordering Department not below the rank of AGM, who will approve delivery extension on recommendation of the group in-charge of the purchase point.

5.5.3 Extension of Delivery date without levy of LD.

Proposal (as per prescribed format at Appendix-AO) for extension of contractual delivery date without LD with due justification after being routed through Planning / User Department shall be approved post financial concurrence based on total contract value as per following.

Extension of Delivery Date without LD

- (a) GM with financial concurrence of F-FC I/C
→ Upto 50 Lakh contract value
- (b) Functional Director with financial concurrence of AGM(F-FC)
→ Upto 500 Lakh contract value
- (c) C&MD with financial concurrence of D(F)
→ Above 500 Lakh contract value
(Board is to be intimated for LD waiver beyond INR 10.0 lakh)

5.6 PAYMENT TERMS

5.6.1 NEFT/ECS Payment

Normally payments are made to vendors through NEFT (National Electronic fund Transfer)/ ECS (Electronic Clearing System) mode. Vendors are to furnish Bank details/ information as per 'ECS' Format on receipt of orders. Detailed procedure of payment to vendor through 'ECS'/ NEFT to be followed and 'ECS' Format are enclosed (Appendix –F).



5.6.2 Cheque payment.

In exceptional case of cheque payment, after receipt of the cheque the officer of the Ordering Department will arrange for delivery/collection of the materials. In case of ex-works contract where GRSE is responsible for collection of the materials, the cheque is to be handed over to the Service Section of the Stores Department for taking delivery of the materials against payment. If cheque could not be released within 07 days of issue of cheque, the same should be returned to Cheque Section for preservation.

5.6.3 Payment Terms

5.6.3.1 Standard Terms of Payment

- (a) 90% payment of order value along with 100% applicable taxes and duties shall be paid initially as per the agreed Payment Modes.
- (a) Balance 10% shall be paid post receipt of material, receipt of PBG (where applicable) and issue of Clear ICGRN. In case, Supplier agrees for retention of performance security money from its net payable instead of submission of PBG, balance amount shall be released after ICGRN after retaining performance security money.
- (b) Efforts should be made not to make 100% payment against dispatch / delivery. In case of full payment, PBG (for P.O. value exceeding Rs. 5Lakh) should be asked for.
- (c) For all other Purchase Orders, when it is essential to release payment against deliveries, it should be up to maximum of 90% of the order value excluding taxes & duties.

5.6.4 Payment Modes

The standard payment Modes/Terms being followed in GRSE are as follows:

- (a) Pro-forma Invoice Payment (Advance payment)
- (b) Payment against Tax Invoice Through Bank Transfer
- (c) Letter of Credit at sight.
- (d) Payment



(e) Credit Payment

5.6.4.1 Terms of Payment for Domestic Goods.

- (b) 90% payment of order value will be paid through ECS/NEFT within 30 days against ink signed invoice/ e-invoice supported with gate stamped/ receipted invoice/challan/ LR and acceptance of material by GRSE i.e. ICGRN. In addition, proof of documents such as binding data/drawing/QAP may be included on case to case basis wherein penalty/LD is applicable for delayed submission of documents. Documents required for carrying out receipt inspection shall include following.
- (i) Supplier's Invoice indicating, inter alia description and specification of the goods, quantity, unit price, total value;
 - (ii) Packing list;
 - (iii) Insurance certificate if applicable
 - (iv) Railway receipt/consignment note;
 - (v) Manufacturer's guarantee certificate and in-house inspection certificate;
 - (vi) Inspection certificate issued by purchaser's inspector or Customer nominated Inspector or class Inspection agency (if applicable); and
 - A. Manufacturer's Test Certificate
 - B. Any other document(s) as and if required in terms of the contract.
- (c) Balance 10% will be released through ECS/EFT on submission of SAP generated clear ICGRN (prepared by RIC of GRSE) and Performance Bank Guarantee (PBG) (as per GRSE Format and guidelines) valid till expiry of guarantee period or after successful expiry of Guarantee period. In case, Supplier agrees for retention of performance security money from its net payable instead of submission of PBG, balance amount shall be released after ICGRN after retaining performance security money.

5.6.4.2 Letter of Credit (LC)



- (a) The letter of credit may be inland or against import.
- (b) The terms and conditions governing any LC should be properly scrutinized and be mutually agreed upon so that the subsequent amendments to letter of credit which is not only time consuming but also expensive, is avoided.
- (c) For the purpose of opening a LC a formal request shall be made by the ordering department to Finance Department after receipt of the order confirmation and proforma invoice from the vendor. For the purpose of opening LC standard proforma will be filled in, which contains requisite information.
- (d) A Copy of LC is to be given to ordering department for information.
- (e) Terms & Condition of the LC should be in strict compliance with the Purchase order terms. Any specials terms and conditions to be incorporated in a specific LC should be clearly indicated for example:-
 - (i) Part delivery allowed.
 - (ii) Payment at sight or afterwards (usance) – Details to be given specifically instead of writing “As per P.O. Terms”.
 - (iii) Challan Documents to be negotiated. In this connection special attention is drawn where one of the documents to be negotiated for an inland LC is the receipted and ICGRN whereas for an import LC it shall be GRSE’s certificate of ‘Receipt and Acceptance’ of PBG.
- (f) Where delivery is very protracted, efforts should be made to avoid opening LC immediately on placement of the orders. It is preferred that the LC is opened up to eight weeks before maturity of the delivery. However, the supplier must be taken in confidence so that arbitrary order cancellation does not arise.
- (g) On receipt of request from any Ordering Department for opening the LC, Finance Department will ensure that: -
 - (i) Inland letters of credit are opened within 07 days.



- (ii) Foreign letters of credit are opened within 10 days. In case the timelines cannot be complied, the same will be brought to the notice of the Ordering Department.
- (h) Where fixed delivery is stipulated in the PO against LC payment terms, timely opening of LC is to be particularly ensured without which LD clause may not hold good.
- (i) Documents for Payment for Imported Goods

The documents, which are needed from the supplier for release of payment, are to be clearly specified in the contract. The paying authority is also to verify the documents received from the supplier with corresponding stipulations made in the contract before releasing the payment. Documents, which the supplier is to furnish while claiming payment, are specified in the Letter of Credit, but usually are:

- (a) Supplier's original invoice giving full details of the goods including quantity, value and so on;
- (b) Packing list;
- (c) Certificate of country of origin of the goods to be given by the seller or a recognised chamber of commerce or another agency designated by the local Government for this purpose;
- (d) Certificate of pre-dispatch inspection by the purchaser's representative; Manufacturer's test certificate and guarantee;
- (e) Certificate of insurance;
- (f) Bill of lading/airway bill/rail receipt or any other dispatch document, issued by a Government agency (like the Department of Posts) or an agency duly authorised by the concerned ministry/Department, indicating:
 - (i) Name of the vessel/carrier;
 - (ii) Bill of lading/airway bill;
 - (iii) Port of loading;
 - (iv) Date of shipment;
 - (v) Port of discharge and expected date of arrival of goods; and
 - (vi) Any other document(s) as and if required in terms of the contract.



5.6.4.3 Payment through Bank

- (a) This is generally applicable to the outstation inland suppliers. In order to avoid any communication gap, the banker's reference for both the supplier and the buyer must be properly noted at time of Commercial negotiations and reconfirmed prior release of payment.
- (b) In the Purchase Order, the documents to be negotiated should be clearly stated. One of the most important documents to be negotiated is the third-party Inspection Certificate / Manufacturers' Test Certificate / GRSE's Goods Inspection Notes (without any comments) as applicable.
- (c) Efforts will be made not to agree to 100% payment through bank unless the amount is below Rs.50,000/-. It must be specifically mentioned in Purchase Order, as to who shall bear banking charges.
- (d) For high valued order, A Performance Bank Guarantee from the supplier will be insisted upon, to be furnished by a scheduled bank, other than Co-operative Banks, in the GRSE format. For order value less than **Rs. 5.0 lakh**, a Performance Bank Guarantee from the supplier may not be pursued upon.
- (e) The party will invariably be asked to send an advance copy marked to the attention of the ordering officer of the Ordering Department On receipt of this advance copy, ordering department shall coordinate with Finance Department so that the documents could be retired from the Bank without any delay and as such demurrage is avoided. *Ordering Officer should ensure that the delivery is not delayed and as such no LD is recoverable.*
- (f) Efforts are to be made to have agreement with the vendor before any undue demurrage /LD deductions are made while retiring the documents from Bank.
- (g) On receipt of the material in the Yard, ICGRN is to be prepared at the earliest but not later than 15 days for regularization of payments so made.

5.6.4.4 Credit Payment



- (a) Credit payment is highly desirable. To ensure more and more vendors agree to credit payment, credibility has to be established to ensure payment in time frame stipulated in the order. To ensure the same, Inspection-cum-Goods Receipt Notes should be issued **within two weeks** against Credit Payment.
- (b) All bills supported by documents from the vendors for credit payment will be received and recorded in the Corporate Finance. If any bill is incomplete, the same will be pointed out to the vendor **within seven days** from the date of receipt of the bill.

5.6.4.5 Pro-forma Invoice Payment (against delivery of documents):

- (a) It is a kind of **advance payment**. Obviously, enough precaution will be taken while agreeing to this payment terms. The following check points are given as guidelines: -
 - (i) Where third party inspection is involved, Pro-forma Invoice should only be accepted when the same is supported by third party inspection certificate.
 - (ii) The consignment will be inspected by a competent GRSE representative and an Inspection Certificate is to be produced by the vendors/manufacturers. Where only GRSE's Receipt Inspection agency is involved, copy of inspection part of ICGRN must be produced to Finance for releasing the pro-forma invoice payment.
 - (iii) In case of reputed Suppliers where their qualities are already established, manufacturer's test certificate should be asked for along with the delivery of the goods.
 - (iv) On receipt of the consignment, clear Goods Receipt Note (GRN) is to be issued within 30 days so that this proforma payment is regularized. For this purpose, coordinated efforts amongst Procurement Sections, User department and Inspection agency is deemed essential.
 - (v) Where 100% payment has not been made against pro-forma invoice, Finance Department should ensure that the balance amount is paid to the supplier against a subsequent bill to be raised by the party after receipt of the GRN or within 30 days from the date of submission of bill along with GRN. **All bills for balance payment shall be submitted by the vendor to the Finance Department directly.**



- (vi) When balance payment bills are received with Inspection cum GRN (ICGRN) indicating rejection and short supply only, Finance Department may refer the bills to ordering department to take up the matter with the vendor to enable the Finance to make balance payment.
- (b) It may be necessary to draw a quarterly statement to analyse the purchase values under different payment terms for reviewing and reconciliation with GRN by the Finance Department in consultation with ordering department & Stores.

5.6.5 Advance Payment/ Stage Payment

5.6.5.1 Advance Payment

- (a) No advance payment is to be agreed in the first instance.
- (b) All advance payments and payment not associated with deliverables are to be backed by appropriate Bank Guarantee as per RBI guidelines.
- (c) All advance payments should be interest bearing. In case of any deviation approval is to be taken from CMD with concurrence of D(F).
- (d) Penal interest is to be charged on the advance in case of delay in delivery of supplies beyond the agreed schedule.
- (e) Interest free Advance payment is to be made as per relevant DOP clause E.21(r).
- (f) Interest bearing advance is to be approved by C&MD with concurrence of D(F).

5.6.5.2 Stage / Milestone Payment

Based on project requirement stage/milestone payment can be released to gain price advantage. The same shall be included in NIT/CNC clause considering price advantage with approval of Competent Authority.

5.6.6 Payments to the Contractor and Handling of Securities

- (a) It should be ensured that all payments due to the firm, including release of the performance security, are made on a priority basis without avoidable delay as per the tender/contract conditions. Before the payment is made, the invoice should be cross-



checked with the actual receipt of material to ensure that the payment matches the actual performance.

- (b) Proper procedures for safe custody, monitoring and return of bank guarantees and other instruments may be followed. Before making a final payment or before releasing the performance bank guarantee, a 'No Claim Certificate' (format Appendix-AL) may be insisted upon from the supplier to prevent future claims. Whenever a bank guarantee is released following due procedure and safeguards, acknowledgement thereof should also be taken from the contractor.
- (c) There should have a system to monitor delays in payments and to identify such unwarranted delays including an online system for monitoring of the bills submitted by contractors. Such system shall have the facility for contractors to track the status of their bills. It shall be mandatory for all contractors bills to be entered into the system with date of submission and date of payment.

5.7 WARRANTY

- (a) The equipment/materials are to be guaranteed/warranted for satisfactory performance for the period of **18 months** from the date of satisfactory commissioning of the vessel on which the equipment/materials/items are installed OR for the period of **36 months for small ships and 48 months for large ships** from the date of final dispatch, whichever expires earlier, against improper design, defective materials and faulty workmanship.
(Note:- Actual warranty is to be specified in SOTR based on Project Contract/User requirements)
- (b) During guarantee/warranty period, any equipment or component thereof supplied by the vendor/sub-contractor, suffers due to defective material and or due to improper design and or due to defective drawing or due to faulty workmanship the vendor/sub-contractor will assume full responsibility of rectification of such defective equipment or component thereof including direct expenses related to removal and re-positioning of the replacement/repaired equipment or component thereof and subsequent test & trial, incurred thereon without any financial implication to GRSE.
- (c) In the event Purchaser/Owner desires to have extension of Guarantee/Warranty period beyond the stipulated period, as above, the vendor/sub-Contractor/supplier shall quote for the same on monthly basis for the period of such extension. This must be stipulated in SOTR/NIT.



- (d) As far as possible, the warranty will be specific as to what constitutes failure, inherent or otherwise, as applying to the particular item coming under the warranty clause.
- (e) An order cannot be cancelled for breach of warranty. The buyer's claim will be confined to the damages incurred only in case the seller does not comply with the warranty terms.
- (f) During the warranty period, all repairs/replacements will be carried out by the original supplier only. In case of emergency or otherwise, if the same is to be carried out by the purchaser, then a written permission from the supplier should be obtained otherwise the warranty may stand cancelled. Reimbursement to the purchaser for such emergency repair will be mutually agreed upon by the Ordering Department and the supplier.
- (g) A warranty clause will not form a major decisive factor when deciding the supplies for the placement of order subject to meeting minimum stipulated warranty period in SOTR/NIT. Overall implications will be considered as an item of inferior quality accepted because of better warranty terms may jeopardize the affiliated process.

5.8 PURCHASE ORDER

- (a) After the approval of the Purchase Proposal by the respective Tender Committee, a purchase order in the prescribed form will be placed only by the appropriate officer of the concerned department initiating the proposal, as per the approved proposal. It informs the vendor of the buyers' desire to purchase the items specified in the order as per terms and conditions. It is a contractual instrument and has important legal implication concerning the rights and obligations of both the seller and the purchaser.
- (b) A purchase order will incorporate the following information:
 - (i) Vendor's name and address
 - (ii) Order number and date
 - (iii) Approved purchase proposal No. with date and approving TC.
 - (iv) Vendor's code No.
 - (v) Purchase point (as defined in the scope of Ordering Department).
 - (vi) Buyer's code No. (applicable for Purchase Department).



- (vii) Name of the project.
 - (viii) Indent No. and date
 - (ix) Tenderers' quotation No. & date
 - (x) GRSE's sales tax registration No.
 - (xi) Delivery schedule and delivery point.
 - (xii) Inspecting authority.
 - (xiii) Despatch instructions.
 - (xiv) Clear payment terms.
 - (xv) Terms of price.
 - (xvi) Mode of dispatch/ transit insurance/ insurance charges.
 - (xvii) Commodity Code No., where applicable.
 - (xviii) Items with complete specification including detailed description of accessories.
(where such details are not available at time of placement of initial PO, the same is to be incorporated at the earliest and latest prior dispatch of materials by supplier)
 - (xix) Unit rate – This must be in terms of accounting unit e.g. if the accounting unit is number, then rate should be indicated in number and not in dozens or gross.
 - (xx) Total quantity. Terms such as "Ship set" should be avoided. Exact quantity to be indicated.
 - (xxi) Total order value in words and in figures.
 - (xxii) Discount offered – net. price arrived at.
 - (xxiii) % GST/Sales Tax / VAT as applicable to be shown clearly
 - (xxiv) % Excise Duty as applicable to be shown clearly.
 - (xxv) Sample reference, if applicable.
 - (xxvi) Any special terms and conditions besides the standard ones.
 - (xxvii) The signature of the procurement (dealing) officer along with name and designation
- (c) All Purchase Orders are to be released through GRSE's ERP/SAP system. Purchase Order released through SAP System will be of the form as shown at Appendix-G.
- (d) Vendors will be asked to send order acceptance in unequivocal language within 07 days.

Purchase Order Amendments. See Chapter 7.

5.9 CHECK POINTS

- (a) All Purchase Orders are to be 'released' in systems as per prevalent release strategy which is to be in consonance with PO signing authority. The following points are to be checked by the dealing officer prior to proposing release of the PO:



- (i) Validity of offer
- (ii) Whether the Purchase Order is as per approved purchase proposal.
- (iii) Whether the PO conditions are in agreement with the quotation/negotiated offers.

Note:- No order should be placed on terms which are at variance from those accepted by the firm, as such contracts are not legally binding documents. Terms and conditions as agreed by the vendor should be incorporated in the order and also as per proposal approved by respective Tender Committee.

5.10 SIGNING AUTHORITY FOR PURCHASE ORDERS/CONTRACTS

- (a) The following are designated as signing Authorities for Purchase Orders/Contracts:-

Ser	PO Value	Designation of Authorised Signatory
(a)	Up to Rs. 10.0 Lakhs	Asst. Manager
(b)	Up to Rs. 25.0 Lakhs	Dy. Manager
(c)	Up to Rs. 75.0 Lakhs	Manager
(d)	Up to Rs. 150.0 Lakhs	Sr. Manager
(e)	Up to Rs.300 lakhs	Dy. General Manager
(f)	Up to Rs.500.0 Lakhs	Addl. General Manager
(g)	Up to & above Rs. 500.0 Lakhs	General Manager / Chief General Manager

(Note: Above delegation of authority for signature is also applicable for Rate Contracts, RRCs and other long-term agreements related to procurement and services)

- (b) In the absence of the signing authority, the Officiating Member may sign the order. If there is no officiating arrangement, then the order will be signed by the next higher authority.
- (c) The name and designation of the signing authority should be written in the Purchase Orders and correspondences with vendors.

5.11 DISTRIBUTION OF PURCHASE ORDERS



One copy of ink signed purchase order including all amendments shall be distributed to Finance department. Photocopy or scan copy of PO shall be distributed to all other stakeholders.

- (a) For shipbuilding orders against Naval or Coast Guard contracts, the distribution of additional copies shall be done as per their stipulated requirement.
- (b) **Discrepancies in PO** The order copies will be distributed to different departments for verification and information. In case any discrepancy is noticed by any of the concerned departments, the same is to be brought to the notice of the Ordering Department immediately.

5.12 REPEAT PURCHASE ORDER

5.12.1 Definition

Repeat Purchase Order refers to purchase order placed on the previous supplier (without obtaining fresh quotations) for the same items, which were ordered on him as a result of open / limited tender (usually). Repeat order is placed to avoid repetition of procurement activities and design and approval effort for equipment. Repeat orders/amendment of quantity can be made for procurement of same item on same supplier under same terms and conditions.

5.12.2 Conditions for placing Repeat orders

Repeat Purchase Orders without calling for fresh tender may be placed under the following conditions: -

- (a) In case of urgency where delay due to adhering to normal procedure may adversely affect production. The reason for doing so should be stated in the Purchase Proposal. Such repeat orders shall be governed by following: -
 - (i) Where the original order was not a repeat order or placed on single tender basis barring proprietary, branded, customer nominated or standardized items.
 - (ii) Price of the item has not undergone downward revision in the intervening period.
(Note: - In shipbuilding procurement, particularly non-patternised items, repeat orders are resorted to in order to maintain 'Commonality' in a series of ships and



also to facilitate maintenance of Base and Depot Spares, in which case Repeat Order would be required)

- (iii) Where the original order is against open, limited, customer nominated single tender.
- (b) Repeat Order may be placed to maintain commonality in a series of ships. Repeat order may also be placed where the customer desires to source material from repeat source for the sake of commonality or standardization.
- (c) Repeat Order may be placed up to 100% of the value of the original order within 12 months from the date of completion of original order, unless in the meantime further market research has disclosed a cheaper source of supply or there has been a downward trend in prices. In such a case, if Repeat order is deemed required then due justification is to be put up
- (d) Repeat Order is to be placed on the original supplier at the original order value (or even at a discount).
- (e) Repeat orders may also be placed up to one year from the placement of repeat order of a vessel by the Customer under option clause to maintain the standardization and reduce the design and procurement time.
- (f) The above are the general guidelines for repeat POs. Where these are sought to be released at, Government controlled rates, the provisions under above clauses may be relaxed with the consent of the respective Tender Committee.
- (g) A Purchase **Proposal** has to be made for all repeat orders. TC is to be considered as per value of Repeat order and type of original tender (Limited/Open).
- (h) Approving authority for Repeat order shall be concerned CGM/GM provided above terms and conditions are complied.
- (i) Order placed against emergency tender shall not be considered for repeat order.

5.12.3 Relaxation of Conditions governing Repeat Orders



Relaxation of terms & conditions may be granted for procurement against export order execution, ship delivery, ship repairs, project and production hold-up, stock-out, single established source of supply and any requirements certified by **concerned functional Director**. The reason for resorting to such steps must be clearly pronounced.

5.12.4 Option Clause

All tenders should invariably include this clause. This clause and percentage should be part of the Bid Document and the contract and ideally should not exceed 25-30%. Approval should be taken from the same TC (who originally approved the tender decision) to exercise the option clause based on the value of the contract with the increased quantity. In case the recalculated value of the contract goes beyond the delegation of powers of the original TC, approval of the TC for the enhanced value may be taken (DOE manual para 7.5.4, 9.3.1 & 9.3.2), if it is in the interest of the Company.

5.13 MIS REPORTS ON PURCHASE ORDER

5.13.1 Orders on Nomination basis

All orders placed on Nomination basis, whether nominated by customer or by the management, information is to be submitted by all purchase points /Order placement authorities to AGM(F-FC) for compilation, on monthly basis as per the revised format (Format in Appendix H)

(As per Circular No. D(F)'s office order no. D(F) / 99 / 08 dated 17/12/08).

5.13.2 Purchase Orders Publishing

Report on purchase order value above **Rs.2.0 crore** is being submitted to Vigilance Department and is being published in the GRSE web site after evaluation by Vigilance Department (Format in Appendix I)

(As per DGM (Vigilance) Letter No. VIG/01/Website/121 dated 25/05/2007)

5.14 PRICE VARIATION CLAUSE

Procurement of yard materials under long Term Arrangement (LTA) based on tender may contain price variation clause, in respect of items having high raw-material price volatility like Cu-NI pipes, GM Flanges and casting etc. The PVC clause may be incorporated in NIT document on case to case basis based on approval from GM(Com). The sample PVC clause format is put at Appendix-AM.

5.15 REIMBURSEMENT OF BCD AND ERV TO INDIAN SUPPLIERS



- (a) The order placed to Indian suppliers in INR may contain import content, which is input material (imported) to GRSE's suppliers. The cost towards Exchange Rate Variation and import duty (mainly BCD) applicable on imported input material of supplier shall be reimbursed by GRSE provided GRSE obtain back to back reimbursement from GRSE's customer. Accordingly, the terms of tender documents for indigenous procurement shall be framed based on prevailing terms of contract signed with GRSE's customer (Indian Navy/ Indian Coast Guard etc.).
- (b) Based on firm Contract clause with customer on BCD & ERV reimbursement, NIT to the bidders shall incorporate the relevant clause, clearly mentioning that the same shall be considered as per the binding contract.
- (c) L1 determination shall be with the exclusion of BCD and ERV.
- (d) During preparation of purchase proposal, all foreseeable cost like BCD, ERV etc. are to be estimated based on prevailing rates and applicable HSN codes at the time of tender finalization. All such estimated costs shall be incorporated in purchase proposal to arrive at total estimated landed cost. The expenditure shall be made in line with approved cost in the purchase proposal.
- (e) Approval from higher CFA shall be ensured in case total PO value/Landed cost (including BCD and ERV) increases from the threshold TC value for which original PO have been approved.; otherwise no such subsequent approval shall be necessitated.
- (f) Payment cell (SLP), Finance Dept is required to concur the BCD and ERV calculation before PO amendment.
- (g) The separate clause to reimburse BCD/ERV at actual based on documentary evidence may be incorporated in terms and conditions of PO.



CHAPTER 6

PURCHASE PROCEDURES THROUGH ERP

6.1 INTRODUCTION

In this age of Information Technology putting the business world on a fast track, GRSE has transformed its manual business processes into computerization since July 2002. GRSE has implemented Enterprise Resources Planning (ERP) on SAP platform and mapped its purchase procedures end-to-end to the Material Management Module in SAP R/3, ECC6.5 System, that account for the complete procurement cycle of ship's construction, which is described briefly in succeeding paragraphs.

6.2 CREATION OF PURCHASE REQUISITION (PR).

PR (earlier called indent) is created by Design Office and gets released through a work flow process at the designated levels of Design and PP&C Department. The work flow process attaches different statuses of release such as 'X', '1', '2' to signify no-release, release meant for issue of enquiry (Request for Quotation, RFQ) and release '2' for placement of order. This procedure which defines purchase requisition as 'standard' relates to procurement of direct materials for ships. NCM - Import and Purchase Department access these Purchase Requisitions for processing RFQ and creation of Purchase orders on vendors.

6.2.1 Category of PR

- (a) Purchase Requisitions related to subcontract are categorized as 'L' and service as 'D' are created by Production/Planning & Control cell (PPC) under Planning Department for conversion of orders by Subcontract Department under the control of Production HOD at Main Works or FOJ depending upon ship's status as pre- or post-launch state.
- (b) Purchase Requisitions of Stock items are created by Stores and released by HOD, Stores for Purchase Department to act on them.
- (c) From project FPV, P17A onwards the service items are created as Service Materials and domestic type of Purchase Requisition (ZDM) are created using a Program ZPS_IND_UPLD by uploading an Excel based data.



6.2.2 PR Release

For all other departments two level release strategy is applicable for the Purchase Requisition. The GM/HOD is the final releasing authority of the indents (Purchase Requisitions). MIS provides for hard copy print out of Purchase Requisitions in specified format (Appendix — A for materials procurement &) to be kept in case file. The Final Releaser's name appears in the print out format of the hard copy on the indent

6.2.3 Vendor source list

It is not configured keeping in view the procurement of items for Indian Navy, Indian Coast Guards and other customers. However, GRSE Vendor Registration Cell register vendors and periodically updated list is uploaded on the system for vendor details, their product range and product codes for furnishing relevant information to aid procurement. Thus established vendors are selected who are borne on the registered vendor list.

6.2.4 RFQ

Linked to PR (Purchase requisition), RFQ (Request for quotation) will be issued to the selected vendors in the limited tender context. References to sources for the similar sources, if ordered earlier or RFQs are available on the system. Final evaluation of offers, negotiation and comparative statement will be done manually.

6.2.5 Purchase Proposal

Purchase Proposal in work flow concept has been configured in document management server. The PP created as per the format (Appendix — E) will move in work-flow to the members of the Tender Committee as per the value of order as defined for their approval on line. **Hard copy of PP will be kept in the case file for record.** This system is to be followed for all procurements up to 50 lakhs.

6.2.6 PO Creation

Purchase Order (Appendix-G) shall be created after approval of PP in SAP ERP through the appropriate Transaction code. Purchase order currently is subjected to release strategy based on PO Value as per the signing authority of the officers as per their level. Following are pertinent:-



- (a) An unreleased order if printed will have “Draft” embossed on it. Any change done in the released order will automatically un-release the Order, which is not valid till it is released again.
- (b) In order to have correct inventory valuation, statutory taxes, GST, freight or any other charges payable to the supplier shall be entered at the time of creation of purchase order.
- (c) The SAP PO should also be configured to reflect the total basic PO value without taxes duties and other levies/charges.
- (d) Purchase order created for items without material codes shall be avoided as it receiving such items by Stores will create inspection and inventory problems.
- (e) Purchase order must be linked to indent as it populates important inputs from the indent. Account assignment is an important input that assigns the cost to project for future project cost booking. Hence project definition in terms of Work Breakdown Structure must be maintained and purchase order for a particular project (Yard 3017) should not have items with WBS assigned to a different project (Yard 3018, for example).
- (f) Purchase order delivery date shall be put in the date field for proper MIS generation.
- (g) Indent assigned to project with Q shall not be mixed up with indent with assignment as P generated by running MRP for Production Order under a Network. External purchase order created with such indent showing P will have problems at inspection.
- (h) Material Master, Vendor Master and Service Master are three important masters & must be maintained properly to keep the integrity of the system and maintain authenticity of data.
- (i) Changes in purchase orders as authenticated by the appropriate authority must be released as revised version as Amendment to PO recorded appropriately in the line item data field or text field or both as applicable.
- (j) Cancellation of documents are discouraged to the extent possible and may be resorted to only in extreme cases, under prior intimation to the appropriate authority



of Finance Department Cancellation of documents will be authorized to select users of SAP in Materials department based on Approval of GM.

6.3 UPGRADES TO ERP/SAP

ERP gets updated time to time as part of System Upgrade and/or enhancements. All subsequent changes accepted by respective core team members will be integral part of Purchase Manual by way of Ty Orders to be issued by GM(C) at behest of ERP department.



CHAPTER 7

FOLLOW UP OF PURCHASE ORDER

7.1 INTRODUCTION

- (a) Follow-up of the purchase orders is an essential function of the Ordering Department. Every purchaser shall determine individual orders status prior to and on maturity of delivery. A quarterly progress report may be sought from suppliers wherein the delivery period exceeds six months.
- (b) A reminder shall be issued to the vendor for outstanding orders on completion of CDD.
- (c) The vendor will be expected to explain the grounds for non-execution of order within 07 days from the date of reminder. In case of no response, another reminder will be issued. If there is no response to second reminder within 07 days, risk purchase notice shall be issued on risk and cost with a cut-off time (normally within LD period if applicable).
- (d) After expiry of notice period, action shall be taken for re-procurement on risk & cost of vendor. The risk purchase notice can also be issued in case of apprehension of delay as per periodic progress check. Provision for same is to be provided in PO.
- (e) For critical items required for shipbuilding, projects, stock and important capital goods, possible follow-up will be done during the order pre-executing stage as well so that the delivery schedule and consequently the project schedule is not disrupted for want of material.
- (f) In case the vendor is unable to justify timely execution of order, risk purchase may be made.
- (g) Where delay is acceptable to G.R.S.E., an amendment to the P.O. will be issued extending the delivery date (with or without L.D. as applicable) as per approved procedure.



- (h) Stock items are to be classified as 'VED' (as per criticality for operations) and under ABC (as per value) as applicable after detailed analysis. Follow-up of V& E and A and B category of stock items will be done with maximum intensity to prevent stock-outs.

7.2 RECEIPT

- (a) All the goods will be received by the Stores Department along with the documents. Direct delivery of goods to the Ships will not be advised without prior permission of *at least of the rank of DGM(Stores)*. In such case necessary steps to be taken by AGM/DGM (Stores) for issuing of ICGRN within 03 days from delivery of material.
- (b) The / GST Invoice of a vendor will bear Gate Office stamp duly signed by the Gate Office staff on duty whose name and designation should be clearly mentioned. In case of large equipment / voluminous consignments, the vendor will first report to the Ordering Department prior to delivery, intimating the quantity being delivered.
- (c) Piece-meal delivery will not be permitted except when phased delivery is mentioned in the P.O. In this case also, the reason for doing so should be clearly pronounced in the Purchase Proposal.
- (d) Challans / Cash Memos / GST Invoice of bazaar-purchase items duly initiated with name and designation will be received by the authorized Stores In-Charge or his nominated personnel at the time of delivery of goods.
- (e) Procedure for Weighing in case of vehicle carrying scrap and other weighable construction materials is detailed at Appendix – J.
- (f) GR is to be made within 05 days from material receipt at GRSE Gate/IBD(Inbound Delivery)

7.2.1 Excess or Short Supply

Acceptance of excess or short quantity, within the specified limits is to be clearly mentioned in the Purchase Proposal and in the Purchase Order (PO). In case the delivered quantity is more than the specified 'tolerance' limits and item is required by GRSE, a separate purchase proposal/amendment is to be put up to the appropriate authority that originally approved the proposal. Thereafter, the PO is to be amended accordingly.



(Note:- Where the excess quantity supplied is within the tolerance specified in PO, amendment of Qty in PO (towards regularization of GR and payment) may be issued with concurrence of TC Chairman/GM)

7.3 INSPECTION OF INCOMING MATERIALS

- (a) **Quantity Verification** and checking of physical condition (outward damage etc.). Quantitative check will be responsibility of the Stores Department Following is to be undertaken:-
- (i) Verification of the quantity and quality of arrived goods, against agreed specifications, as per terms in PO and as per detail procedure mentioned in the Store Manual.
 - (ii) To ensure whether proper identification tag GRSE material code on the packing boxes and materials respectively during Receipt Inspection as per Purchase Order terms and thereby communicating to Stores & purchasing point in case of any deviation from the supplier /OEM.
 - (iii) Documentation Management in form of ICGRN reports, TPI certificates, MTC, Guarantee Certificates, other pertinent documentation etc. to cater to Berth / PP&C / QA / CDO / Ship Staff / Stores to avoid any production impediments / bottlenecks / D-448 liability in the earliest possible retrieval time.
 - (iv) Prime facie Quantitative check will be the responsibility of the Stores Department based on inbound Invoice.
- (b) **Quality Assessment** as per specification as per the purchase order. For the purpose of quality inspection, following procedures are to be followed:
- (i) Pre-despatch inspection will be restricted for high value items above Rs.10 lakh and also critical items, unless specifically requested by the indenter on the indent.
 - (ii) Indenter will clearly mention in the indent the agency of inspection, either external or internal.
 - (iii) For inspection of shipbuilding items, the same may be done in accordance with any Classification Society / Third Party Inspection Agency or Naval inspection agency under DQA(N), DQA(WP), W.O.T., etc. or GRSE. Other items may be



subjected to DGS & D. inspection or any inspection authority as may be mentioned in the P.O.

- (iv) Mentioning in the P.O. 'GRSE', it should be more specific so that there is no confusion at the time of offering materials for inspection.
- (v) Before placement of P.O. the purchaser will clearly mention the inspection authority and the mode of inspection whether at supplier's works or at GRSE
- (vi) Quality assurance at the time of bulk supply should be properly taken care of. For this purpose, the Manufacturer's Test Certificate as well as Guarantee Certificate, inspection by GRSE supervisor before taking bulk delivery etc. should be considered. This is specifically applicable for traders/stockists or any supplier other than manufacturers.
- (vii) Generally, all inspection will be cleared within two weeks from the date of receipt of the ordered goods at GRSE. In case purchase order is not generated through Systems, legible copy of the P.O. (Inspection Copy) will invariably be forwarded to the department who has to inspect the incoming goods. If the items are to be inspected as per certain specified drawing, a copy of the drawing will also be forwarded by Design/Indenting Department If the order stipulates standard I.S./B.S. or any other specification or technical parameters, ordered goods will be inspected accordingly. vii) For shipbuilding items, CDO will clearly state the internal inspection agency at GRSE in such cases where no external inspection is required.
- (viii) For non-stock items where, specific instruction is not given in the S.I.R./Indent by the Indenting Department, P.O. will stipulate the using Department as internal inspection agency instead of simply mentioning GRSE as inspection authority.
- (ix) Inspection at the supplier's premises will be restricted to such cases where facilities for such inspection at GRSE is not available. Wherein payment is to be made against proforma invoice, before releasing the payment either the goods will be inspected by authorized GRSE representatives or a Test Certificate from the manufacturer or from a recognized Test House will be invariably produced for the purpose of 'Payment release Request'. This will not, however, be applicable for non-critical items like chairs/table/other furniture, ordinary consumables etc.



- (x) Unless otherwise mentioned, a provisional guideline is provided below for the purpose of G.R.S.E.'s internal inspection agency :

Department Responsible	Inspection of
1. Dock Department	All types of Ropes - Manila, Sisal and Nylon, Canvas, Hemp, Gunny bags, Twines and other similar items
2. Electric Shop <i>Sr. Manager (Electric Shop) / MW or any other nominated officer to carry out the inspection activities.</i>	All types of cables, switches, sockets electrical fittings, fuse, fuse holders, lamps, relays and all other electrical accessories
3. Committee appointed by Director (Shipbuilding)	Timber
4. Head of Indenting Department	All Capital Goods
5. R.I.C.	All Shipbuilding machinery and related items-both indigenous and imported
6. Paint Shop	All types of Paints and Paint Brushes
7. Head of the Indenting department other than those looked after by RIC / QA	Imported consignments
8. QA department Material Inspection Wing	All categories of Steel, Pig Iron, Foundry, Foundry Items, Laboratory Items including Glassware, Metals, non-Ferrous sections, Rods, Sheets / Plates, P.O.L. group, Adhesive, Marine Glue, Bearings, etc.
9. Committee appointed by DGM (Stores) / AGM (Stores)	All types of Printing, Stationery and Consumables

- (c) In case of orders placed by N.C.M. Division for various Naval and Commercial Ships, normally inspection will be carried on at the suppliers' premises by GRSE, owners' nominated inspecting authority like IRS, L.R.S., W.O.T., ABS, DQA(N), DQA(WP), DNV, etc. / GRSE inspectors.
- (d) Payment will be released by Finance against proof of delivery i.e. on production of GST Invoice duly gate stamped.



- (e) Receipt inspection of these items will, however, be carried out at GRSE on receipt of material. Endorsement by Security Staff at the gate or at project will be mandatory in all cases.
- (f) In cases in which items are not despatched to GRSE but received at different places of destination for fitment into final assembly which is to be received ultimately at GRSE, RIC will issue ICGRN for regularization purposes only based on documentary support, Test Certificate and certification of receipt of material in good condition by the authorized representative at the destination points. The equipment/items had dispatched to GRSE directly but sent / received at different estimations under advice / instruction of the customer for use at their end, on the basis of inspection / test certificates, will be negotiated subsequently through Stores and Stores shall issue GRN on the basis of such Inspection Report and Acceptance Report of the consignee.
- (g) For various project items, inspection procedure will be decided by the concerned project authority.

7.4 INSPECTION REPORT

- (a) Receipt inspection shall be completed within 02 weeks of receipt of material at GRSE Stores.
- (b) Information of goods rejected should be conveyed to the purchaser and concerned Stores along with grounds of rejection by the inspecting agency within seven days from the date of rejection. Purchaser, in turn, should advise the supplier accordingly. Soft copy of ICGRN is to be sent to the purchaser / supplier by the RIC. Ordering Department will take up with the supplier (against standard items) to replenish the rejected goods within 15 days from the date of receipt of rejection and advise the supplier to take back the rejected material at their own cost.
- (c) In case there is no response from the suppliers, it should be followed up by a reminder given by Purchaser / Stores department and even if there is no action at suppliers' end within reasonable time (say 10 days) then the Ordering Department (without making further reference) should initiate alternative procurement action so that production does not suffer for want of such materials.



7.5 DAMAGES

- (a) External damages/shortages are prima facie the result of rough handling in transit or due to defective packing should be intimated to the supplier by purchase point within a reasonable period of time, say 10 days from receipt of goods at GRSE yard. In case the damage is due to improper packing, cost of repair/replacement should be borne by the supplier.
- (b) Internal defects, damages, shortages etc. which cannot be detected on superficial examination and which arises due to bad handling/packing will be intimated to the supplier by purchase point at the earliest possible time but not later than 07 days from receipt inspection report listing such defects. In case of damages/shortages, the same should be reported to Finance also, within reasonable time, say 15 days, from the date of receipt of the consignment.
- (c) Where damages have occurred due to rough handling in transit, all necessary safeguards should be initiated by the Stores by not giving a clean receipt of the / GST Invoice(s) to the party concerned.
- (d) For transit damages, action shall be taken by Stores Department to advise Finance Department immediately but not later than 5 days for arranging insurance survey and to file claim based on insurance survey report.

7.6 REJECTIONS

- (a) Information on the goods rejected will be intimated to the purchasers / *procuring authority* by the Stores / Inspection Department and the suppliers *to* be intimated with all particulars for rejection by the Purchase Point in writing within 07 days from the date of *receipt* of inspection *report*. If supplier is not responding within 7 days or even after reminder(s), appropriate action will be initiated by the Purchaser under intimation to indenting department and Store department.
- (b) The purchaser, in turn, will take up with the suppliers for replenishment.
- (c) Rejection will be borne with only twice for the same material except for *developmental* items. If there is no definite indication on improvements, no further chance will be given to avoid further loss of time.



- (d) Goods are rejected if they are not in accordance with the specifications and desired quality.
- (e) Rejected goods should be repaired/rectified/replaced free of cost by the supplier.
- (f) In case the rejected goods are not replaced within a reasonable time (say one month), the purchaser will endeavour to recover the loss from these suppliers.
- (g) If the consignment supplied is a mixed lot conforming partly to the specification mentioned in the contract, it is open to the buyer to reject the whole, or accept the goods which are in accordance with a contract and reject the rest.
- (h) When goods delivered on 'Sale or Return' basis are rejected, the purchaser must intimate the supplier otherwise they will be deemed to have been accepted.
- (i) For rejection, final authority will be vested with the Head of the Inspection Department. However, rejection settlement liability lies on ordering department with intimation to RIC.
- (j) In case goods are inspected and approved in the supplier's premises, the same can still be rejected after receipt inspection is carried out at GRSE yard by GRSE's inspectors during receipt inspection.
- (k) Materials once accepted cannot be rejected. However, in such case, claims can be made against the firm for breach of warranty if found unsuitable for use during installation/trial/testing on board.
- (l) For materials liable for rejection due to reasons like – TC/GC/Other document deficiency will not be rejected but kept lying in restricted stock. Only materials actually rejected which require action by vendor for rectification or replacement will be rejected & kept in Rejected items account / store location. This is with a view to eliminate the GR reversal process which takes place when rejection is executed and it is nearly impossible to detect such rejected supplies readily for following up with vendor/suppliers. However, even if after issuing 2 reminders/notice, if the supplier is non-responsive / not providing relevant certificates, materials may be rejected by RIC department. Materials rejected which require action by supplier for rectification or replacement to be kept in Rejected items account / store location. For salvaging of



rejection, the supplier would have to inform RIC through Stores / Ordering Department for re-inspection after due rectification / replacement of material. On advice and physical verification by RIC, concerned Stores would have to raise re-GR and re-offer to RIC for regularization.

7.7 AMENDMENT OF PURCHASE ORDER

- (a) Amendments to purchase orders will be issued when the formal *purchase order* released is not in terms with the mutually agreed terms or when a subsequent understanding is arrived at between the vendor and the purchaser and appropriate actions are called for. For all SAP released PO, all amendments *are* to be in SAP and to be informed to all the authorities concerned. Issue of too many and frequent amendments should be avoided.
- (b) Amendments to purchase order / work order will be approved by the same Authority / TC which originally approved the purchase proposal, subject to the amended value, (other than due to change in statutory levies) being within the financial powers.
- (c) Amendments will be necessary when :
 - (i) There is a change in quantity requirement supported by an Indent. Quantity increased by amendment should not exceed the original quantity ordered except in special circumstances.
 - (ii) The quantity supplied exceed 10% of the original ordered quantity and the excess quantity is being accepted. However, this will not be acceptable in case of orders placed through SAP.
 - (iii) In case of Oil, Steel, Cables, Pipes, Coal, Sand and other such items, the quantity supplied exceeds/falls short beyond the acceptable variation stipulated in order and such supplied quantity is being accepted.
 - (iv) There is a change in payment or delivery terms.
 - (v) There is a change in unit rate or there is any financial implication.
 - (vi) There is an alteration in the delivery schedule and/or date.



- (vii) Technical specification/quality standard changes subsequent to placement of order – Financial implication need to be considered also.
- (viii) All cancellations (part or full) will be covered by an amendment.
- (d) All Purchase *Order* amendments having financial implication only to be concurred and approved by the original approving authority. All other *purchase order* amendment(s) not having financial implication will be approved by the head of materials/ concerned TC chairman below head of Materials, based on the submission of the dealing purchase officer.

7.8 CANCELLATION OF PURCHASE ORDER

- (a) Normally no cancellation of contract will be unilaterally affected when the delivery date has not matured without the consent of the vendor unless breach of contract is envisaged/established.
- (b) Where cancellation followed by Risk Purchase is envisaged, the same may be mentioned in the Cancellation notice also.
- (c) During the pendency of delivery period specified in the contract, if the stage progress of manufacturing / work is found to be unsatisfactory and or not commensurate with the contractual delivery schedule, GRSE shall have the right to cancel the order / contract before maturity of delivery period, under intimation to the defaulting vendor. Cancellation can be only affected after giving the vendor an appropriate formal notice of reasonable time to perform the contract.
- (d) An order will not be kept alive for more than 12 months from the Contractual Delivery Date (CDD) except for imported or capital goods. Orders unlikely to be executed even after 12 months from CDD are to be cancelled and a fresh procurement will be initiated against live requirements confirmed by Indenter.

7.9 LIQUIDATED DAMAGES:

- (a) Compensation of loss on account of late delivery (actually incurred as well as notional) where loss is pre-estimated and mutually agreed to is termed as LD. Law allows



recovery of pre-estimated loss provided such a term is included in the contract and there is no need to establish actual loss due to late supply [Malla Baux Vs. UOI (1970)].

- (b) While granting extension of the delivery period, where the delivery of stores or any instalment thereof is accepted after expiry of the original delivery period, the CA may recover from the contractor, as agreed, the LD a sum equivalent to 0.5 (half) per cent of the prices of any portion of stores delivered late, for each week or part thereof of delay. The total damages shall not exceed 10 (ten) per cent of the value of delayed goods.
- (c) In contracts governed by any type of variation (PVC, ERV or statutory variations), LDs (if a percentage of the price) will be applicable on the price as varied by the operation of the PVC. LDs accrue only in case of delayed supplies. Where or in so far as no supplies have been made under a contract, upon cancellation, recovery of only the loss occasioned thereby can be made, notwithstanding the fact that prior to the cancellation one or more extensions of the delivery period with reservation of the right to LD are granted.
- (d) Government establishments/Departments, as distinct from PSUs, that execute contract work should not be dealt with as ordinary contractors and not generally be penalised for late delivery and claims for loss on risk-purchase should not be enforced against them. Serious cases of defaults should, however, be brought to the notice of the HOD or the Government Department concerned. Relaxations allowed to Government establishments/Departments, as above, will not apply to PSUs as a matter of course. Each case should be decided on merits and the decision to waive the recovery of LDs or risk purchase expenditure should be taken on merit.
- (e) In the case of development/indigenisation contracts, LDs are not levied. However, the nature of such contracts should be declared at the time of placing them. In case of entire (non-severable) contracts, even where staggered deliveries have been indicated, it may happen that supplies are not received according to the delivery schedule. In such cases, keeping in mind the fact that the deliveries indicated under the contract are non-severable, no question of LDs or enforcement of risk purchase would arise so long as there has been no delay in the completion of supplies with reference to the total delivery period.
- (f) The provision shall not apply in such cases of delay for which the vendor is entitled to extension of time of delivery in accordance with the following conditions:



- (i) Force Majeure Clause:- As stipulated by the Ministry of Law.
- (ii) Failure on the part of GRSE to fulfil its timely obligations, if any, which are directly connected with the delivery schedule mentioned in the order; and or agreed during negotiation.
- (iii) Suspension in writing to hold back production or delivery.
- (iv) Delay in approval of drawings and Quality Assurance Plan by GRSE and or QA Authority / Inspection Agency.
- (g) Extension in delivery period may be granted by the purchaser after being convinced of the genuineness of the difficulty being faced by the vendor/ reasons not attributable to the Vendor. Proposal for such extension of delivery date without levy of Liquidated Damages (LD) should be approved as per para 5.4.3. The proposal shall be routed through PP&C.
- (h) The proposal should be raised in prescribed format with justifiable reason together with extract from Hindrance Register to be maintained specially for all contracting / Sub contracting work.

Note: DP Extension without imposition of LD Waiver exceeding Rs.25 lakh are to be intimated to the Board post approval [as per Sub-Delegation of Powers].

7.10 RISK PURCHASE

Risk Purchase implies to make a purchase after cancelling the order on the original supplier / contractor at the risk and cost of original supplier/contractor. The following aspects are pertinent to risk purchase:-

- (a) For unreasonable delays in supply of ordered articles or services or documentation, HOD Planning or HoD of Indenting Dept. recommendation may be obtained.
- (b) For cancellation of PO & invocation of Risk Purchase clause, approval of CFA (concerned TC Chairman) shall be taken.



- (c) Such invocation is to be done after considering its administrative cost, legal implications and status of vendor like MSEs etc., analysis on market situation of ordered item, proprietary nature of item, performance of bidder during execution period of contract /order, Force Majeure conditions, Pandemic etc. subject to legal vetting.
- (d) A risk and cost purchase notice shall be served on the supplier provided the Risk Purchase clause is in the PO. Before cancelling the contract and taking further action, it may be desirable to obtain legal advice.
- (e) Simultaneously, a short notice Tender Enquiry (Single / Limited / Open) is to be floated. Supplier who failed to execute the original order shall not be eligible to participate in this tender.
- (f) Risk Purchase amount, if any, shall be recovered from any of the supplier's pending bills / forfeiture of Performance Security / issuing Debit Note on the supplier by concerned Purchase Point.
- (g) However, invocation of Risk Purchase or any penal action like tender holiday etc. are not applicable in case cancellation is done on mutual consent subject to legal vetting.
- (h) Risk Purchase Notice (30 days) is to be issued to original Supplier/Contractor.
- (i) Risk Purchase will be made within six months from the date of cancellation, otherwise it may not be tenable.
- (j) Where risk purchase is made, it will be ensured that the order placed is for the same or identical material.
- (k) In case of carrying out risk purchase, re-tendering (Single/Limited/Open) is to be done with short duration of submission of tender time and defaulting vendor is not to be included normal purchase procedures like inviting quotations / negotiation / and finalization of order is to be followed.
- (l) In case the risk purchase is being carried out for a part quantity only (i.e. some portion of original order was executed successfully), then the claim will be commensurate with part quantity alone.



7.11 PROCEDURE FOR PROCESSING SERVICE BILL:

The Procedure is promulgated in GM(M)'s Circular 04/18-19 Dtd. 16.08.2018. Refer Appendix-T. Procedure is subject to amendments.

7.12 COORDINATION WITH EXTERNAL INSPECTION AGENCY

The direct coordination with external inspection agency is to be done by CDO/QA, wherever external inspection agency is involved in regard to inspection of material as per terms of PO. CDO/QA shall keep the material department updated regarding status of inspection and forward copy of final inspection certificate once the material is cleared by Inspection agency to enable material department to take necessary logistic arrangement for delivery of material.

7.13 CO-ORDINATION WITH SUPPLIERS/OEMS BY END USER FOR SERVICE ENGINEER

The end user shall directly coordinate with Suppliers/OEMs for deputation of Service Engineer for installation, STW, HAT, SAT of ships or Plant & Machinery based on actual requirement on ground. Adequate notice is to be provided to OEMs. The concerned dealing officer at Material department is to be intimated in case of poor response from Supplier/OEM.

7.14 TIMELY ISSUE 'WDC' & 'SERVICE ENTRY' BY USER DEPARTMENT

The user department shall issue Work Done Certificate (WDC) within 03 days of completion of service. The Service Entry sheet in SAP and bill/invoice certification is to be made by user department within 03 days of receipt of invoice/bills from Supplier/OEM.

7.15 SEVERABLE AND ENTIRE DELIVERY CONTRACTS

- (a) Such contracts, where instalments are not specified or not intended, are known as entire contracts. In such cases, even non-delivery of a part quantity can lead to a breach of contract. However, a variation of five per cent of the contract quantity is usually exempted in the contract conditions. In the case of an entire contract, even if providing a delivery schedule, it is not necessary to grant an extension in the delivery period in the case of delay in intermediate instalments. Such extension would be



necessary only in case of a delay beyond the final date for the completion of the delivery.

- (b) Contracts with clearly laid out instalment deliveries mentioning the exact dates and where each instalment is paid for separately are known as severable contracts. In effect, each of such instalments is a separate independent contract by itself. In severable contracts, delay or breach of one instalment does not affect other instalments, since each instalment is considered as a separate contract. In the case of severable contracts, extension in the delivery period is necessary for each instalment separately.
- (c) The legal position, however, is not very straightforward, since the mere mention of monthly/ quarterly rate of delivery, called delivery schedule, is not sufficient to make it a severable contract. However, instalments specifying exact dates, that is, 310 (three hundred and ten) numbers by June 20, 2016 would be amounting to a severable contract.
- (d) The delivery cannot be re-fixed to make a contract a 'severable' contract without the specific agreement of the supplier, if the delivery originally stipulated in the contract was in the form of an 'entire' contract.

7.16 EXTENSION OF DELIVERY

- (a) Suppliers shall be required to adhere to the delivery schedule specified in the purchase order and, if there is delay in supplies, LD shall be levied wherever there is failure by the party. Extension of the delivery date amounts to amendment of the contract. Such an extension can be only done with the consent of both parties (that is, the purchaser and supplier). No extension of the delivery date is to be granted suo motu unless the supplier specifically asks for it. However, in a few cases, it may be necessary to grant an extension of the delivery period suo motu in the interest of the administration. In such cases, it is legally necessary to obtain clear acceptance of the extension letter from the supplier. No correspondence should be entered into with the supplier after expiry of the contract delivery period or towards the end of it, which has the legal effect of condoning the delay/breach of contract. When it is necessary to obtain certain information regarding past supplies, it should be made clear that calling for such information is not intended to keep the contract alive and that it does not waive the breach and that it is without prejudice to the rights and remedies available to the purchaser under the terms of the contract. The last line of such a communication



should therefore be: *“This letter is issued without any prejudice to Procuring Entity’s rights and remedies under the terms and conditions of the subject contract and without any commitment or obligation.”*

- (b) If at any time during the currency of the contract, the supplier encounters conditions hindering timely delivery of goods, he shall promptly inform the concerned officer in writing. He should mention its likely duration and make a request for extension of the schedule accordingly. On receiving the supplier’s communication, the procuring entity shall examine the proposal (refer to Appendix-AG) and, on approval from the CA, may agree to extend the delivery schedule, with or without LD and with or without the denial clause (as defined in Para 9.7.8 below), for completion of the contractor’s contractual obligations, provided:
 - (i) That a higher rate in the original tender was not accepted against other lower quotations in consideration of the earlier delivery; and
 - (ii) That there is no falling trend in prices for this item as evidenced from the fact that, in the intervening period, neither orders have been placed at rates lower than this contract nor any tender been opened where such rates have been received even though the tender is not yet decided. In cases of certain raw material supplies, where prices are linked to the PVC, extension may be granted even in case of a falling trend in price indices, since the purchaser’s interests are protected by the price variation mechanism. However, in such cases it should be ensured that extensions are done with the denial clause. When it is decided to extend the delivery period subject to recovery of LD for delay in supplies, contractors must be given a warning to this effect in writing at the time of granting extensions. It is not correct to grant extensions without any mention of the LD if it is proposed to recover such charges eventually. It is also not correct to grant an extension of the delivery period by merely stating that the extension is granted “without prejudice to the rights of the purchaser under the terms and conditions of the contract” as this would mean that all the options given in the conditions of the contract would be available to the purchaser on expiry of the extended delivery period and would not amount to exercise of the option to recover LD. To take care of complex legalities brought out above, extension of the delivery period when granted should only be done in writing in the laid down format given in Appendix-AH. Organisations may put in place a graded authority structure whereby extension of time for completion of contract, beyond a specified threshold value of contract, may be granted by the next higher authority.



7.17 DELAY IN SUPPLIES FOR WHICH SUPPLIER IS NOT RESPONSIBLE

Normally, in the following circumstances, the contractual delivery period needs to be re-fixed to take care of the lost period, without imposing any penalty to the supplier.

- (a) Cases where the manufacture of stores is dependent on the approval of the advance sample and delay occurs in approving the sample though submitted by the supplier in time;
- (b) Where extension in the delivery period is granted on account of some commission on the part of the purchaser which affects the due performance of the contract by the supplier; and
- (c) Cases where the purchaser controls the entire production.

7.18 PERFORMANCE NOTICE

A situation may arise where the supply/services has not been completed within the stipulated period due to negligence/fault of the supplier; however, the supplier has not made any request for extension of the delivery period but the contracted goods/services are still required by the purchaser and the purchaser does not want to cancel the contract at that stage. In such a case, a performance notice (also known as notice-cum-extension letter) may be issued to the supplier by suitably extending the delivery date and by imposing LD with denial clauses, and so on, along identical lines as in para "Extension of Delivery" above. The supplier's acceptance of the performance notice and further action thereof should also be processed in the same manner as mentioned above. The text of the performance notice will be on similar lines to the Appendix-AG.

[Annexure-19: Refer updated Manual for Procurement Goods issued by Department of Expenditure, Ministry of Finance]

7.19 DENIAL CLAUSE

Since delay in delivery is a default by the seller, the buyer should protect himself against extra expenditure during the extended period by stipulating a denial clause (over and above



levy of LD) in the letter informing the supplier of extension of the delivery period. In the denial clause, any increase in statutory duties and/or upward rise in prices due to the PVC clause and/or any adverse fluctuation in foreign exchange are to be borne by the seller during the extended delivery period, while the purchaser reserves his right to get any benefit of a downward revisions in statutory duties, PVC and foreign exchange rate. Thus, PVC, other variations and foreign exchange clauses operate only during the original delivery period. The format of the denial clause is available in Appendix-AG.

[Annexure-19: Refer updated Manual for Procurement Goods issued by Department of Expenditure, Ministry of Finance]

7.20 WAIVER OF LD

There should normally be no system of waiver of LDs for delayed supplies in supply contracts and it may be strictly be an exception rather than a rule. For an extension of the delivery date with waiver of LD, approval of the CA with consultation of associated Finance may be taken and justifications recorded.

7.21 HANDLING DELIVERIES AFTER THE EXPIRY OF DELIVERY PERIOD

As per law, if stores are accepted after expiry of the delivery date of a particular instalment without extension in delivery period having being given, duly reserving our rights to levy LD, it amounts to voluntary abrogation of our legal rights under the contract to claim LDs or other remedies.

If the contractor makes supplies locally after the expiry of delivery period, the supplies may be provisionally retained under a franking clause reserving rights and the contractor may be asked to obtain an extension of the delivery period from an authorised officer with or without any LD/denial clause.

“Please note that materials have been supplied after the expiry of contracted delivery date and its provisional retention does not acquiesce or condone the late delivery and does not intend or amount to an extension of the delivery period or keeping the contract alive. You may apply for an extension of delivery date from the procuring entity. The goods are being retained without prejudice to the rights of the Government of India under the terms and conditions of the contract.”



As regards supplies coming from outside contractors, if the contractor dispatches the stores after expiry of the delivery period, the consignee should, after the receipt of the railway receipt or lorry receipt or goods consignment note or airway bill, send an intimation to the contractor stating that the action taken by him in dispatching the goods after expiry of delivery date is at his own risk and responsibility, and that the consignee is not liable for any demurrage, wharf age and deterioration of goods at the destination station and, in his own interest, the contractor should get an extension of the delivery period from the purchasers. A copy of the communication sent to the contractor should also be sent to the purchaser.

In case of imports, the contractor must not dispatch the consignment after expiry of the delivery period without taking prior extension of the delivery period. In any case, the terms of LC should be such that if there are dispatches beyond the delivery period, payment should be denied without levy of full LD and without formal extension of the delivery period by the purchaser.

7.22 BREACH OF CONTRACT, REMEDIES AND TERMINATION

In case the contractor is unable to honour important stipulations of the contract, or gives notice of his intention of not honouring or his inability to honour such a stipulation, a breach of contract is said to have occurred. Mostly, such breaches occur in relation to the performance of the contract in terms of inability to supply the required quantity or quality. It could also be due to breach of ethical standards or any other stipulation that affects Procuring Entity seriously.

The purchaser or its authorised representative is not to enter into correspondence after expiry of the delivery date stipulated in the contract because such a correspondence will keep the contract alive and would amount to abrogation of the purchaser's right and remedies for delays by the contractor. This situation will not allow the purchaser to cancel the contract straight away without first serving a performance notice to the supplier. However, even after expiry of the delivery period of the contract, the purchaser may obtain information regarding past supplies, and so on, from the supplier, simultaneously making it clear to the supplier that calling of such information is not intended to keep the contract valid and it does not amount to waiving the breach and that it is without prejudice to the rights and remedies available to the purchaser under the terms of the contract. A model communication which may be issued by the purchaser to ascertain the supply position after expiry of the delivery period is given at Appendix-AH. As soon as a breach of contract is noticed, a show cause notice should be issued to the contractor reserving the right to implement contractual remedies. If there is an



unsatisfactory resolution, remedial action may be taken immediately. The CA may terminate a contract in the following cases.

7.23 CANCELLATION OF CONTRACT FOR DEFAULT

Without prejudice to any other remedy for breach of contract, such as removal from the list of registered suppliers, by written notice of default sent to the supplier, the contract may be terminated in whole or in part:

- (a) If the supplier fails to deliver any or all of the stores within the time period(s) specified in the contract, or any extension thereof granted; and
- (b) If the supplier fails to perform any other obligation under the contract within the period specified in the contract or any extension thereof granted;
- (c) If the contract is terminated in whole or in part, recourse may be taken to any one or more of the following actions:
 - (i) Forfeiture of the performance security;
 - (ii) Upon such terms and in such manner as it deems appropriate, goods similar to those undelivered may be procured and the supplier shall be liable for all available actions against him in terms of the contract (popularly called risk purchase); and
 - (iii) However, the supplier shall continue to fulfil the contract to the extent not terminated. Before cancelling the contract and taking further action, it may be desirable to obtain legal advice.

7.24 TERMINATION OF CONTRACT FOR INSOLVENCY

If the supplier becomes bankrupt or becomes otherwise insolvent or undergoes liquidation or loses substantially the technical or financial capability (based on which he was selected for award of contract), at any time, the contract may be terminated, by giving a written notice to the supplier, without compensation to the supplier, provided that such termination will not



prejudice or affect any right of action or remedy which has accrued or will accrue thereafter to Procuring Entity.

7.25 TERMINATION OF CONTRACT FOR CONVENIENCE

After placement of the contract, there may be an unforeseen situation compelling Procuring Entity to cancel the contract. In such a case, a suitable notice has to be sent to the supplier for cancellation of the contract, in whole or in part, for its (Procuring Entity's) convenience, inter alia, indicating the date with effect from which the termination will become effective. This is not Procuring Entity's legal right– the contractor has to be persuaded to acquiesce. Depending on the merits of the case, the supplier may have to be suitably compensated on mutually agreed terms for terminating the contract. Suitable provisions to this effect should be incorporated in the tender document as well as in the resultant contract.



CHAPTER 8

INSURANCE IN BUYING

8.1 INTRODUCTION

- (a) The cardinal principle of insurance is that it is a contract of indemnity. Obviously, the insurance coverage generally does not aim at profit making out of insurance claim. However, the nature of the policy coverage largely determines the extent of loss recovering/risk coverage.
- (b) Insurance premium is an “Invisible Cost” of the purchase made. The insurance cost varies from 0.3% to 1% of the ultimate cost of the equipment. While computing landed cost of the equipment, this factor is to be considered.
- (c) Optimization of Insurance Cost Vs. Self Insurance: The important twin method expenditure curtailment with respect to insurance is
 - (i) Analytical approach towards risk elements involved in materials movement thereby deciding the policy coverage, and
 - (ii) Introduction of self-insurance to guard against petty and predictable losses and distinguish it from protection against catastrophic danger of loss.
- (d) Although insurance policy in general extends risks against, **the scope of the Procurement Manual is confined only to the first category**
 - (i) incoming materials
 - (ii) storage in warehouse/stores
 - (iii) stocking of finished goods; and
 - (iv) finished in transit
- (e) Purchase Executives/Ordering Departments in their role as the controllers of movement of materials will co-ordinate with Stores/Finance Department for incorporation of appropriate insurance terms/conditions.



- (f) Discrepancies during Transit such as damages, shortages, theft, pilferages etc. to the consignments which are insured by GRSE, shall be reported to the Finance department by Stores, who in turn will report to Insurance Company immediately and necessary claim shall be raised within the allowed time limit given by the Insurance Company. The Finance department shall ensure that provisional claims are lodged on insurance company where required on timely receipt of claim intimation from Stores Department in consultation with Procurement department.
- (g) Insurance Management with respect to Buying/Sub-contracting:
The three-tier aspects are:
 - (i) Adequate insurance coverage for materials/equipment in transit
 - (ii) Claims initiation, and
 - (iii) Insurance cost reduction and incorporation of self-insurance concept.
- (h) Adequate Insurance Cover:
Insurance of materials in transit is termed as marine insurance and this holds good equally for air consignment, cargo shipment and inland transit by road/rail/any other transport. The terms & conditions and the forms in use for all such purchases have been internationally standardized and as such no details are furnished.

8.2 IMPORT

- (a) The following procedures will be followed in case of F.O.B. and C&F terms of payment when insurance is to be arranged. The formal application form for insuring the imported items will be made to the insurance company immediately on receipt of the information on readiness of the consignment along with the vessel's name / AWB No. from the vendor. The vendor will be requested beforehand by telex/fax to send the dispatch details soon after the consignment is loaded on board/aircraft viz. vessel's name / AWB No., dispatch date, quantity, value, BL No. etc. in the prescribed format of underwriter.
- (b) The supplier is responsible for insurance where the mode of contract is C.I.F.
- (c) While using the standard form for this purpose some of the laid down flexible policy conditions may be modified in line with the set of clauses termed as "Institute Cargo"



clauses standardized by London Institute of Underwriters which are internationally accepted.

- (d) In the case of marine policy, although the valuation of the cargo is left to the discretion of the insured, it is, however, possible for insurance to be taken for the invoice value of the cargo together with duty and incidental expenses. The principle of indemnity is thus flexible to be modified on an agreed basis.
- (e) The officer signing the import order should specify in the marine policy the level of protection sought for i.e. the most restricted type of cover termed as Free of Particular Average (FPA) policy or the widest style of cover known as “All Risks” or any type in between these two extremes. The premium rate will obviously oscillate with the decision and as such the cost to be incurred should be justified.
- (f) FPA is a mode by which the underwriter will not be liable for minor loss or damage caused to single items unless the articles are lost during transshipment.
- (g) ‘With Average’ (WA) policy caters for partial loss owing to the perils of sea. “All Risks” clause coverage caters for compensation arising out of accidental damage of cargo (except caused by delay).
- (h) The important limitations of the Institute Cargo clause which governs all types of marine ocean voyage policy are given for reference and incorporation (as necessary):-
 - (i) The insurance cover terminates with goods delivered to the consignee/final warehouse / place or destination / storage stated in the policy.
 - (ii) It will cease if the goods are stored at an alternative warehouse for the purpose of allocation/distribution.
 - (iii) In the event of failure of reaching destination/consignee, it will cease on expiry of 60 days from the date of completion of discharge of the cargo from the vessel at the final port of discharge. Obviously, the claim is to be preferred before such termination of insurance contract.
 - (iv) If the cargo is diverted to any destination other than mentioned in the policy after discharge from the vessel.



- (v) In the event of change/failure of voyage, prompt notice to be served on the insurer.
- (i) The insured and their authorized agent shall ensure that all rights against the carrier, bails or any other third party are properly preserved and exercised.
- (j) In case of C.I .F. contract:
 - (i) The vendor must be instructed properly for the sum (minimum 115% of order value) to be insured keeping GRSE as the beneficiary by endorsement.
 - (ii) For steel import, the scope of cover shall be clearly spelt out against rusting and pitting; similarly, leakage loss for liquid chemicals imported by GRSE.
 - (iii) The supplier shall be insisted upon to agree with latest version of Institute Cargo clause (A)/ Institute Cargo Clause (Air) while making insurance contract with Insurance company.

N.B.

- (i) Even the “All Risks” policy will not provide for ordinary wear and tear, ordinary leakage and breakage, and inherent vice in absence of specific Z wording.
- (ii) Critical diesel engine parts shall merit special attention.
- (k) **Responsibilities of respective Department at GRSE:**
 - (i) **In case of C.I.F., F.O.B. and C&F consignments:** - After landing of the item at seaport, if any damage is detected, the Stores (Service Department) shall take up within 72 hrs. of landing of consignment with carrier as well as with Ins. Co. for arranging port survey. If necessary, suitable representative from GRSE’s Technical Department will be associated for such survey. In case of CIF contract, the information of damaged consignment must be reported immediately to foreign vendor also for taking necessary steps from their end. If damage is detected after landing at GRSE Stores, preliminary information to the Ins. Co. should be given under intimation to Finance Department with relevant details within 7 days from the date of landing of the consignment at sea/airport for arranging insurance survey. For conducting such insurance survey if any information/details are necessary, the same shall be furnished by Stores/Purchaser to Finance Department.



- (ii) **In case of FOB and C&F consignments:** - Soon after the compliance with the formalities as stated in para h(i) and immediately after survey, financial claim to the insurance authority is to be lodged by Finance Department directly. Purchaser/Stores will assist with relevant information as required by Finance Department in filing a proper claim. Finance Department will give the information to the Purchaser and Stores regarding status on recovery of claim from insurance authority, to enable the purchaser to procure the damaged/lost items afresh.
- (iii) **For CIF consignments:** - Stores (Service Department) will notify the nominated surveyor of the supplier's insurance company for carrying out necessary insurance survey and insurance surveyor's report shall be sent by the procurement Department to the overseas supplier for settlement/replenishment of the item.

8.3 INLAND TRANSIT

- (a) Insurance starts from the date of loading the consignment on transporter's vehicles upto the date of unloading the consignment to the consignee's premises/site. The period of insurance covers the period of transit including transshipment midway, if any, and the same ceases immediately after unloading the consignment at the premises/site of the consignee.
- (b) **Important considerations to be determined by the Ordering Department:**
 - (i) The transit insurance should not be left to the vendor while stipulating the detailed terms and conditions.
 - (ii) In the event of self-insurance, the risk accumulation points determination and the extent of possible loss.
 - (iii) Time and effect (and hence expenditure) required to recover from transporter/carrier/railway in Indian conditions for negligent handling of goods.
 - (iv) Probability of terminating insurance cover before actual arrival of the machine/goods.
 - (v) In case of railway/road/transport demand of open delivery certificates for apparent damage to the goods.



- (vi) In doubtful conditions, no clear receipts to be issued, except under written protest.
- (vii) It is necessary that the goods intended to be insured should be described with great clarity so that it may not fall outside the policy.
- (viii) Written notice to be served to the carrier's representative within 3 days of delivery in case of apparent damage / loss, while taking delivery.
- (ix) Prompt written notice to this effect to be served to the insurer / surveyor.
- (x) In view of the increased output target and increased off-loading of fabrication work and other works of various shops, adequate insurance coverage has to be taken against dispatch of free issue materials to sub-contractors at their premises.
- (xi) The insurance coverage in the above case has to be taken by the sub-contractor / firm with appropriate value coverage for the underlying risk, keeping GRSE as the beneficiary by endorsement losses to be covered against :
 - (aa) Strike industrial unrest, riot (SRCC), fire, flood, earthquake and other natural calamities.
 - (bb) Burglary & theft in contractor / sub-contractors' premises.
 - (cc) Material in transit.
 - (dd) Bad workmanship and wastage / spoilage of materials thereby.
 - (ee) Blockage of materials in the contractor/sub-contractor's premises due to prolonged lock-out and other. Force Majeure conditions which affected the production and financial condition of GRSE.
 - (ff) Infidelity of the contractors.
- (xii) A "Special Contingency Policy of Insurance" may be taken to insurance coverage for above risks.
- (xiii) Insurance coverage shall be for minimum sum assured of 115% of order value.**



(c) **Responsibilities of respective Departments at GRSE for Insurance cover(while insurance is in the scope of GRSE as per contract) –**

- (i) On receipt of despatch intimation from the supplier, purchaser shall immediately advise Finance Department for arranging transit insurance coverage and following information shall be furnished in the format already in vogue :
 - (aa) Name of the vendor
 - (bb) P.O. Ref. & Date
 - (cc) Short description of item
 - (dd) Total value involved
 - (ee) Name of Transporter
 - (ff) L.R. No./RR No./AWB No. and date
- (ii) Finance Department shall arrange for insurance of cargo, on receipt of information from Ordering Department

(d) **Responsibilities of respective Departments for lodging the claim on insurance company (while insurance is in the scope of GRSE as per contract)**

- (i) **Open delivery from carrier's godown :**
 - (aa) During collection of materials from transporter's godown, if any damage on the boxes/packages is noticed, insurance survey is to be arranged by Finance Department on receipt of information from the Stores (Service Department). Such insurance survey will be carried out by Surveyor at transporter's godown under the supervision of Stores (Service Department) for taking open delivery and if necessary suitable representative from Technical Department will be associated.
 - (bb) As soon as the open delivery consignment would be brought in the Yard, the inspection is to be carried out within 7 days and



inspection report to be forwarded to Finance Department (Insurance Section) to take up the matter with the surveyor/underwriter.

(ii) Door delivery consignment (while insurance is in the scope of GRSE as per contract) :

- (aa) Any consignment received in the Yard in damaged condition, the concerned Stores Officer must put the qualifying remarks on the reverse side of the consignment note and must obtain the signature/thumb impression of the driver/representative of the carrier and inform Finance Department together with ink signed/carbon copy of consignment note, copy of invoice, packing list and extent of loss if possible by Stores/Ordering Department.
- (bb) On receipt of claim intimation from the Stores Department, Finance Department would lodge the provisional claim on the underwriter with a request to depute surveyor to assess the extent of loss, with copies to ordering and Stores Departments.
- (cc) On receipt of survey report from the Insurance Surveyor, Corp. Finance would lodge the financial claim on underwriter with a copy to ordering department. The ordering department shall initiate necessary procurement action for replenishment and every effort must be given to realize the claim at the earliest.
- (dd) On receipt of the claim, an intimation would be given to concerned procurement Department for their information and necessary action for procurement of material if the same is not salvageable by repair or outright rejected by the WOT(Navy) for cost plus contracts.
- (ee) Concerned procurement Department/Stores would provide all required documents/information to Corp. Finance to enable them to lodge financial claim and settle the insurance claim.
- (ff) If damages/shortages are noticed on opening the sound case of any consignment, the concerned Stores would intimate the same to Corp. Finance along with the relevant documents as stated



above for lodging provisional claim with the underwriter. The procurement Department will also take up the case with the vendor simultaneously to replenish the materials.

- (gg) In case of shortage found from sound case, concerned Stores should preserve the packing cases for the insurance surveyor to establish the possibility of skilful pilferage if there is any renailing marks on the package(s).

(iii) **Non-delivery of consignment :**

In case of non-delivery of any consignment either at carrier's godown or in the Yard even after a reasonable lapse of time, an intimation to Finance Department is to be furnished by Stores (Service Department), together with P.O. reference, consignment note No. and date, carrier's name, estimated value etc. in order to lodge claim on Insurance Company.

- (e) Time limit for loss intimation :- Loss intimation under the categories d(i) and d(ii) above should be furnished to Finance Department (Insurance Section) immediately on receipt of the consignment (but not later than three days) for arranging insurance survey and lodging claim on underwriter.
- (f) Claim on carrier :-
 - (i) In the event of loss or damage whilst in the custody of the carriers, proper notice of claims specifying details of the consignment must be issued to carrier immediately after receipt by Stores (Service Department) and carrier's damage certificate is also to be obtained from the carrier in this respect by the Stores (Service Department).
 - (ii) In case of non-delivery of consignment, notice must be served on carrier within six months from the date of consignment by Stores (Service Section) failing which the claim will be time barred.
 - (iii) Subsequent to insurance survey, financial claim to the insurance company is to be lodged by Finance Department.
 - (iv) Purchaser/Stores will assist Finance Department with relevant information as required for filing a proper claim.



- (v) Finance Department will give the information to purchaser and Stores regarding status on recovery of claim from insurance authority. Purchaser will arrange for fresh procurement of material as necessary.

8.4 VALUE ANALYSIS EXERCISE

The nature of packing, the mode of transport and the value and nature of equipment/goods shall be the deciding factor on the probability of loss and the quantum of loss. Through a dialogue with the insurer and by means of systematic and periodic review of existing blanket type of insurance procedure, it will provide to the Ordering Department a good potential area for consistent cost reduction and control.



CHAPTER 9

PURCHASE OF CAPITAL GOODS

Capital goods are one of the sub-classes of fixed assets which include industrial and office equipment (including IT equipment like computers, printers, etc.), furniture & fittings, machinery, transportation media like automobiles, etc. These are capitalized and depreciated over the period of their useful lives as specified in the Companies Act or Accounting policy of Company.

9.1 BUDGET PROVISION

Head of each Department/Shop has to project the requirement (item vis-à-vis estimate for acquisition of capital goods during the coming year/years) in time to Finance Department, who in turn will keep budget provision which shall be finally subject to approval of Board of Directors. Issue of Work Order/**Job No** is generally guided by this budget provision.

9.2 PROCEDURE FOR PROCUREMENT OF CAPITAL GOODS

- (a) Once the capital expenditure budget is finalized and circulated, respective shop in-charge, through their GMs and the concerned Director, will send the proposal of actual procurement in AIP, No. Request Form (Standard format as promulgated by Finance department) to the Competent Authority giving the following justification along with approved budget serial head or in case of diversion, the head from which it will be made (as far as possible diversion is to be avoided):
 - (i) Whether the proposed machines/equipment/tools/or any other capital item is against replacement of any existing asset.
 - (ii) In case of replacement of any existing asset, reasons for such replacement giving all the relevant details such as year of procurement, whether in working condition or BER and the observations/comments of High-Power Survey Committee if referred to them. For items relating to Plant & Machinery, necessary reference of Asset Register is also required to be provided in the request form in case of replacement etc.



- (iii) In case of procurement of new equipment/machineries etc., justification of such procurement in to be recorded.
- (iv) Economic justification
- (b) On accord of AIP of 'Works Order' Request by the Competent Authority as per GRSE DoP 2016, the indenter shall send the AIP document/Works Order to the Corporate Finance for issuance of job no. along with copy of the justification papers as mentioned above.
- (c) After receipt of approval from CA, the Capital Budget Section of the Corporate Finance will forward the same to the respective approving authority for allotment of Capital Job No. against specific budget serial.
- (d) On receipt of the approval of the competent authority, Finance Department will issue job no. and enter the same in the Works Register and forward the Works Order to the indenting Department.
- (e) The indenting Department on receipt of job no. will send the same along with Capital Works Order Request to the Purchase Department for procurement of the assets.
- (f) On receipt of the indent, Purchase Department will initiate procurement process **as per the Procurement Policy**. Procurement will be approved by the respective Tender Committee.
- (g) All Capital Procurement shall be within the Capital Budget approved by the Board.
- (h) Immediately on Receipt/Installation of the assets, the user department will send the Acceptance/ Completion/ Installation Report, as the case may be, to the Capital Budget Section of the Corporate Finance for allotment of distinctive Asset No. after capitalization for recording in Block/Asset Register and forward the same to the user department for noting in the Plant Register after the Assets Register is updated.
- (i) Purchase of extra-ordinary / emergent Capital Items by the Divisions / Units with the approval of the concerned GM should not exceed Rs. 25,000.00 (Single limit) and Rs. 2,00,000.00 (Annual limit). Finance shall earmark Rs. 2,00,000.00 for such cases for



each unit, as Annual limit. Ratification by Corporate Finance Authority will be necessary for budgetary control.

9.3 DELEGATION OF FINANCIAL POWERS

The delegation of financial powers for Capital Procurement shall be as promulgated vide GRSE DoP as amended from time to time. In accordance with Section (B) of DoP the financial delegation is as follows:-

Any proposal valued more than Rs. 5 crores need to be approved by the Procurement Sub-Committee of the Board. if within approved budget.

9.4 PROCUREMENT OF OFFICE EQUIPMENT, FURNITURE/ FITTINGS, ETC. AND CAPITAL EQUIPMENT UP TO Rs.2.0 LAKH IN VALUE.

- (a) Processing of all such requirements for furniture, fittings, Office Equipment etc will be done centrally by designated office.
- (b) The procedure to be followed by designated office will be as follows:-
 - (i) Receive the requirement from indenting department and put up for Management Approval after scrutiny in the prescribed format as per extant Rules with reference of Budget Serial No./Proposed Diversion.
 - (ii) Send the proposal to Finance Department for processing for allotment of Job No. on half yearly basis i.e. once on 1st Jan and again on 1st July every year.
 - (iii) Finance Department will process for approval and return after approval to designated office.
 - (iv) designated office will forward copies of approved proposal to Purchase Department for procurement.
- (c) All Departmental/ Unit In-charges will forward their proposals for procurement of items costing upto Rs.2.0 lakh to designated office with proper justification by 01 Jun and 01 Dec every year.



9.5 PROCUREMENT OF EQUIPMENT AND APPARATUS FOR FIRE & SAFETY DEPARTMENT.

Procurement of equipment and apparatus for fire & safety department will be done centrally through designated office for all units of GRSE. Based on indents approved by designated office, Equipment and Apparatus for Fire & Safety Department shall be procured by Purchase Department. The list of PPE is to be standardized and formulated by designated office and approved by D(P). The list is to be reviewed and promulgated in January every year. The Stores department is to maintain adequate stock levels to meet requirements. Any emergent requirements of PPE and other Fire and Safety apparatus are to be procured on a case to case basis.

9.6 MACHINERY INDUCTION

- (a) Selection of Machines is a very vital area since it is directly linked with production. It is to be borne in mind that to get good performance, satisfactory after- sales services and latest technology, GRSE must source requirements from reputed and proven sources of supply having large market share, ISO certification, good past performance track record with GRSE and other Govt. Estbt./PSU, comprehensive warranty terms, technical expertise, ability to give quick services at least upto the life span of the equipment, availability of spare parts, proximity to GRSE etc. The selection of machine may not be considered only on the basis of lowest price or the face value.
- (b) For equipment procurement under CAPEX listed as MoU targets, once Purchase Order is placed, the user/indenting department is required to coordinate with supplier for timely production progress and delivery, installation, commissioning etc. Purchase department shall provide necessary assistance to user department as per terms of PO.

9.7 TECHNICAL DOCUMENTATION

While floating tender enquiry for high value equipment, technical documents which are to be observed by bidders at various stages, should be clearly mentioned. For example:

- (a) Along with technical part of offer: Catalogue, QA Drg. if applicable, Make & Specification. Of important components say prime mover, Hydraulics, electrical/electronic items etc., if any, ISO certification, test procedure/QAP,



foundation details, amplification of technical bid, latest audited Balance Sheet of the bidder, EMD details, Sales Tax Clearance Certificate, Income-tax Clearance Certificate etc.

- (b) Along with Commercial part of Offer: latest audited Balance Sheet of the bidder, EMD details, GST registration Certificate, Income-tax Clearance Certificate etc.
- (c) During Inspection: Maker's correlated test certificate of main equipment as well as critical/high value bought-out component, confirmation on adherence to QAP, raw material details viz. Chemical analysis report etc.
- (d) Along with supply: Test Certificates, Installation Drg., circuit diagram, operational & Mtc. Manual, spare parts manual etc. However, requirement of technical documentation should be clearly spelt out by indenter in indent.

9.8 SPARES REQUIREMENT

Indenter must confirm in indent specifically the requirement of recommended spares for trouble free operation and routine maintenance of equipment for a specified period (normally two years) and spares to be procured along with the equipment in order to include the same in tender enquiry. Any special accessories, if required to be sought with equipment, also need to be highlighted in indent. However, such requirement of special accessories & spares need to be critically examined by indenter towards usage/utilization before indenting so that unnecessary investment is avoided.

9.9 COMPLETENESS OF BID

In the enquiry, it should be clearly mentioned that incomplete bids are liable for rejection. However, use of format (which are to be filled up by vendors and to be sent back along with relevant bid) may be resorted to, wherever possible/practicable, to restrict incompleteness of bid or locate deviations.

9.10 PERFORMANCE GUARANTEE

The equipment/materials are to be guaranteed/warranted for satisfactory performance for a minimum period of 12 months from the date of commissioning or 18 months from the date of



receipt of materials at GRSE, whichever is earlier. A guarantee/warranty certificate is to be forwarded with the deliverables.

9.11 **ANNUAL MAINTENANCE CONTRACT**

- (a) Annual Maintenance Contract is the most important aspect while procuring capital goods like industrial and office equipment, machineries, transportation media like automobiles, furniture, fittings etc. Unless a maintenance programme is set up over the period of the life of the assets, the longevity of the asset will automatically get reduced due to non – maintenance and the projected service of the asset will be lost and translated in financial terms. This may set out to be substantial financial loss. Hence, AMC (Annual Maintenance Contract) is very much akin to the insurance coverage of the asset.
- (b) **Cost of AMC**. Requirement for AMC is to be established by the end user/indenter at the time of raising PR. Cost of AMC (Comprehensive or otherwise) for a suitable period based on expected life of equipment (normally up to five years) is to be obtained through the tender for original equipment. Cost of AMC is to be considered for L1 determination. However, **AMC is to be concluded separately** and not form part of the capital procurement order.
- (c) AMC is generally entered into with Original Equipment Manufacturer (OEM) or their authorized service provider so that the maintenance programme of the machine is best adhered to unless of course there is a well - equipped maintenance department to service such maintenance. It would therefore be in the best interest of GRSE, that all such vital equipment's and machines which cannot be serviced internally due to their machine specificity, classification etc. should be put under the programme of AMC with the Original Equipment Manufacturer.
- (d) In case, OEM has no such facility at all, the same may be got serviced / outsourced through other agencies after determining that the agencies are qualified enough to carry out such services.
- (e) While entering into AMC, the following points may be considered which are only indicative but not all inclusive:
 - (i) The agreement shall be made annual or biennial/Triennial i.e. for a particular period as is deemed fit.



- (ii) The Machine will have to be serviced periodically. Number of maintenance visits are to be stipulated and service Challans / records have to be signed / certified by Competent Authority.
- (iii) Any break – down call has to be attended within 24/48/72(or mutually acceptable) hours of receipt of information.
- (iv) Replacement of any spares or repair of any accessories will have to be carried out at no extra cost to GRSE unless otherwise decided.
- (v) In case of major breakdown / repair, if machine is required to be taken out / removed to the workshop for repairs, it is to be explored if identical machine could be installed on Loan Basis as a replacement beforehand with no extra cost to GRSE unless otherwise specified.
- (vi) Consumable materials, tools, tackles etc. will have to be arranged by the Contractor / OEM.
- (vii) The terms and conditions of the agreement entered into with OEM will be followed for follow – up of AMC successfully.
- (viii) Full Service Maintenance Agreement (FSMA) may be entered into in case of equipment such as photo copier, heavy duty printing machine etc.

9.12 INSPECTION

Other than steel furniture, all capital items are inspected by the indenting department or the concerned maintenance department. For steel furniture, inspection ~~it~~ is to be done by GRSE QA Department. The place of inspection may be at vendor's works or at GRSE after supply. Purchase Order should clearly stipulate authority and place of inspection. However, non-inspection of items at pre-dispatch stages by GRSE will not absolve responsibility of vendor to prove performance of equipment at GRSE.



9.13 INSTALLATION AND COMMISSIONING OF EQUIPMENT

- (a) Based on requirement as projected in Specification of Requirement (S.O.R.) by indenter, order terms are to be finalized with vendor during technical evaluation/negotiations. The “**Scope of work**” for vendor and GRSE towards installation and commissioning of equipment should be well defined and stipulated in order to avoid any dispute in future. The site readiness should be arranged by indenter / user Department before arrival of consignment and installation work is to be coordinated/arranged by indenter as per guideline of vendor/standard practice. On completion of installation work, the vendor may be called on for the commissioning of the equipment. However, these activities are generally not applicable for low value standard equipment. After final acceptance of the supply, indenter is to inform the concerned Stores Department together with SIR to regularize the transaction/issue of ICGRN and also inform procurement authority as well as Finance Department.
- (b) Since acquisition of any capital goods/equipment involves substantial expenditure, evaluation of need is to be judged by the indenting Department carefully and in time. Proper utilization of acquired equipment/capital goods is very important. Indentor/ user Department is also to arrange for regular maintenance of the equipment to get maximum life span and utilization of the equipment and to process for replacement when the equipment is declared “beyond economical repair” by competent authority appointed by the Management.
- (c) A copy of invoice, and installation/commissioning certificate/report is to be forwarded to Finance Department by the indenting / user department for controlling and accounting of capital expenditure.

9.14 STANDARD OPERATING PROCEDURE (SOP) FOR CAPITAL ITEMS

9.14.1 Standard Procedures for Capital Procurement (SOP)

A central Committee shall be constituted for procurement of Capital items. The responsibility of the Committee shall be as follows:-

- (a) Constitution of central ‘Technical Committee’ with responsibility of standardization of Common use ‘Capital’ items, asset allocation and formulation of Indent calendar for capital items.



- (b) Evolve SOP for procurement of new items/machineries.
- (c) Evolve SOP for Single vendor nomination and budgetary sanction.
- (d) Introduction of indent checklist/Formats

9.14.1.1 Centralized Technical Committee

A Technical Committee under chairmanship of GM/CGM(Tech) comprising of members from various departments of GRSE shall be constituted for formulation of requirement of general-purpose items and procurement through capital Budget. The committee shall also biennially review the following indent Calendar for Capital items and recommend changes as required:-

SI No	Item	Concerned Department for Constitution of Indenting/ technical committee	Indent frequency /financial year	Remark
(a)	Different types of fan: - Exhaust, Ceiling, Stand fan, Table fan, Blower, Man cooler and Ventilation system	ES Department	Indent timing April of each financial year	Applicable for all units of GRSE
(b)	Computer and accessories: - Computer, Workstation, Printer, Scanner, UPS, laptop, battery, Xerox machine, work station, Fax machines, projector, VC system, All kind of software's and data base management/back up system and display units.	ERP Department ERP Department/concerned department	Indent timing January and July of each financial year	Applicable for all units of GRSE.



(c)	All kind of AC	Electrical Department	Indent timing April of each financial year	Applicable for all units of GRSE
(d)	All kind of furniture	Admin department	Indent timing January and July of each financial year.	Applicable for all units of GRSE
(e)	All kind of utilities equipment like pump, compressor, cooling tower, valve etc.	ES Department & Store department	Indent timing February and August of each financial year	Applicable for all units of GRSE
(f)	All kind of material handling equipment like fork lift, battery operated trolley, chain pulley block, sling	ES Department & Store department	Indent timing February and August of each financial year	Applicable for all units of GRSE
(j)	All kind of utensil including domestic appliance like micro oven, fridge, geyser, industrial vacuum cleaner and canteen items	Admin department	Indent timing December and June of each financial year.	Applicable for all units of GRSE
(l)	All kind of communication system –PA system, Walkie Talkie including attendance system and other system related to GRSE security	ERP department and security department	As and when required	Applicable for all units of GRSE
(m)	All kind of medical equipment	Medical department	As and when required	Applicable for all units of GRSE



(n)	Frequently used safety item like Compressed air breathing apparatus, gas detectors, firefighting equipment	Safety department and fire department	Indent timing January and July of each financial year.	Applicable for all units of GRSE
(p)	All other safety equipment/system excluding items at Para (n) above.	Safety department and fire department (IE&P department)	As and when required	Applicable for all units of GRSE
(q)	CAPEX MOU item	Concern department/Committee	Latest by July of each financial year subject to delivery period less than 06 month	Applicable for all units of GRSE

All other departments will furnish their requirement to the committee at least two months prior to the date mentioned in indent schedule, for consolidation and obtaining approval of Competent Authority. Post approval, the respective user department shall place indent accordingly. Technical Committee (Member Secretary) is to forward a copy of the approval to Purchase Department.

9.14.1.2 **Specifications for procurement of new or Specialised items/machinery**

- (a) Concerned indenting department/committee has to formulate the SOTR such that Specifications do not prove restrictive and participation from a number of vendors can be obtained during open tendering. Towards this, budgetary quotation must be obtained from more than one source and forwarded along with indent.
- (b) In case of Specialised machinery, where more than one Supplier cannot be identified by indenter, SVN is to be issued on the original Equipment Manufacturer in order to avoid wastage of time, effort and money in following the open/press tender process.
- (c) Following minimum information must be included in capital indent:-
 - (i) Detailed non-generic specification.
 - (ii) Design life of the machine/system



- (iii) Spare/consumable requirement for 1st one year.
 - (iv) AMC requirement if any
 - (v) Required warranty period/extended warranty
 - (vi) Inspection detail
 - (vii) Part order acceptability.
- (d) Capital item for replacement can only be procured after completion of design life of the machine finalised during initial procurement. Concern authority for BER will certify the same before approving fresh indent for procurement. In case any machine is considered as BER before expiry of it's design life, the concerned department has to provide detail reasons and same to be approved through high power committee involved in BER.
- (e) Where any sample operation/function checking requirement is stipulated in indent, concerned indenting department needs to examine the feasibility of same. Vendors cannot be expected to purchase/store/import a high value machine just for evaluation. If it is found mandatory, reason for same to be justified/approved by C/GM of the indenting department as such stipulations are likely to reduce participation of Suppliers.
- (f) Pre-Qualification (PQ) criterion if any, should not be such that it restricts vendors in open tendering. PQ criteria if mentioned in the indent, shall be approved by CGM/GM of the concern department.

9.14.1.3 SOP for budgetary sanction

Budgetary Sanction is to be obtained by the indenter on basis of a valid Budgetary Quote and Basic minimum specification along with standard terms of GRSE.

9.14.2 Check Points

- (a) Indents are to be sent to Purchase department with complete technical specifications and within predefined interval



- (b) Repetitive indent/s for same/similar item/s are to be avoided.
- (c) Non-generic specification is to be avoided for ensuring wider Vendor participation.
- (d) Budgetary sanction for procurement of High value machines should be accompanied preferably with three quotations.
- (e) SOTR in indent are to be complete in all respect.
- (f) Item stipulated in Indent should be same as considered in budgetary sanction/quotation.



CHAPTER 10

PROCUREMENT OF STEEL

10.1 INTRODUCTION

Steel is the basic raw material essential for construction/repair of Ships, for manufacturing of Deck Machineries, Bailey Bridges, Project work and Civil work. Procurement of all categories of steel in GRSE due to its importance has been fully centralized and is to be arranged by Purchase Department from indigenous sources and by NCM (Import Cell) from overseas sources.

10.1.1 Sourcing

- (a) The main sources of supplies of indigenous steel plates are SAIL, TATA Steel, ESSAR Steel, JINDAL Steel & LLOYDS Steel and other indigenous source as identified from time to time. The materials are generally supplied from the respective stockyards of SAIL and TATA STEEL while M/s. ESSAR and M/s. LLOYDS supply directly from their Plant.
- (b) Steel, if not indigenously available, is to be procured from reputed overseas manufacturers/suppliers.

10.2 PROCEDURE FOR INDIGENOUS STEEL PROCUREMENT

10.2.1 Indent/PR for Steel

On receipt of Purchase Requisition/ Indent from Indenter, Stores Department will verify the stock and will forward the same to Purchase Department indicating availability/non-availability of material in stockyard. Indenter should ensure & confirm to the Purchase point the actual quantity to be procured after considering the available free & reserved stock if any.

10.2.2 For Steel Plate (Flat Product):-

- (a) Purchase Department shall float Limited Tender Enquiry to SAIL, TSL, Essar Steel, Jindal Steel & Lloyds Steel through their branch/local Sales office where the estimated



cost of Tender is 2.0 Crore or above. In case no offer is received from any of these firms then Limited Tendering is to be resorted to other registered vendors. Normal LTE to all registered Vendors is to be adopted for Tender values estimated to be less than 2.0 Crores.

- (b) Procurement of Both DMR & No-DMR Steel Plates are to be processed on the basis of mutually agreed terms & condition of MoU's established with SAIL.
- (c) Well before the expiry of the above MoU's, validity of the MOU to be renewed as per procedure and as per the conditions mentioned in the previous MoU.
- (d) On receipt of indent, Purchase Department will get confirmation from SAIL regarding availability as per the Indent Requirement / SOTR and earliest possible delivery dates of the items. Accordingly, based on SAIL's confirmation placement of purchase order is processed.
 - (i) In case, the indented items with specific SOTR does not come under SAIL's Product Range, procurement of the same are to be processed on limited tendering amongst the registered vendors (for Non – DMR Plates) & amongst the Latest IHQ Nominated/ Approved vendor (For DMR Grade Plates).
 - (ii) Also, in case, renewal of validity of the MOU is not approved by CA and MoU is not in place for the items under SAIL's manufacturing range, procurement to be processed as per 3.A. above.
 - (iii) DMR Steel Plates under the SAIL's product range, are to be procured from SAIL, based on mutually agreed terms & conditions of MoU for DMR plates. In case DMR Plates which does not come under SAIL's Product (As per SAIL's confirmation), procurement of the same are to be processed through limited tendering amongst the IHQ Nominated vendors only.
 - (iv) Since, DMR Bulb Flats with specific SOTR are not covered under SAIL's Product Range, the same are to be procured through limited tendering amongst the IHQ Nominated firms for DMR Bulb Bar.
- (a) Procurement of Non-DMR Steel Long Product (LP) like -Angle, Channel, Joist, Flat Bar etc. are to be processed on the basis of mutually agreed terms & condition of MoU's established with SAIL. In case, the indented items with



specific SOTR does not come under SAIL's Product Range, procurement of the same are to be processed on limited tendering amongst the registered vendors for the above Long Products.

10.2.3 For Steel Structural item (Long Product)

Purchase Department shall float Limited Tender Enquiry to SAIL, TSL, Essar Steel, Jindal Steel & Lloyds Steel through their branch/local Sales office where the estimated cost of Tender is 2.0 Crore or above. In case no offer is received from any of these firms then Limited Tendering is to be resorted to other registered vendors. Normal LTE to all registered Vendors is to be adopted for Tender values estimated to be less than 2.0 Crores.

10.2.4 Emergency Procurement of Steel under MoU

To meet emergency requirement of Steel, procurement may be undertaken directly from SAIL without calling for tender up to Rs. **5.0 Crore** with approval of Functional Director. Towards this, Purchase department shall first obtain confirmation from SAIL regarding availability at their Stockyards for early delivery to meet GRSE's requirement. Price Negotiations are to be undertaken as necessary. Towards this a Memorandum of Understanding (MoU) is to be entered into with SAIL. The MoU shall be for a period of ONE year and renewed annually with suitable pricing mechanism in place.

10.2.5 Tolerance

While making Purchase Proposal, the condition of price variation & quantity tolerance, if in offer, is to be included for TC's approval. The same is to be mentioned in the PO.

10.3 PROCEDURE FOR INDIGENOUS PROCUREMENT OF ALLOY STEEL

- (a) The Indents/PRs are to be raised sufficiently in advance by indenter. Indenter must ensure that the indent quantity is proposed after verifying the stock position in the Steel Stock Yard and a certificate in this regard is to be recorded in the indent.
- (b) Limited Tender Enquiry will be floated indicating detailed specification and quantity to the registered vendors.



- (c) TNC/CNC/PNC may be conducted wherever considered necessary by Tender Committee. On receipt of approved purchase proposals, order shall be placed on qualified vendor.

10.4 PROCEDURE FOR IMPORT OF STEEL

- (a) All import of steel is arranged strictly as per procedures laid down in Export-Import Policy and its amendments announced by Ministry of Commerce from time to time.
- (b) The Company's requirement for any kind of imported steel for the following financial year is to be projected by respective departments to NCM (Import Cell) in February/March for budgetary purpose.
- (c) Action for import of steel shall be initiated by NCM (Import Cell) only on receipt of indents with full details/specification/quantity in prescribed format duly routed through Steel Stockyard certifying availability or non-availability in surplus stock.
- (d) Indent must be complete in all respects specifically mentioning delivery requirements, budgetary provision, complete specification, inspection requirements and item wise quantity required.
- (e) **Piecemeal import of steel will not be encouraged.**
- (f) Generally, eight/nine months' lead time is required for import of steel.
- (g) Imported steel, on arrival at GRSE, is kept in Steel Stockyard at designated location. Stores Department shall release such imported steel to the indenter on receipt of demand/SIR.
- (h) A list of steel imported and kept in Steel Stockyard which does not show movement over last twelve months, may be circulated by the Manager (SSY) to all concerned. The Project Department on receipt of such an intimation from Stores will take a firm decision about the consumption or release to the other projects.



10.5 REVIEW OF STEEL STOCK :

- (a) Purchase Department and NCM (Import Cell) will review the outstanding indented sizes and quantities **once in a quarter**. Stores shall also be intimated when a tender is floated and also when an order is placed for procurement of Steel.
- (b) Once every quarter, Stores Department will circulate to CDO and Planning Department, the list of the steel items reserved for various projects and any sizes and sections available in free stock so that purchase is restricted.



CHAPTER 11

IMPORT AND EXPORT

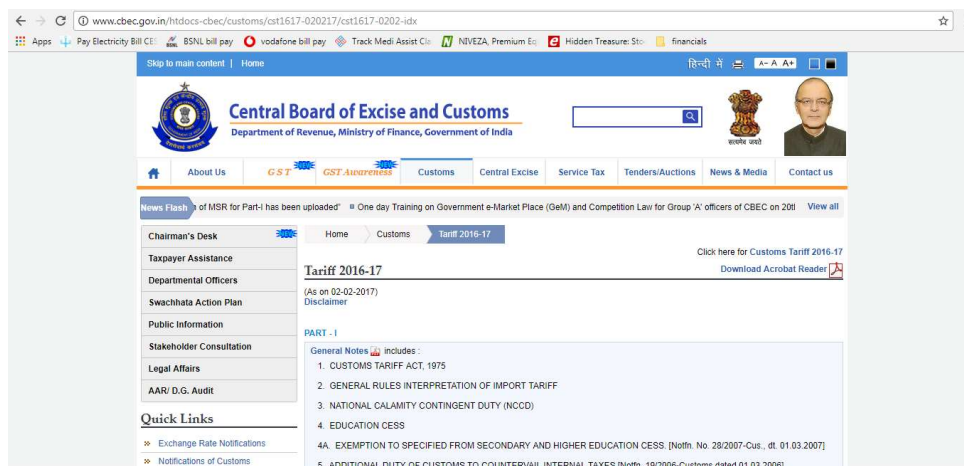
11.1 INTRODUCTION

- (a) India's import and export system is governed by the Foreign Trade Development & Regulation) Act of 1992 and India's Export Import (EXIM) Policy. Imports and exports of all goods are free, except for the items regulated by the EXIM policy or any other law currently in force. Registration with regional licensing authority is a prerequisite for the import and export of goods. The customs will not allow for clearance of goods unless the importer has obtained an Import Export Code (IEC) from the regional authority. GRSE has been allotted **IEC No. 0288001133**(issued in Mar '88).
- (b) The Indian Trade Classification (ITC)-Harmonized System (HS) classifies goods into three categories:
 - (i) Restricted
 - (ii) Canalized
 - (iii) Prohibited
- (c) Goods not specified in the above mentioned categories can be freely imported without any restriction, if the importer has obtained a valid IEC. There is no need to obtain any import license or permission to import such goods. Most of the goods can be freely imported in India.
- (d) **Licensed (Restricted) Items.** Restricted items can be imported only after obtaining an import license from the relevant regional licensing authority. The goods covered by the license shall be disposed of in the manner specified by the license authority, which should be clearly indicated in the license itself. The list of restricted goods is provided in ITC (HS). An import license is valid for 24 months for capital goods, and 18 months for all other goods.
- (e) **Canalized Items.** Canalized goods are items which may only be imported using specific procedures or methods of transport. The list of canalized goods can be found in the ITC (HS). Goods in this category can be imported only through canalizing



agencies. The main canalized items are currently petroleum products, bulk agricultural products, such as grains and vegetable oils, and some pharmaceutical products.

- (f) **Prohibited Items**. These are the goods listed in ITC (HS) which are strictly prohibited on all import channels in India. These include wild animals, tallow fat and oils of animal origin, animal rennet, and unprocessed ivory.
- (g) **Export Policy**. Just like imports, goods can be exported freely if they are not mentioned in the classification of ITC (HS). Export goods are classified as follows:-
- (i) **Restricted Goods**. Before exporting any restricted goods, the exporter must first obtain a license explicitly permitting the exporter to do so. The restricted goods must be exported through a set of procedures/conditions, which are detailed in the license.
 - (ii) **Prohibited Goods**. These are the items which cannot be exported at all. The vast majority of these include wild animals, and animal articles that may carry a risk of infection.
 - (iii) **State Trading Enterprise**. Certain items can be exported only through designated STEs. The export of such items is subject to the conditions specified in the EXIM policy.
- (h) **CBEC website**. Information on EXIM Policy and FTP are available on the website of Central Board of Excise and Customs www.cbec.gov.in and is depicted below:-





Note:- In case of import that is permitted freely under the Export and Import Policy of the Govt, if it is subsequently subjected to any restriction or regulation, such import will ordinarily be permitted notwithstanding such restriction or regulation, unless otherwise stipulated, provided that the shipment is made within the original validity of the irrevocable Letter Of Credit established before the date of such restriction.

11.2 IMPORTS IN GRSE

11.2.1 Responsibility of Import Procurement

In GRSE import is handled only by New Construction Machinery Procurement Department (Import) also known as NCM(Import). This Department caters for import of steel and import of all projects inclusive of Import of Shipbuilding, Commercial ship building g, Ship Repair, Deck Machinery, Bailey Bridges and DEP. Imports of capital goods and spare parts are also arranged by this Department

11.2.2 Scrutiny and Coordination

The total import of GRSE involves considerable cost. A close scrutiny is required to ensure smooth production with minimum inventory carrying cost. Import management is a complex and tough task due to many uncertainties, procedural formalities and long lead time. A proper monitoring and co-ordination between the indentors and the ordering department is essential for the purpose. Wherever possible, staggered deliveries with provision of fixed pricing will be incorporated in the order to ease out the situation.

11.2.3 Authorised Economic Operator Status

- (a) Based upon WCO's SAFE Framework of Standards (FoS), 'Authorised Economic Operator (AEO) programme' has been developed by Indian Customs to enable businesses involved in the international trade to get preferential Customs treatment in terms of reduced examination, faster clearances and reap the following benefits:
 - (i) Secure supply chain from point of export to import;
 - (ii) Ability to demonstrate compliance with security standards when contracting to supply overseas importers / exporters;



- (iii) Enhanced border clearance privileges in Mutual Recognition Agreement (MRA) partner countries;
 - (iv) Minimal disruption to flow of cargo after a security related disruption;
 - (v) Reduction in dwell time and related costs
 - (vi) Customs advise / assistance if trade faces unexpected issues with Customs of countries which India have MRA; and
 - (vii) Deferred payment of Custom duty
- (b) GRSE has been accorded AEO Certification by Indian Custom vide certificate no. INAAACG9371K1F178, which is valid till 26.11.2019.

11.2.4 Use of HSN Codes

NCM (Import) Department shall arrange imports strictly complying with provisions laid down in Export-Import Policy announced by Govt. time to time and also under Saving clause for Naval shipbuilding items. ITC-HS Codes or better known as *Indian Trade Clarification based on Harmonized System of Coding* was adopted in India for import-export operations. Indian custom uses an **eight-digit ITC-HS Codes** to suit the national trade requirements. The itemwise import policy shall be, as specified in ITC (HS) classification of Export and Import items Book published and notified by Director General of Foreign Trade (DGFT), as amended from time to time.

11.2.5 Responsibility of Indenting Departments

All the divisions/departments of GRSE such as Bailey Bridge, Deck Machinery Unit and DEP will send supported Purchase Proposals (PP) with indent and all related papers to NCM (Import) for License coverage, if required and also for placement of orders and subsequent processing. The individual departments shall be responsible for conduct of TNC, CNC, PNC and approval of PP. However, the Commercial T&C may be routed through NCM(IMP) for vetting.



11.2.6 Lead Time for Licensing

Keeping in view three months' lead time required for entire cycle of import license application/grant of import license, where necessary, all indenters shall raise their indents at appropriate time. The indenters shall note that forecast of budget is a tentative requirement and as such cannot be treated as a firm indent. A specific indent in prescribed form (SAP Indent format at Appendix A) for each imported item will be forwarded to NCM (Import) through respective Stores with details of items, complete specification, quantity, delivery requirement, inspection authority and budgeted provision, if any. Incomplete indent without these details will not be processed.

11.2.7 Import of Restricted Items

The items which are not importable items as per EXIM policy the import license required to be obtain from Licensing Authority based on recommendation letter of Ministry (Govt. Department or Nominated Authority) Department of Indigenisation, MOD, GOI certifying the list of items cleared from indigenous angle for import. The description / information furnished in list of goods should, however, complete and clearly mentioned about accessories, components and spares in order to avoid any problem at the time of Custom clearance.

11.2.8 Indent for Capital Goods (Import)

Indent for capitals goods should accompany Facility Establishment Committee's approval, budget approval/allocation (job sanction) from Finance Department

11.2.9 Signatory for Contracts

Competent Authority for signing Russian Contract/Supplementary Agreement (SA) on behalf of GRSE shall be as delegated at para 5.9 of Chapter 5.

11.3 SPECIAL TERMS /CONDITIONS FOR IMPORTS

11.3.1 Important Points

While floating enquiry FOR IMPORT procurement, the following points shall be taken care of:-

- (a) Liquidated Damages



- (b) Wharfage/Port rent
- (c) Foreign Currency to be quoted in.
- (d) Terms of Payment
- (e) Terms of delivery such as FOB/FCA/CIF/DDP etc
- (f) Number of lots and deferred delivery for special items such as Batteries, S/w Licenses etc.
- (g) Validity of offer
- (h) Payment of Charges outside India.
- (i) Requirement of End User Certificate (EUC).
- (j) Performance Bank Guarantee through reputed foreign Bank/Indian Bank in SWIFT format.
- (k) LC extension charges, LC confirmation charges.
- (l) Other Standard Terms and Conditions including inspection /certification, guarantee / warranty, erection / commissioning assistance etc.
- (m) Lead time for deputation of Service Engineers.
- (n) Requirement of Interpreters for negotiations.

11.3.2 Additional Factors for dealing officer

- (a) He/She is to be well versed with Import Policy, rules and regulations governing Import Procurement, Customs, GST, GRSE Procurement Manual and Delegation of Powers etc to ensure compliance to Statutory requirements and GRSE STACs.
- (b) Available budget (in FE also) for procurement and type of procurement (repeat, risk purchase etc).



- (c) Terms & Conditions of main project Contract, including Terms of Payment, Delivery requirements, Inspection requirements, levy of taxes & duties, **FERV**, Guarantee/Warranty requirements, preservation requirements, other special requirements and limits imposed by the main project contract, etc.
- (d) Use of Standard formats for CNC, PNC meetings brief, Check Lists and procurement monitoring to minimize errors.
- (e) Timelines and delays are to be well documented. In case of nominated vendors, IHQ MOD(N)/Customer must be kept informed about all delays through Plg/CDO.
- (f) Obtain Integrity Pact (IP) as per current policy at the initial stage (CNC) itself. PNC is not to be scheduled prior obtaining IP (where applicable) unless approved by GM. Independent External Monitor's (IEM), are to be informed of the procurement prior PNC. A copy of Purchase Order when placed, is also to be sent to IEM.
- (g) Concurrence of OEM/Supplier on Commercial Terms may be obtained in parallel to TNC proceedings with validity being subject to technical clearance.
- (h) Clearly establish the delivery requirement keeping in view the logistics and financial requirements of GRSE. **Check for special transportation requirements if any, such as FCL, ODC, DG** etc.
- (i) During Commercial negotiations confirm from Supplier that they have quoted for all line items in the tender and also clearly understood the scope of supply as per SOTR. The quoted price must be for the full scope of supply unless stated otherwise.
- (j) Items with 'Shelf life' limitations if any (to be confirmed by TNC), are to be separately indicated by OEMs and the same must be stated in the PO. In such cases where shelf life limited items are not supplied along with Main Equipment, all aspects of supply of such as delivery, Customs clearance, Payment, Warranty etc must be addressed. Packing List is to clearly indicate "Shelf Life" and preservation requirements as applicable.
- (k) The packing list should list the GRSE material code/PO serial number against each item in order for store to identify/correlate and make GR in SAP.



- (l) Establish the number of lots in which the spares are planned to be delivered by the Supplier. Record the same in CNC and in PO. Accordingly, appreciate the air/sea freight arrangements and intimate Freight & CC Section.
- (m) List the deliverables clearly along with individual price breakup in Purchase Order (preferable prior to opening of LoC).
- (n) All POs and subsequent amendments, if any, are to be processed only on SAP.
- (o) Forward Letter of Credit (LC) opening request on time (15 days' notice where feasible) to Finance Department with all relevant information in line with PO. Ensure 'Negotiating documents' in case of Letter of Credit payments are exhaustive to ensure correct dispatch of items.
- (p) Coordinate and ensure timely insurance of consignment as applicable.

(**Note:-** The above is not all inclusive. Orders for normal functioning may be issued by AGM/GM. The dealing officer is expected to use his experience to meet emergent requirements)

11.4 TENDERING FOR IMPORTS.

11.4.1 Limited Tender

In general, for the order value upto Rs.25 (twenty-five) lakh, limited tendering will be adopted. For higher values global tender/open tender through Press advertisement /GRSE web site will be resorted to. This will, however, not be applicable for steel, proprietary/branded, customer's nominated or tailor-made items.

11.4.2 Import License

On receipt of indent/indigenous clearance for restricted items (as per EXIM POLICY), justification for import and suppliers' quotations, the IL application where necessary will be moved to licensing authorities as per rules and regulations set out in the relevant EXIM POLICY and Hand Book of Procedures. On receipt of the relevant IL (where applicable) and PP approval, purchase order will be released by NCM(IMP) department Order should be placed directly with foreign supplier. Agents will not be allowed in any transaction.



11.4.3 Floating of Tender

Tender shall be floated by NCM(IMP) department for all Ship Project related material. Indentor's approval will be obtained from technical point of view of all the quotations received wherever ordering department has floated enquiries. A comparative statement will be made and L1 firm determined. Negotiation will be carried out wherever necessary with the prospective acceptable bidder as per procedure of negotiation already elaborated in Chapter 4.

11.4.4 FOB vs CIF Delivery

All import orders are normally to be finalized on FOB basis.

11.4.5 Inspection.

Inspection, especially inspection at Supplier premises assumes greater importance in case of import procurement. The inspection fee, if separately payable or not, should be clearly mentioned in the order. Inspection certificate (in triplicate) is to be submitted along with original shipping/ despatch documents. Inspection authority is to be clearly stated such as:

- (a) Classification Society
- (b) Supplier's inspection
- (c) Inspection by any other authority such as MOD(N), UK etc.

11.4.6 Check Lists

Following check points will be considered wherever necessary with each order (also refer 'Import Check List' placed at Appendix L :-

- (a) Copies of necessary manuals/drawings and other literature needed, are supplied.
- (b) Order is placed within the validity of quotation.
- (c) Technical suitability has been verified thoroughly and no ambiguity remains as to the deliverables.
- (d) Detailed breakdown of deliverables has been received from the supplier and approved by CDO/indentor.



- (e) Purchase Order reflects details of all deliverables.
- (f) Customs Invoice provided by Supplier reflects the appropriate value of consignment and is complies with PO.
- (g) where IL is applicable following is complied: -
 - (i) Delivery schedule is within the validity of import license.
 - (ii) Total value is within IL value.
 - (iii) Quantity restriction on the face of IL.
- (h) Commercials terms have been thoroughly checked.
- (i) Delivery schedule is commensurate with the production programme.
- (j) Receipt inspection clause where applicable is incorporated in order and Supplier's representative shall be deputed as agreed.
- (k) No Agency Commission is payable on any import order.
- (l) Penalty clause for delayed delivery shall be explicitly incorporated in the order.
- (m) Regular Follow-up of the import order is to be done.

11.5 SELECTION OF OVERSEAS SUPPLIERS

- (a) The ordering departments will maintain a list of foreign suppliers and update/review the same once in a year.
- (b) Imports can be made from any country of the world (perhaps excluding North Korea, Fiji and Iraq) and shall be governed by directives of GoI. The information regarding overseas suppliers can generally be obtained from the following sources:-
 - (i) Trade directories and yellow pages, like Singapore yellow pages, Japan yellow pages, USA yellow pages, Buyers guides, etc.



- (ii) Consulate agents and trade representatives of various countries in India and abroad.
- (iii) International Trade Fairs and exhibitions.
- (iv) Chambers of Commerce.
- (v) Directorate of Industries.
- (vi) Agents of foreign suppliers.

11.6 CAPABILITY OF CREDIT WORTHINESS OF OVERSEAS SUPPLIERS

The capability and credit worthiness of overseas suppliers plays a bigger role in fulfilment of contract. It is, necessary to obtain confidential report about the suppliers through the banks and embassies abroad, if necessary. It is possible to obtain assistance of Credit Information Agencies for specific commercial information of overseas suppliers. Further trade information centers of the respective countries concerned can also be contacted for such information on overseas suppliers.

11.7 AGENT OF OVERSEAS SUPPLIERS IN INDIA AND AGENCY COMMISSION

11.7.1 Presence of Regional Offices in India

Where regional offices of foreign firms have been authorized and set up within the country, they will not be treated as agents of the foreign firms and the financial dealings with such regional offices will be restricted to the norms stipulated by the RBI for each specific case. Such regional offices form integral part of the foreign vendors and their functions are totally controlled by their corporate office abroad and are hence not entitled to any agency commission.

11.7.2 Ordering in INR

Where Indian / regional offices of foreign firms are to provide post sale services, such as installation, setting to work, execution of warranty operations and post-warranty maintenance etc. such stipulation will explicitly be made in the terms and conditions of the supply order / contract. **Payment on this account will be made in the Indian rupees, except for the**



cost of spares / services required from abroad for post-warranty maintenance. The same is to be mentioned in NIT.

11.7.3 Participation by Agents/Representatives

The purchase / procurement of goods should preferably be made directly from the overseas manufacturer. Either the Indian agent in terms of Articles 11.7.1, 11.7.2 on behalf of the foreign principal or the foreign principal themselves could directly bid / participate in a particular tender **but not both**. Further, one agent/agency cannot represent more than ONE overseas supplier and quote on their behalf in a particular 'Tender'/bid. Where an agent participates in a tender on behalf of a foreign manufacturer, they should not be allowed to quote on behalf of another manufacturer in a subsequent / parallel tender for the same item where first manufacturer is also participating till such time that the previous tender is awarded/closed. Authorized representative of the foreign firm in India with prior intimation and letter of authorized from the foreign OEM or their principal shall be eligible to participate in TNC, CNC and PNC meeting.

11.7.4 Terms of Engagement of Agents

Notwithstanding the above conditions, the terms of engagement of Agents and payment of Agency commission shall be governed by Ministry of Defence / Govt. of India guidelines / rules issued from time to time.

11.8 REGISTRATION OF FOREIGN NATIONALS

Foreigner registration is a mandatory requirement by the Government of India under which all foreign nationals visiting India on a long-term visa (more than 180 days) are required to register themselves with a Registration Officer within 14 days of arriving in India. Where foreign nationals are deputed as Service Engineers (SE) or Field Service Representatives (FSRs) for long duration, their registration is to be undertaken. The process is facilitated by the 'Admin' department at GRSE and is to be coordinated by the procurement/dealing officer.

11.9 IMPORT OF SAMPLES

Import of sample of goods is exempted from import duties. Samples are subject to re-export and commercial samples imported into India by post or by air are exempted from customs duty (customs notification No. 154/94 dt. 13.7.94). Similarly, prototype of engineering goods



imported into India as samples for executing or for using connection with export orders are exempted from excise duty (notification No. 154/94 dt.13.7.1994). Likewise, the Central Govt. also exempted commercial samples and prototype of engineering goods when imported into India by post or by courier or by air by manufacturer of export goods. The different aspects of an import contract in this context are also as narrated:

- (a) Products – standards and specifications
- (b) Quantity
- (c) Inspection
- (d) Total value of the contract
- (e) Terms of delivery
- (f) Taxes, duties and charges
- (g) Period of delivery/ shipment
- (h) Docking, labelling and mortgaging
- (i) Terms of payments – amount, mode and currency
- (j) Discounts and commission
- (k) Insurance requirement
- (l) License and permits if necessary
- (m) Guarantee
- (n) Force-Majeure
- (o) Remedies
- (p) Arbitration



11.10 UNIFORM CUSTOMS AND PRACTICE (UCP 600) FOR DOCUMENTARY CREDIT

In the course of time various practices, expressions and terms have sprung up between banks dealing with documentary credit. To bring about a uniformity of interpretation in internal trade, which are now complied by the banks in nearly all countries including India. These have been revised and updated several times in the past and the latest revised UCP is UCP 600.

11.11 MODE OF PRICING AND DELIVERY FOR IMPORT ORDERS

11.11.1 INCO TERMS

In the course of finalizing of the terms of import contract the importer has to be conversed with the mode of pricing and the manner of payment for the imports. As regards mode of pricing the overseas suppliers are likely to quote the terms prevailing in International trade. Accordingly, importer has to be well aware of the technical terminology. For avoidance of ambiguity in interpretation of such terms, Internal Chambers of Commerce has outlined detailed definition of a few standard terms known as “INCO TERMS”. These terms have universal acceptance. Some of these are explained hereunder:-

- (a) **Ex-work**: It means that the seller's responsibility is to make the goods available to the buyers at Seller's works or factory. The full cost and risk involved in bringing goods from Seller's place to the desired destination will be borne by the buyer.
- (b) **Free on Rail (FOR)**: These terms are used when goods are to be carried by rail or by road transport. The sellers' obligations are fulfilled when the goods are delivered to the carriers.

Note: FOR is India specific trading/delivery term. “FOR” terms is to be followed by named place of delivery. The risk of loss or damage shall be transferred from seller to buyer at the named place of Delivery. FOR price includes Cost of manufacturing, Inspection Charge, Packing & Forwarding charge, Loading Charge, Transportation and Insurance charge up to named place of delivery but not limited to these. Seller is responsible till delivery at the named place of delivery in regard to supply of material. Thus, whenever FOR delivery is sought, Delivery (Ex. FOR GRSE Store Kolkata/Door Delivery) is to be mentioned along with “Inspection, Packing and Freight charges shall be borne by seller. The risk of loss or damage shall be transferred from seller to buyer at the named place of Delivery.”



- (c) Free On Board (FOB): The seller's responsibility ends the moment the contracted goods are placed on board the ship, free of cost to the buyer at a port of shipment named in the sales contract.
- (d) COST, INSURANCE, FREIGHT (CIF): The term is basically the same as C&F with the addition that the sellers has to obtain insurance at his cost against risk of loss and damage to the goods during carriage.
- (e) FCA Free Carrier: This is based on the same main principal as the original FOB term. The seller fulfils his obligations by delivering the goods, cleared for export, to the carrier (normally air carrier nominated by buyer) at the airport of departure. Seller pays for initial carriage to the named place/port of shipment.

Note:

- (i) INCO Terms 2020 with applicable revisions may be referred for the latest International pricing & delivery terms (also refer Appendix-M).
- (ii) GRSE usually insists placement of order on FOB basis or as per Government of India guideline issued from time to time.

11.12 MODE OF SETTLEMENT OF PAYMENT

The import transactions are generally settled by any of the following modes:

- (a) Advance payment,
- (b) Payment / acceptance against documentary collection,
- (c) Payment under L/C.

11.12.1 Advance payment.

Authorized dealers may allow advance remittance for import of goods without any ceiling subject to the following conditions:-



- (a) Documentary evidence indicating the cost of goods and the incidents of the overseas sellers on advance payment should be submitted by the importer.
- (b) The importer should hold valid import license if the goods to be imported in the indicative list of imports as per EXIM Policy.
- (c) Equivalent Adv. BG if the payment is more than USD 100,000.00.
- (d) As per RBI guidelines A Public Sector Undertaking which is not in a position to obtain a guarantee from an international bank of repute against an advance payment, is required to obtain a specific waiver for the bank guarantee from Ministry of Finance, Government of India before making advance remittance exceeding USD 100,000.00 (US Dollar one hundred thousand only).

11.12.2 Payment / acceptance against documentary collection:

Payment for import can also be made against documentary collection in which case the overseas supplier sends the documents through banking channel to the importer's bankers with instruction to deliver the documents to the importer either against payments or against acceptance. The former mode of payment is known as "documents against payment (DP)" and the later mode is known as "documents against acceptance (DA)". A Bank Guarantee is to be obtained in this case for 10% value of CIF/FOB/Ex-work price of the stores shipped.

11.12.3 Payment under Letter of Credit (LC)

This is the most important mode of settlement of import transactions and is accepted widely over the world. In this method, the payment is settled by means of a LC issued by the importer's bankers in favour of the supplier abroad. In this process, the overseas supplier gets payment of goods from his own bank on negotiating the documents under the credit. Ordering department after receipt of order confirmation or against part offer will advise Finance Department in the prescribed form to establish LC. Normally 'irrevocable' and 'On Sight' LC is insisted upon by Suppliers. Some of the check points while opening LC are given below:-

- (a) Validity to match with the shipment dates stipulated in the order. Unnecessary extension of L/C shall be avoided as far as possible.
- (b) The list of documents to be negotiated under L/C.



- (c) The penalty clause for delayed delivery has been incorporated in the order.
- (d) The shipment date (last date for shipment as per Bill of Lading).
- (e) For Import procurement upto order value of Rs. 5.0 Cr., LC may be opened having last shipment date arrived at by adding total LD Period (applicable as per purchase order) with Contractual Delivery Date (CDD) to avoid amendment of L/C for extension of shipment date, however LD clause (as per order) will be applicable for delayed shipment beyond CDD and mentioned accordingly in LC.
- (f) Presentation Period of Negotiable Documents by Beneficiary:
 - (i) For shipment from Singapore and other Asian Countries: Within 03 days of date of shipment but within validity of Credit. This clause shall be part of Tender documents and acceptance of bidder is required to be sought during CNC.
 - (ii) For other Countries: Up to 01 week from date of shipment but within validity of Credit

11.12.4 Parties to a Letter of Credit(LC)

- (a) Beneficiary: The exporter (Supplier of GRSE) of goods in whose favour the LC is opened.
- (b) Customer: The person/s (GRSE) who intend to import the goods and apply for opening LC.
- (c) Issuing Bank: The bank in the importer's country should open the LC at the request and on the instruction of the customer.
- (d) Correspondent bank or Advising bank: The bankers in the country of the beneficiary who is authorized by the issuing bank to advise the beneficiary of the credit and to affect such payment or to accept and pay such bills of exchange or to negotiate against stipulated documents and of compliances with stipulated terms and conditions with the beneficiary.



- (e) Confirming bank: The banker in the exporter (beneficiary) machinery should at the desire of the beneficiary adds its confirmation to LC so that the beneficiary can get payment without recourse from the confirming bank. The confirming bank may be the correspondent bank itself or some other bank.

11.13 BANK GUARANTEE

11.13.1 Acceptable Banks for issuing BG

- (a) If GRSE has decided not to accept any bank guarantee from a particular bank, it may be stated in the bid documents. GRSE's NIT should stipulate that 'All foreign banks' Guarantees' will be in 'SWIFT' mode advised by a bank located in India acceptable to GRSE (preferably, the name of Bank is to be mentioned in NIT). GRSE's NIT will stipulate that the bank guarantee must be unconditional and should be encashable on presentation to the issuing bank.
- (b) A provision will be incorporated in bank guarantees for exclusive jurisdiction of a court at a location convenient to GRSE for contesting legal cases arising out of encashment of the guarantee.
- (c) In supply contracts, while claiming payment against the dispatch documents, the bidder will furnish from a bank acceptable to GRSE a bank guarantee for 10% value of CIF/FOB/Ex-work price of the stores shipped to cover warranty obligations. The validity period of the guarantee would depend on the warranty period and would vary from case to case. The bank guarantee will be returned to the contractor without any interest on its expiry provided that before the expiry of the validity of the said guarantee, the contractor, on being called upon by GRSE, from time to time obtain from the Guarantor Bank extension of its validity for a period of say, six months, on each occasion. This guarantee will be in addition to the normal contract performance guarantee and the guarantee for advance payment.
- (d) Bank Guarantee drawn by Indian agent of foreign OEM in FE or equivalent INR + 10% may be accepted in case foreign OEM is not willing to submit BG in foreign currency.



11.14 TRANSIT INSURANCE

The Finance Department at GRSE is responsible for transit insurance of imported goods. Ordering Department will advise insurance company/underwriter through Finance Department (Import) to arrange Insurance coverage of the consignment shipped/despached immediately on receipt of shipment advice from supplier and normally prior shipment and if inevitable within 48 hours of shipment. Bill of lading/Air Way Bill (B/L & AWB) particulars are essential for insurance purposes.

11.15 DOCUMENTS FOR CUSTOMS CLEARANCE

The respective ordering department will furnish to Sr. Manager / Manager (Import Clearance Cell) all the necessary documents in time for the purpose of Customs Clearance. The procurement officer is to forward a copy of PO, Pro-forma Invoice and LC in advance to ICC towards preparatory action for Customs Clearance. The activities of ICC being a 'Store Function' are covered under the 'Stores manual'.

11.16 EXPORT OF IMPORTED ITEMS FOR REPAIRS AND RE-IMPORT AFTER REPAIR

11.16.1 Materials within Warranty period:

The detail procedure for export of defective material (under Warranty) to Supplier's Premise/Works and import after repair from supplier's country to India is as follows:

- (a) Berth/Ship Repair/RIC/User department is required to intimate the defect of the material to concerned dealing office of NCM-Import within 03 days of detection of defect.
- (b) Concerned dealing officer shall serve notice to Contractor/ Supplier within 03 days of intimation from Berth/Ship Repair/RIC/User department seeking deputation of their service engineer for repair of the material.
- (c) The Contractor/ Supplier shall collect the same from the Purchaser's Stores, all incidental charges being borne by him (inclusive of Customs Duty, if payable), within 30 days from the date of intimation to the Contractor / Supplier of such rejection. The Purchaser reserves the right to dispose off the rejected items at the end of a total period of 90 days in any manner to the best advantage to the Purchaser and recover



storage charges and any consequential damages, from sale proceeds of such disposal.

- (d) In case the defective material is required to be dispatched at Supplier's premise for repair and return, the approval is to be accorded by CGM/GM of Berth/Ship Repair/RIC/User department along with duly filled up signed and stamped Q form. (Blank Q form to be attached)
- (e) The Supplier is required to submit Bank Guarantee equivalent to value of defective material, where value of defective material is more than value of Performance Bank Guarantee submitted by supplier or validity of PBG is such that it will not remain valid till the time defective material return to GRSE after repair. The BG shall remain valid till such time material comes back at GRSE after repair. The same shall be incorporated in NIT and to be discussed during CNC.
- (f) In case supplier does not agree for submission of Bank Guarantee, approval is required to be accorded from CGM/GM of Material Division for waiver of such requirement.
- (g) The supplier may authorize their Indian agent to pick up the defective material from GRSE's stores. ***In case supplier does not have Indian agent, the defective / rejected material will be returned to Manufacturer / Supplier, if so desired by supplier, on EX-WORKS basis only.*** All cost from pickup from GRSE's store /warehouse to supplier's warehouse to be borne by supplier.
- (h) **The Export Procedure as stated in Stores Manual is to be followed for exporting the defective material to supplier's premise.**
- (i) The supplier must return the material after repair on DDP GRSE Basis.
- (j) The supplier should inform GRSE immediately after shipment of repaired material and forward scan copy of documents to concerned officer of GRSE. The same shall be incorporated in NIT and to be discussed during CNC.
- (k) The Supplier shall arrange Transit Insurance/Marine Insurance for both to and fro journey and both (to and fro) premium receipt to be forwarded to GRSE before effecting despatch from overseas.



- (l) GRSE seek copy of Insurance policy from supplier prior to shipment of defective material from India.
- (m) Both side (To & Fro) actual freight certificate is also to be provided by supplier.
- (n) ***The supplier shall endorse in their shipping bill/custom invoice that material is returned/delivered under Warranty Repair Terms of Original Purchase Order No. The shipping bill/invoice generated by supplier must mention the reference Bill of Lading/AWB/Shipping Bill number vide which defective material was exported from India to supplier's country.*** The same shall incorporated in NIT and to be discussed during CNC.
- (o) The supplier shall declare the material value (Value declared during export of defective material from India to supplier's country) plus repair cost in the invoice during export of repaired material from supplier's country to India. The same shall incorporated in NIT and to be discussed during CNC.
- (p) The supplier shall submit Test Certificate after repair of defective material.
- (q) The supplier's agent shall arrange custom clearance at Indian Port during import of repaired material from supplier's country to India.

11.16.2 Materials out of Warranty

- (a) In case the defective material is out of warranty, defective material may be repaired from OEM/Supplier at GRSE' cost if OEM agree to repair. The provision for repairing the defective material from OEM/Supplier at mutually agreed price after expiry of warranty period shall be catered in NIT of procurement of original equipment.
- (b) The user department shall obtain AIP for repairing the defective material from OEM/Supplier and Approval of Loss/Damage statement from Competent Authority (CA).
- (c) The user/indenting department shall forward AIP, Approved Loss/Damage Statement, Indent to NCM-Import department.



- (d) The NCM-Import department shall take action for placement of order for repairing the defective material from OEM/Supplier.
- (r) The OEM/Supplier is required to submit Bank Guarantee equivalent to value of defective material. The BG shall remain valid till such time material comes back at GRSE after repair. The same shall be incorporated in NIT and to be discussed during CNC.
- (s) In case supplier does not agree for submission of Bank Guarantee, approval is required to be accorded from CGM/GM of Material Division for waiver of such requirement.
- (t) The scope of Freight (to & fro), Insurance (to & fro), Export & Import clearance etc. shall be discussed during CNC and shall be clearly mentioned in PO.
- (u) The payment shall be made after delivery of repaired material against Test Certificate, Work Done Certificate, Warranty Certificate (if applicable) etc.

11.17 OTHER TERMS & CONDITIONS

11.17.1 Miscellaneous

Other terms and conditions not covered above will be followed according to the terms and conditions indicated elsewhere in the Procurement Manual as applicable.

11.17.2 Deviations from STACS for Import Procurement in Single Tender

In case of import procurement for Single Tender, CGM/GM of Purchase Point is competent to approve any deviation from GRSE's Standard Terms and Conditions for procurement value up to Rs. 200 Lakhs and Functional Director for Procurement value above Rs. 200 Lakhs.

11.17.3 Transport of Material through Air mode

- (a) For Transport of material through air mode (other than cheapest mode), approval is to be accorded as per relevant DOP clause D(3).



- (b) Notwithstanding above, Import Consignment with Cargo weight up to 1500 Kg or classified as 'Dangerous Cargo' be freighted by air subject to consignment freight cost is less than Rs. 10 lakhs & iaw contract rates and expenditure on freight is within the total freight charges approved in the original equipment of Purchase Proposal and without any additional financial implication as per approved Purchase Proposal.

11.18 PRE-SHIPMENT (or Dispatch) INSPECTION (PSI or PDI)

- (a) Pre-shipment inspection is the practice of employing specialized private companies (or “independent entities”) to check shipment details – essentially price, quantity and quality – of goods ordered overseas. Used by governments of developing countries, the purpose is to safeguard national financial interests (preventing commercial fraud, customs duty evasion, for instance) and to compensate for inadequacies in administrative infrastructures. The purpose of Pre-shipment inspection are following:
 - (i) To carry out physical inspection of the goods to be imported in order to ensure that they conform to the terms of contract. Such inspections assure importers that the goods they have ordered meet contractual specifications and quality standards, thereby reducing possibilities for dispute after the goods arrive at destination.
 - (ii) To verify their prices; and
 - (iii) To ensure that they are classified by the exporter under correct tariff classification of the importing country.
 - (iv) Packing & Marking of materials prior to removal of goods from premise of Manufacturer
 - (v) Supervision of Loading of materials
- (b) In most PSI-using countries, physical inspection and price verification of almost all goods prior to exportation is obligatory for imports to be permitted. Almost all PSI-using countries exempt goods valued below a specified threshold from Pre-shipment inspection.



- (c) This PSI certification is conducted to assure the importer that the goods conform to the technical specifications and the quality standards laid down in the contract and that the quantities exported are accurate. It is essential to monitor the quantity and quality of goods being imported into a country. The services of such inspection companies are utilized not only by private business firms, but also by State-owned enterprises and government departments.
- (d) Pre-Shipment Inspection may be carried out for imported items, which are complex in nature and circumstances calls for PSI. Pre-Shipment Inspection agency are enlisted in DGFT website, which may be referred for appointing PSI agency.

11.19 TIME LIMIT FOR SETTLEMENT OF IMPORT PAYMENTS

11.19.1 Time limit for Normal Imports

- (a) In terms of the extant regulations of RBI, remittances against imports should be completed not later than **six months from the date of shipment**, except in cases where amounts are withheld towards guarantee of performance, etc.
- (b) AD Category – I banks may permit settlement of import dues delayed due to disputes, financial difficulties, etc. However, interest if any, on such delayed payments, usance bills or overdue interest is payable only for a period of up to three years from the date of shipment as per RBI regulation.

11.19.2 Time Limit for Deferred Payment Arrangements

Deferred payment arrangements (including suppliers' and buyers' credit) upto five years, are treated as trade credits for which the procedural guidelines as laid down in the Master Circular for External Commercial Borrowings and Trade Credits of RBI may be followed.

11.19.3 Remittance against Replacement Imports

Where goods are short-supplied, damaged, short-landed or lost in transit and the Exchange Control Copy of the import licence has already been utilised to cover the opening of a letter of credit against the original goods which have been lost, the original endorsement to the extent of the value of the lost goods may be cancelled by the AD Category – I bank and fresh remittance for replacement imports may be permitted without reference to Reserve Bank, provided, the insurance claim relating to the lost goods has been settled in favour of the



importer. It may be ensured that the consignment being replaced is shipped within the validity period of the license.

11.19.4 Submission of Import Evidence after date of remittance of Foreign Exchange

- (a) Importer is required to furnish documentary evidence of import to AD Category-I Bank within 03 month from date of remittance involving foreign exchange irrespective of value.
- (b) **Evidence of Import.** Following documents are considered as evidence of Imports.
 - (i) Bill of Entry for Home Consumption in case of physical import by Sea/Air/Rail/Road, where goods are consumed in Domestic Tariff Area.
 - (ii) Custom Assessment Certificate or Postal Appraisal Form, as declared by the importer to the Custom Authorities, where import has been made by post, or courier Bill of Entry as declared by the courier companies to the Customs Authorities in cases where goods have been imported through couriers.
 - (iii) Exchange Control Copy of the Ex-Bond Bill of Entry or Bill of Entry issued by Customs Authorities for goods imported and stored in Free Trade Warehousing Zone (FTWZ) or SEZ Unit warehouses or Customs bonded warehouses, etc.

11.20 DEDUCTION OF LD FOR IMPORT PROCUREMENT

Whenever Purchase order contains payment terms that 90% payment shall be released through Letter of Credit/Document against Payment (DP)/CAD on shipment of goods and balance 10% shall be released through TT after receipt inspection at GRSE, LD (if applicable) shall be deducted from balance 10% payment, which is to be made by Telegraphic Transfer against firm's invoice supported with clean Receipt Inspection Report.

11.21 IMPORT & EXPORT CLEARANCE AND DOCUMENTATION

11.21.1 Items dealing with :

- (a) All Ship Construction related imported items and Custom Clearance



- (b) Imported Capital items and Custom Clearance
- (c) Custom handling of export items for Return & Repair Return as well as for Normal Export processing

11.21.2 Records / Documents / Forms / Registers :

- (a) Import Clearance Register
- (b) Import Clearance Information Form
- (c) Cheque / DD Register
- (d) Payment Requisition form
- (e) Daily MIS,
- (f) General MIS
- (g) Bond Register, Bond Issue Register, Bond Manufacturing Register, Bond Return Register, Bond Re-issue Register.
- (h) Export Register

11.21.3 Check Lists on Regular Activities :

- (a) Receive copy of shipping documents / Intimation from Purchase / NCM dept / Purchase Order (SAP)
- (b) Check all documents – Invoice, Packing List, Test Certificate, Insurance Certificate, Guarantee Certificate, Literature, Country of Origin, Bill of Lading or AWB etc. Check shipment arrival date, CAN / IGM date.
- (c) Take up with Purchase / Accounts / Supplier's Agent – for collection of any missing document.
- (d) Processing of Customs Documents & Clearance– within Free days provided by Airport & Sea Port/CFS otherwise incur Demurrage.
- (e) Collect original / available Bank documents from Accounts, in time, before arrival of ship.
- (f) Requisition of DD / Cheque and other expense Payments from Accounts – in standard Format.



- (g) Arrange to hand over Customs Clearing & Forwarding documents to concerned person, in time.
- (h) Intimate Service Dept for timely placement of Vehicle – for collection of goods, ex KoPT / CFS / Kolkata Airport and return of empty container to Shipping Agents Nominated Slot.
- (i) Follow-up & ensure Customs processing of documents / Dock processing / Way-Bill / Payment to Shipping Co, Dock etc.
- (j) Follow – up for physical collection of goods – its arrival at GRSE, without any diversion, entry through GRSE Gate & delivery to Store.
- (k) On arrival at GRSE, the particulars are to be entered in the Import Register – next working day.
- (l) Record relevant information in the Import Clearance Form & send the same to Stores / NCM/Accts.
- (m) Record disbursements of all payments to various Clearing & Forwarding points – in Pay Register.
- (n) Keep all Records & Documents in Shipment specific File – furnish required papers to Accounts as & when required. Close the File and Preserve it for 10 years.
- (o) Maintain YARD SUSPENSE LEDGER (Y S L).
- (p) Maintain Customs Bond - General Bond – Mfg. Bond, for processing with Customs (Sea or Air)
- (q) Arrange Signature Registration of authorized representative of GRSE, at Customs.
- (r) Periodic Renewal of Bond / Bond Licence / RMS facility.
- (s) Bill of Consolidated Agent and Transport is being forwarded to Accounts deptt. after verifying the documents and a register is being maintained for the same.



11.21.4 Standard Operating Procedures for Clearance of Imported Consignments from Customs / Dock / CFS

(a) Arrival by AIR:

- (i) Collect Documents from Purchase point, PO, Master Air Way Bill (MAWB), House Air Way Bill (HAWB), Insurance Proposal, Invoice, Packing List, Certificate of Origin, Test Certificate, Guarantee Certificate etc.
- (ii) Open a File and enter into Import Register.
- (iii) Enquire about arrival of the Cargo from Air-Agent or Consolidation-Agent.
- (iv) Receive Delivery Order from Bank through Finance with Invoice, Packing List, Certificates in Original or DO to be obtained from Consolidated Agent.
- (v) Prepare EDI Check List, and to arrange Duty-free signed Certificate & Saving Clause Certificate (If the goods are imported for GRSE built Vessels for Indian Navy / Coast Guard)
- (vi) File EDI Data sheet with D.O. attached documents to Air Customs for 1st time check list.
- (vii) 1st time check list received, and if any error – modify.
- (viii) B/E No. received, if duty paid. Arrange payment of Duty Cheque / DD for payment to Customs.
- (ix) Locate Import Package from Airport authority.
- (x) Import Package to be appraised by EO / Appraiser
- (xi) Report of Customs for out of charge
- (xii) Out of Charge papers to be signed by Customs
- (xiii) Way Bill to be prepared



- (xiv) Request for Transport from Service Dept
 - (xv) Authority cheques to be paid.
 - (xvi) Load Package on transporting vehicle through Air Authority handling Equipment
 - (xvii) Collect Gate Slip / Customs Gate Copy
 - (xviii) Get released from Airport
 - (xix) Import Clearance Intimation to be forwarded with receiving documents as in Serial no 1 – to Stores / Specified Place – Delivery Challan have to be endorsed by Security at GRSE entry Gate.
- (b) Arrival by Sea (Kolkata Port)
- (i) Collect Documents from Purchase point, PO, Bill of Lading (B/L), Insurance Proposal, Invoice, Packing List, Certificate of Origin, Test Certificate, Guarantee Certificate.
 - (ii) Open a File and enter into Import Register
 - (iii) Enquire from Shipping Company or Agent – of different Shipping Cos – about Expected Time of Arrival (ETA) whether direct Ship or Transshipment.
 - (iv) Collect IGM, Freight Bill, LCL Bill etc. – on arrival of Vessel.
 - (v) Prepare E D I Check List, and to arrange Duty-free signed Certificate & Saving Clause certificate (If the goods are imported for GRSE built Vessels for Indian Navy / Coast Guard).
 - (vi) File EDI Data sheet with D.O. attached documents to Calcutta Customs for 1st time check list.
 - (vii) 1st time check list received, and if any error – modify.



- (viii) B/E No received, along with TR 6, if duty to be paid. Send Requisition to Accounts for Duty Cheque /DD. On receipt of Duty Cheque / DD, it is deposited to the nominated Bank of Customs. Thereafter, Bill of Entry gets cleared from Customs.
- (ix) Collect D.O. from Steamer Agent by submitting original B/Lading and subsequent No Objection to be obtained on payment of other charges to Container Agent.
- (x) If consignment is FCL, container Bond removal application to be proposed and to be submitted to Shipping Co for carting order / removal letter. Issuance as well as signed removal application with discharge Guarantee fee Bond No. to be obtained from Shipping Cos.
- (xi) After receiving the DO with above document and Custom House released original B/E, Jetty Challan is to be made.
- (xii) Online Way Bill to be prepared.
- (xiii) Jetty Challan to be prepared.
- (xiv) If the Container is in Dock, Landing Fee is to be paid, and paid Jetty Challan is to be filed. Xerox of all documents are to be submitted to Shed Office.
- (xv) Documents - Customs released original B/E, Bank signed Invoice, Packing List, Certificate of Origin, Test Certificate, Technical Write up to Dock Customs for registration.
- (xvi) Appraisement in Shed to follow by Examination Officer (EO) and Appraising Officer (AO).
- (xvii) Out of charge procedure to be complied
- (xviii) For consignment stores in CFS, same above procedure, except payment of Landing to KoPT (Kolkata Port Trust), since CFS realize their charges by raising their separate Invoice.
- (xix) Requisition of Transport / Vehicle from GRSE Service Dept.
- (xx) Arrange of Loading at Shed / CFS



(xxi) Out of Charge / Gate Copy / Customs Gate Copy procedure through CISF

(xxii) After arrival at GRSE, Import Clearance Information (ICI) is to be prepared with Gate endorsements on Delivery Challan. All copy documents, like Bill of Lading (B / L), Insurance Proposal, Invoice, Packing List, Certificate Of Origin, Test Certificate, Guarantee Certificate, and any other documents, are to be forwarded to the concerned Stores.

For any damaged material found in Dock / CFS / Airport Insurance Survey is to be arranged by Finance Deptt. which is to be informed to them by Import Clearance Cell before or after arrival at GRSE.

11.21.5 Other Routine Activities

- (a) Maintenance of Custom bonded Warehouse is to done by Dept. Bonded warehouses are of (i) General Bond (ii) Manufacturing Bond. Maintaining Customs formalities like Bond Registering, Payment for Bonded Warehouse etc, from time to time are continued even when no items are kept there.
- (b) Signature Registration at Customs of CMD and other nominated Officer, who has to deal with Customs, as and when required for any transaction.
- (c) Signature Registration of GRSE Officials, as empowered by the Ministry of Defence, are to sign in the Duty Exemption Certificate & Saving Clause of Import Consignment, for use in Indian Navy's Ships & Coast Guard Vessels.
- (d) Maintenance of Green Channel facility – in a prescribed format, to be filled up for putting up Application for Accredited Clients Programme / AEO – T-2- as granted every year by the Directorate of Central Excise & Customs, Ministry of Revenue, Govt of India. GRSE has received this grant, which facilitates uninterrupted clearance through Customs under this facility.
- (e) Yard Suspense Ledger (YSL) is to be maintained by the department for transaction of all Cash expenses, incurred for various clearance related charges, if required. At present, as all Customs clearance is being done through CHA, so, maintaining of YSL / petty cash is being done away with.



11.21.6 Export procedure for defective goods return to OEM for Repair & Re - Import / only return against free supply

(a) For return by air mode:

- (i) Receiving of letter from Import Purchase Dept, about defective status.
- (ii) Open a File.
- (iii) After receiving defective material, Query form is forwarded to import Purchase Dept for compliance.
- (iv) Export Invoice, Packing List, Shipping Bill is prepared after receiving reply and compliance with documents and "Q" form from concerned deptt. and supplier.
- (v) GR waiver application with Export Invoice, P/L, Shipping Bill, and letter from OEM about value and other Declaration is submitted to SBI / Bank, for approval.
- (vi) Security checking, Airworthy Packing of the material and Fumigation certificate to be obtained from Stores Service deptt.
- (vii) Transit Insurance of the Defective goods is to be obtained from Finance or from supplier.
- (viii) Collection of G.R. waiver certificate & Documents from SBI / RBI to be obtained.
- (ix) All the documents after enclosing GR waiver certificate, application is handed over to our nominated Forwarding Agent or Suppliers Nominated Agent for processing with Customs.
- (x) After having customs clearance by Forwarding Agent, Security – sealed consignment is handed over to them for export to OEM.
- (xi) AWB with the other documents, as stated in Sl. No. (i) above is received and forwarded to Import Purchase with a copy of AWB, Export Invoice – for sending to OEM, with copy to Accts for transit Insurance.
- (xii) Duplicate & Triplicate copy of Shipping Bill are received.



- (xiii) Bill / Invoice is received for processing.
- (xiv) Payment of Bill to be arranged on verification of documents submitted by forwarding agent.
- (b) For return by sea mode
 - (i) In Sea consignment Bill of Lading(B/L) is used in lieu of Air Waybill (AWB).
 - (ii) Rest all procedures and documents are more or less same as mentioned in Air Export for Repair and Return.
 - (iii) Though we do not do any Export through Sea. If any requirement envisages, on obtaining Management Approval, Shipping Agent / Freight Forwarding Agent will be hired for doing the forwarding job with compliance of obtaining Shipping Bill after submitting following documents.
 - (aa) Export Commercial Invoice
 - (bb) Packing List
 - (cc) COO
 - (dd) WPS - NOC
 - (ee) MOD / Ministry permission to export Military / Defence material
 - (iv) Requirement of documents may increase / decrease as per requirement of Customs / Competent Authority from consignment to consignment, but above are the basics docs. required for Export processing.

11.21.7 M I S Report:

The dept may follow routine MIS like –

- (a) Daily Statement of Import Clearance through Air & Sea.
- (b) Weekly Statement of Imported goods in Pipe Line if information is available from Import Purchase Department / Shipping Agent.
- (c) Monthly Statement of Import Clearance is to be raised by Import Clearance Cell and send to Account.



CHAPTER 12

PROCUREMENT THROUGH LOCAL PURCHASE, FAST TRACK, EPC, AND PROCEDURE FOR MANAGING GUARANTEE PERIOD UPTO GRDD

12.1 LOCAL PROCUREMENT

12.1.1 Non-Stock Items (For Departmental use) – Local Purchase

- (a) Local Purchase relates to buying non-stock items which are generally available in the local market off-the-shelf at a short notice, upto the individual value of Rs.10,000.00(*exclusive of tax*).
- (b) The requirement is to be approved by GM/Unit Head on 'note sheet'.
- (c) NO tendering action is essential.
- (d) On receipt of Material, the invoice duly endorsed by receiving official along with original approved 'Note Sheet' shall be forwarded to Finance department for payment.
- (e) This procurement process can be used by individual HODs / Unit Heads to procure low value items for **departmental use** (without forwarding indent to purchase department) and without financial concurrence. These are also known as LP Orders (Low valued Purchase Orders). No separate individual Purchase Proposal will be made for this.

12.1.2 Repair and Maintenance

- (a) This procurement will be applicable only to meet immediate requirement /emergency purchases needed against ship – repairs, misc. materials & services, maintenance/repair spares, tools & tackles, consumable & instruments leading to production hold-up, machinery break-down and ship delivery. Low value individual items/service not exceeding the value of **Rs.50,000.00** may be procured by the Division/Unit with the **approval of concerned GM** (or D/AGM where GM is not available).



- (b) Emergency Procurement This will be applicable only to meet immediate requirement. Purchases not exceeding Rs-25,000.00 (Rupees Twenty-Five thousand only) per indent may be resorted to by obtaining 'Single Part Bid' (Technical + Price Bid), without following detail enquiry procedures as urgency supersedes formality. *The dealing Purchasing Officer shall issue a Certificate* *The dealing Purchasing Officer shall issue a Certificate as under:-*
“I, _____, am personally satisfied that these goods purchased are of the requisite quality and specification and have been purchased from a reliable supplier at a reasonable price.”
- (c) For control purpose, Division/Unit should raise a Purchase Requisition (Type: ZER; Emergency PR Series 13000....) and issue Purchase Order in system/SAP for such procurement. The PO is to be released by an executive not below SM once the procurement is approved by concerned GM (D/AGM as unit head where applicable).
- (d) Indents / requirements should not be split to take benefit of this provision and any similar procurement/ indent within 02 months shall not be honoured for payment.
- (e) For procurement of these items, the need for creating ICGRN is dispensed with. Certification by Works Managers (WM) and counter-signed by GM (or D/AGM where GM is not available) of concerned Division/Unit will be taken as acceptance approval and receipt of material by the Division/Unit. For this, the delivery challan should be recorded in a separate register to be maintained by Gate Office at entry point to the Unit/GRSE. A GR is to be made in the system by the unit/indenter.
- (f) On receipt of the invoice by the Unit, the Division/Unit Finance Department will process the same and forward to Finance Department along with certification of WM/HOD (DGM& above) regarding receipt of materials. Finance, on receipt of these vouchers, duly authenticated by the Unit, will process the payment directly and arrange for payment.
- (g) To have an overall control, a **budgetary ceiling will be furnished by Corporate Finance** to the Units in April and October each year.
- (h) A temporary Vendor Code is to be issued on as required basis.



12.1.3 Site Work

- (a) Entities authorized to make cash purchases shall be approved separately.
- (b) For site work, the concerned Site In-charge/Project In-charge will be entitled to make **cash purchase** upto **Rs.10,000/- per order** to meet the urgency for production, safety materials and to meet the expenses of statute. The maximum cash purchase will be **limited to Rs.50,000/- per month**.
- (c) A complete statement (month wise) will be forwarded to the Head of the Department for placement of the same to the respective and appropriate TC for post facto approval depending on the total expenditure per month for information and comments, if any, and for future guidelines.
- (d) In case any additional amount is required exceeding Rs.50,000/-, the same will be case specific with proper justification and approval from Functional Director together with sanction from C&MD.
- (e) A budgetary ceiling will be furnished by Corporate Finance to the Units for two halves, in April and October in each year.

12.1.4 Cash Purchase

- (a) Where purchases will be made against cash, cash memo references etc. will be stated in all the copies of the purchase order. The first 4 order copies of such cash purchases will also bear the stamp 'cash paid in full' and signed by the dealing officer.
- (b) Any rejection against cash purchases will be intimated to concerned A.G.M./G.M. in writing within 3 days from the date of receipt. Replacement has to be arranged within 3 days by the dealing officer.

12.1.5 Establishing Price

Procurement under Para 12.1.2 above will be done based on the price lists (less discount, wherever feasible) for standard items. The order copy should bear such references clearly. For this purpose, a price-list file will be maintained by the individual respective cell. For non-standard items or where price-list is not available / written quotations from at least three sources may be obtained. the dealing officer before release of order, will satisfy him/herself



that the price is reasonable and Specifications are met along with requisite Quality standards. The concerned procurement officer will arrange procurement from bona fide sources. *The indent is to be signed/approved/released by Unit Head/HOD not below DGM.*

12.1.6 'Fast Track' Procurement through a Purchase Committee

(Provision available under Rule 155 of General Financial Rules 2017).

- (a) Purchase of indigenous goods costing upto Rs.2,50,000/- (Rupees Two Lakhs only) on each occasion may be made on the recommendations of a duly constituted Local Purchase Committee consisting of three members of an appropriate level as decided by the **Head of the Department not below GM**.
- (b) This procurement process can be used by individual HODs / Unit Heads to procure items on **"Fast Track."**
- (c) Requisite WBS Number/ Job No is to be allotted and AIP for such procurement is to be accorded by GM.
- (d) Three-member committee shall comprise members one each from respective Purchase Point, Unit Finance / Finance Concurrence Cell and User/Indenter as nominated by concerned HOD.
- (e) The committee will survey the market to ascertain the reasonableness of rate, quality and specifications and identify the appropriate supplier. At least three to four suppliers are to be evaluated where feasible. Before recommending placement of the purchase order, the members of the committee will jointly record a certificate as under.
"Certified that we, members of the purchase committee are jointly and individually satisfied that the goods recommended for purchase are of the requisite specification and quality, priced at the prevailing market rate and the supplier recommended is reliable and competent to supply the goods in question, and it is not debarred by Department of Commerce or Ministry/Department concerned."
- (f) Formal Tendering or seeking bids in sealed envelopes is not essential. However, at least three Budgetary Quotes shall be obtained through Market Survey.
- (g) The Purchase Proposal is to clearly indicate **"FAST TRACK" PROCUREMENT**. PP is to be signed by the Committee Members and approved by the GM of the Unit.



- (h) **No separate financial concurrence is required.** Budgetary provisions are to be adhered to.
- (i) **Appropriate type of PR is to be created in SAP.**
- (j) The Purchase Order is to be released in system/SAP within 10 working days of PR release. Normally, the delivery period for items procured under “Fast Track” should not exceed 60 days from placement of PO.
- (k) Standard procedures applicable to normal procurements at GRSE are to be followed for GR, ICGRN and Payments.
- (l) ‘Repeat Order’ feature shall not be applicable to orders placed under ‘Fast Track’ procurement.

12.1.7 Vendors/Suppliers

- (a) Procurement is to be made through GRSE registered vendors as far as possible. However, in an emergency, items may be procured from any bona fide firm.–The dealing officer / the officers going to the market, will be responsible for ensuring the bonafides of the parties against such purchases.
- (b) Any low value purchase (up to Rs. 10000/-) will not be considered for the purpose of any registration of supplier. However, the vendor registration form may be filled in and verified by the authority in the usual way.
- (c) The dealing officer is to ensure that no purchase is made from any banned party.

12.1.8 SAP Regularisation

The Local Purchase procedure as elaborated above shall have to be regularized in SAP.

12.1.9 Online procurement from Business to Business (B2B) or Business to Customer (B2C) website

For low value standardized / branded items required on emergency basis, online purchase upto Rs. 10,000/- (exclusive of tax) from websites like Amazon, Flipkart, Tata CLiQ, etc. may be considered for ease of doing business with approval of HOD of purchase point. The



delivery of consignment shall be collected by the respective User Department and an entry at Gate shall be made by Security. Payment should be done through Debit Card / approval as per DoP.

12.2 POLICY FOR PROCUREMENT THROUGH EMPOWERED PROJECT COMMITTEE (EPC):

- (a) In shipbuilding projects being executed in GRSE, fall under 03 categories
 - (i) Being executed by GRSE manpower. In such cases on-board project activities per se pick up momentum during the advanced stages of construction involving testing and trials of equipment and machinery culminating into to basin-trials, sea-trials and final delivery of the ship / vessel. During this period the yard encounters requirement of materials and services on exigency, for obviating delays in project execution, adherence to project schedule in order to ensure timely delivery. Procurement through EPC will commence normally after attainment of 55% physical progress of the Yard.
 - (ii) Being executed by GRSE in GRSE by adopting concept of complete/ major outsourcing. In this case the work is mainly executed by sub-contracting, these can be either Rate Contracts and ship specific contracts. The yard and planning / PMT encounter requirement of materials and services on exigency, for obviating delays in project execution, adherence to Integrated Construction / project schedule in order to ensure timely delivery. Procurement through EPC will commence normally after attainment of 20% physical progress of the respective Yards.
 - (iii) Being executed by GRSE at partner shipyard by concept of turnkey outsourcing of the work package. In these ships' certain kinds of works/ services or material procurement for works outside the scope outsourced to partner shipyard but are required to be executed (as per certification of the head of PP&C/ PMT) and /or required for securing safe passage / preservation of items/ any other reasons for ensuring readiness of the ship for next stage of construction for meeting the overall requirement of timely delivery of ship/ meeting project schedules. Procurement through EPC will normally commence after 65% of construction is achieved.
- (b) With a view to address the immediate requirement of material and service for each Yard / ship, an Empowered Project Committee (EPC) will be constituted to take quick



commercial decision to meet technical requirements for sorting out materials and sub-contracting related issues during the advanced stages of construction of a yard, prior to its trials and final delivery to customer.

- (c) Expenses post-delivery till expiry of guarantee period will not be catered through EPC route, to be governed by separate procedure.
- (d) Procurement of materials and services (sub-contracting for fabrication work and also hiring of facility / specialised machinery integral to the project / Yard) will be governed by the following:

12.2.1 Constitution of Empowered Project Committee (EPC):

EPC will be constituted under the office order of Director (Shipbuilding). EPC will essentially be constituted with the following composition for each Yard/ship or a group of ships under the same Project Leader (PL):

- (a) Project Leader (EPC head).
- (b) Technical member/s (from respective disciplines like Plumbing, L&W, MFOS, Design, Planning, etc.).
- (c) Finance Member – unit in-charge will be the default finance member for units other than Main Works. For Main Works, the finance member will be nominated by GM(Finance).
- (d) Materials Department member – will be nominated by the Head of Materials division either from those posted in centralised procurement section at Main Works, or from those posted at the respective unit.
- (e) WOT representative (if required for cost plus projects) – will be nominated by WPS (WOT-Kolkata)

12.2.2 Financial Expenditure Limits for procurement of Materials and Services

The financial expenditure limits for procurement of materials and services will be based on the scale of the project / class of ship. The limit for procurement of materials and service (per order, excluding taxes) will be governed by the following limits.



Procurement Types	Small Ships (IPV, WJFAC, etc.)	Medium Ships (LCU, OPV, etc.)	Large Ships/Capital Ships (Corvette, Frigate, etc.)
Procurement of Materials	Rs.1.0 Lakh	Rs. 2.0 Lakh	Rs. 2.0 Lakh
Procurement of Services	Rs.2.0 Lakh	Rs. 3.0 Lakh	Rs. 5.0 Lakh

12.2.3 Limits of budgetary sanction.

- (a) For the purpose of executing procurements through EPC, budgetary sanction for each EPC will be obtained at the time of promulgating order for constitution of EPC.

Procurement Types	Small (Ships (IPV, WJFAC, etc.)	Medium Ships (LCU, OPV, etc.)	Large Ships/Capital Ships (Corvette, Frigate, etc.)
Budgetary Sanction (per Yard/Ship) *	Rs.50 Lakh	Rs.100 Lakh	Rs.300 Lakh

** This is for ships being built by GRSE manpower, for other categories the limits would be in respect of the overall project cost and be decided as per project progress.*

- (b) If during the project execution period the original sanctioned limit is reached, a further limit will be sanctioned by C&MD. Such additional amount would be sanctioned based on the estimated quantum of works yet to be completed prior to the delivery of the Yard/ship, for which details are to be provided by the PL (based on inputs from respective technical members). Finance member of EPC will be required to monitor the progressive cumulative expenditure and will be the trigger point for additional sanction if required.

12.2.4 Scope of Authority:

The main purpose of appointing EPC is to minimise the time-frame involved in procurement and decision-making process in the procurement of various items / services, award of contracts, ordering re-work, sanctioning of OT if required (specific to job, on case to case



basis). The EPC will have the authority to sanction, approve or order any of the activities as mentioned in the following paragraphs.

12.2.5 Sub-contracting Jobs:

In areas where shipyard capacity is not available or is inadequate in order to ensure timely completion of the activities or where the contractors engaged by the company are unable to accept additional work with assured completion by required time frames or where such work has been previously been tendered out on case to case basis, for any further /additional work emerging during the execution of the project, the EPC will be empowered to approve the contract and award the same to sub-contractors on limited tender basis or propose the same for single tender basis subject to the values mentioned in table above. Single tender /nomination tenders will be required to be approved by the GM of the unit and where there is no GM the AGM in-charge of the unit.

12.2.6 Local Purchase / Repair:

Where certain materials / items are required to be procured or items are required to be repaired (which were procured earlier, in order to overcome 'Production Hold Ups' in cases where items /materials are found deficient, damaged in transit or un-serviceable during trials). The proposal for repair will clearly mention the necessity and reason and whether the supplier has been contacted for the repair. Recoveries which become necessary as a result of defects / deficiencies in terms of the Material Supply Contract are to be initiated as soon as the delinquent status comes to light. Procurement of materials or repairing of items (supplied earlier) can also be carried out.

12.2.7 Authorisation of Re-work:

In case where, in the opinion of EPC, rectification of defects is unlikely to succeed or may take longer than re-fabrication of a part, structure or sub-assembly and where such delay is not acceptable due to its impact on timely delivery of the vessel, the EPC is authorised to approve / rejection of concerned part and approve its replacement including procurement of requisite materials and booking of labour or sub-contracting as may be necessary to achieve the desired result. Notwithstanding the above, specific approval from GM of respective unit for rework may for a yard / Project if notification to the effect is issued by Director (Shipbuilding) to the effect.



12.2.8 Modifications (MOD) Jobs:

- (a) Modifications or 'MOD Jobs' are categorized as major and minor in the shipbuilding contract. The procedure spelt-out for proposal, acceptance and implementations of modifications is to be strictly as per terms and condition of the contract. The EPC is empowered to present and discuss the time and commercial implication of all modifications with WOT, with a view to accepting or rejecting such modifications.
- (b) In case a MOD related sub-contracting work is required to be routed through EPC, the EPC will approve of the contract and award the order to the sub-contractor only upon receipt of 'Approval-in-principle' (AIP) from the IHQ-IN / DG-ICG. If any MOD related job is to be executed by subcontracting through EPC route but without AIP from customer, the same will be done on the basis of specific approval from C & MD.

12.2.9 Procurement Procedure:

12.2.9.1 Initiation:

- (a) The procurement of materials / services of sub-contractor for specified job will be initiated by the field engineer / technical member of EPC and placed before EPC for examination and approval.
- (b) The indent will be raised in SAP with specific WBS element. (For MOD job WBS element will be the WBS allotted for MOD). The PL - being head of EPC, along with another technical member and the Finance member will approve the proposal for material / service procurement. In case of procurement of materials, the initiator is required to ascertain whether the material proposed for procurement is a standard stock item at the Company's stores; if not, obtain a confirmation (wrt non-availability) from Stores department to the effect and place the same in procurement proposal. If the same is a stock item and stock exists, the requirement is to be satisfied therefrom. If the materials are under central procurement process and yet to be delivered, the delivery timelines being non-bearable, should also be mentioned before proceeding with EPC procurement of the same.

12.2.9.2 Selection of Vendors:

For procurement of materials, vendors will be selected from amongst those registered with the Company for supply of items falling within the same material group / sub-group, for which



letters requesting quotations (RFQ) will be issued on limited tender enquiry basis. Proper records for issue of such RFQ email/letters would be maintained by the EPC group initiating the proposal. In cases the vendor selection is on nomination basis (other than OEM supplies) the proposal for single vendor nomination will be approved by the GM / AGM(IC) of the respective unit. RFQ issued will contain full specifications of the material required/ service. Quotations / price-bids from vendors would be invited under single-bid system generally, unless two-part bid is necessary.

12.2.9.3 Finalisation of price-bids and placement of PO:

- (a) The price-bids will be required to be submitted in sealed envelopes to the EPC head (or such person as may be authorised by him) with EPC procurement reference mentioned clearly on the envelope.
- (b) The price bid will be opened by the Finance member and countersigned by him along with any other EPC member.
- (c) An estimate of the job / materials to be procured will be prepared by the respective technical member / EPC head and kept in sealed cover in EPC procurement proposal file.
- (d) Subsequent to determination of L1 vendor and comparison with estimate, (the EPC may proceed with negotiation with vendor if the situation so demands as per conditions prescribed in the Purchase Manual), Purchase order will be issued after conclusion of PNC.
- (e) All POs will compulsorily be raised in SAP under the user-id of PL / EPC head only to track / monitor EPC procurements in SAP. ERP department is to enable tracking of EPC expenditure under each Project/Yard.

12.2.9.4 Receipt of Materials:

- (a) Goods supplied against EPC *purchase order* will be receipted at the entry gate by security personnel and *GST Invoice* endorsed. The receiver of the materials which is usually the field engineer will record his receipt on the *GST Invoice* and arrange for SAP GR within 05 working days from date of security gate stamp, provided that the material so ordered fulfils the requirement / fitment on-board.



- (b) If the same is found to be non-acceptable, the material will be returned to vendor for replacement within 03 days. No fresh proposal for the replacement item will be made under normal circumstances, till cancellation of GR of original EPC proposal.

12.2.9.5 Payment of Invoice

Invoices raised by the vendor will be accompanied by the receipted *GST Invoice*. EPC head /technical member will endorse the invoice wrt conformity of materials vs *vis-a-vis* requirement and usage of materials on-board. Unit Finance will arrange for payment processing on completion of all formalities / documentation, through SAP-MIRO mode only.

12.2.9.6 Reporting & MIS

- (a) EPC is empowered to take decision at their level which shall be recorded at the formal weekly meeting and will be subjected to scrutiny to ensure propriety in each case. Weekly record of decisions (preferably in register / minute-book form) is to be scrutinized by unit GM to ensure propriety.
- (b) A monthly MIS report of expenditure stating therein the cumulative expenditure till end of previous month, expenditure for the month and cumulative expenditure at the end of the month is to be prepared. The said MIS would contain the split off between material procurement and service order awarded, and also summary of MOD work executed through EPC. This MIS will be submitted to D(S) through GM / AGM (I/C) with copy to GM(F).

12.3 PROCEDURE FOR MANAGING GUARANTEE PERIOD UPTO GRDD

12.3.1 Post D448/Handing Over

After handing over of the ship to Indian Navy/Indian Coast Guard, the ship will be based at respective Dockyard /Customer's Jetty/Wharf. During the guarantee period the ship will be operational with limited and short notice availability in harbour. Therefore, in order to ensure timely mobilization of resources and early execution of works, the procedure in succeeding paragraphs is to be adopted.

12.3.2 Major Activities post delivery



The following major activities will be undertaken during and on completion of the Guarantee Period:

- (a) ITF and Part-IV trials.
- (b) Dry Docking for Sonar Dome fitment / other works
- (c) Liquidation of D-448 liabilities.
- (d) Liquidation of guarantee defects
- (e) GRDD on completion of guarantee period.

12.3.3 Core Team

- (a) In order to monitor, plan and execute all activities in a time bound manner, a **Core Team** of officers will be constituted and promulgated by the competent authority of GRSE. Alternately, the responsibility shall be entrusted to the 'Ship Repair' department at GRSE.
- (b) The 'Core Team' will be responsible for liquidation of Guarantee Defects (GDs) and D-448 liabilities. Towards this, the team shall coordinate with various departments at GRSE as required. Additional officers from production and CDO, if required, will be deputed to assist this team as and when required. Operational defects are to be liquidated on top priority. Balance defects depending on their priority for liquidation will be undertaken in SMP/AMP/GRDD.

12.3.4 Guarantee Defects

In order to provide better product support and guarantee defect liquidation for the ship, the procedure mentioned in the succeeding paragraphs is to be followed by the guarantee monitoring team. Guarantee defects raised by the ship shall be divided into following four categories:-

- (a) **Category – I**- Defect is under OEM guarantee and OEM is ready to undertake defect rectification at outstation.



- (b) **Category – II**- Defect is under OEM guarantee but OEM is not ready to undertake defect rectification for any reason citing contract.
- (c) **Category – III**- OEM guarantee on the equipment/system has expired as per contract between GRSE and OEM. However, GRSE guarantee to the Navy/Coast Guard is applicable.
- (d) **Category – IV**- OEM for the equipment/system is GRSE and therefore, defect is required to be liquidated by GRSE.

12.3.4.1 Category – I

Defect is under OEM guarantee and OEM is ready to undertake defect rectification at outstation.

- (a) Intimate the defect to the OEM through fastest means.
- (b) Coordinate with WOT / CGRPT, Ship, local Naval/ Coast Guard authorities and OEM with regard to time and schedule of OEM visit for defect liquidation.

12.3.4.2 Category - II

Defect is under OEM guarantee and OEM is not ready to undertake defect rectification for any reason citing contract.

- (a) Intimate the defect to the OEM through fastest means.
- (b) Get OEM comments with regard to his un-willingness to undertake defect rectification and establish the same based on contractual terms.
- (c) In case OEM is willing to undertake defect rectification within the given time frame on additional payment of travel and boarding charges to the outstation site, then obtain quotation from the OEM through fastest means (email or fax).
- (d) If considered necessary negotiate with OEM with regard to prices either over telephone or through email/fax.
- (e) Get final quote of OEM after price negotiations.



- (f) Prepare purchase proposal attaching all communications with OEM.
- (g) Purchase proposal will be initiated by the core team. After vetting the proposal by finance representative, the purchase proposal will be approved i.a.w. Subcontract Manual.
- (h) After approval of purchase proposal, SAP order would be placed on the OEM by the Core Team.
- (i) Payment to the OEM would be released against Work Done Certificate (WDC) issued by Ship Staff / GRSE representative as applicable.

12.3.4.3 Category-III

OEM guarantee on the defect has expired as per contract between GRSE and OEM. However, GRSE guarantee to the Navy/ Coast Guard is applicable.

- (a) Core team to decide whether to offload the defect rectification to the OEM or the defect can be liquidated through local vendor if it is cost and time effective to offload the repair through local vendor.
- (b) In case it is decided to offload the defect rectification through OEM, then obtain quotation from the OEM through fastest means (e-mail/fax) and thereafter follow the procedure mentioned at para-8(d) onwards.
- (c) In case work / procurement action is to be offloaded to local *vendor* due to time and cost reasons, then the ship/local Naval/Coast Guard Repair Agency may be requested for following:-
 - (i) To float the tender enquiry (TE) on behalf of GRSE to at least three competent local vendors of the Navy/ Coast Guard in the respective area. This would save time and cost of deputing GRSE team to outstation for tendering and outsourcing defect rectification.
 - (ii) Ship or the local Naval/ Coast Guard Repair Agency to coordinate the visit of local vendors for assessment of defect.



- (iii) After defect assessment, vendors will submit their sealed quotes to ship/local naval agency.
 - (iv) The board of officers of ship/local Naval/Coast Guard Repair Agency will open the tenders and will prepare a comparative statement of tenders (CST). All vendors participating in the TE will have the option to be present during tender opening.
 - (v) The CST will be signed by board of officers of ship/local Naval repair agency. The signed copy of the CST along with quotations received by ship/local naval repair agency will be forwarded by fax to GRSE/Team Leader. Simultaneously, original copies of CST and quotations will be forwarded by letter to GRSE/ Team Leader.
 - (vi) In case, valid rate contract for liquidation of approved GD raised by ship is existing between local vendor/OEM and Naval/Coast Guard Repair Agency then ship/local naval repair agency may forward the approved rates along with details of vendor to GRSE in lieu of CST as mentioned at sub-para (v) above. On receipt of rate contract details either by fax/e-mail from Naval/Coast Guard Repair Agency/Ship, GRSE will prepare the purchase proposal/order as per existing practice in GRSE.
- (d) On receipt of faxed /*emailed* copy of CST and quotations from ship, core team of GRSE will follow the following procedure:-
- (i) Hold the price negotiations with the L1 firm either through telephone/fax/email if needed.
 - (ii) After negotiations, L1 firm will be asked to forward their final quote. This quote may be forwarded either by e-mail or fax.
 - (iii) Prepare purchase proposal attaching all communications with L1 firm.
 - (iv) Purchase proposal will be initiated by the Core Team. After vetting the proposal by finance *representative*, the purchase proposal will be approved in accordance with Sub Contract Manual.



- (v) After approval of purchase proposal, SAP order would be placed by the Core Team on the L1 firm.
- (vi) Payment to the OEM would be released against work done certificate.
- (vii) Payment may be released directly to the concerned vendor or through ship. Ship's account details for ECS payment to be entered in SAP.
- (e) Member of GRSE core team and finance representative would be deputed to outstation for tendering and outsourcing of defects, in case tendering as mentioned at para 9(c) above is not feasible.
- (f) Contractual terms with respect to "NHQ/CGHQ nominated agencies" where back to back guarantee is not available to be kept into consideration for re-imbursment of cost and to be taken up as applicable.

12.3.4.4 Category – IV

OEM for the defect is GRSE and therefore, defect is required to be liquidated by GRSE.

- (a) Concerned department of GRSE e.g. Deck Machinery/Production will be intimated by the Core Team for undertaking defect rectification.
- (b) In case, the concern department due to pre-occupation with new construction is not able to depute personnel to outstation for defect liquidation, the defect rectification will be offloaded by their department as per procedure mentioned at para 9 above.

12.4 EMPOWERED ORDERING COMMITTEE (EOC)

12.4.1 An Empowered Ordering Committee (EOC) may be constituted for project to cater for emergency requirement of procurement and sub-contracting where normal lead time of extant ordering process will affect the building timelines of the Yard. However, the normal course of procurement of indented materials by Materials Dept based on indents by CDO and by Contract Cell based on indents raised by PP&C & Production is to continue hitherto. The EOC so formed will function under administrative control of Project Superintendent. The scope, function, composition and procedure to be followed by EOC is as follows:-



- (a) The main purpose for appointing Empowered Ordering Committee is to minimize the procedural timeframe involved in procurement of goods and services urgently required to meet the project timelines.
- (b) **Constitution of the Empowered Ordering Committee:** The constitution of Ordering Committee will be as follows:-
 - (i) Head of the Committee (Chairman) - Project Superintendent
 - (ii) Member - Project leader
 - (iii) Member – Contracts - Officer to be nominated by CGM PP&C
 - (iv) Member – Finance - Officer to be nominated by GM Finance
 - (v) Ex-Officer Member Secretary - Officer to be nominated by PS
- (c) EOC is empowered to place individuals order value not exceeding Rs.10 Lakhs (base value) by following the necessary commercial procedures and price reasonability.
- (d) The above Tender Committee will have the delegated authority to sanction approve and order in any or all of the activities, directly or indirectly related to timely completion of construction and trials of ships.
- (e) All cases to be taken up by the Empowerment Ordering committee are to be proposed by production/ Planning Executives and put up for approval of PS. During the approval stage the proposing officer is to bring out the following.
 - (i) Emergent reason for proposing action by Empowered Ordering Committee.
 - (ii) Confirmation that tendering action on the same item or service is not already initiated by Contract Cell or Material Dept. or included by CDO etc. In the event that the proposal is being raised notwithstanding the same, then reasons for doing so are to be brought out and intimation of curtailment of quality or deletion of the tender is to be indicated and copy of intimation for deletion to contract cell / material is to be enclosed.
 - (iii) SOTR with quantum to be made/arranged by proposer/applicable department.
 - (iv) Indent for the service / material is to be raised by Production/PP& C/CDO.



- (v) Professional Officers Valuable / Budgetary Estimate as far as possible.
- (vi) Splitting of a job procurement / requirement with high value to threshold value of EOC (multiple order) will not be allowed.
- (f) Approval is to be accorded from C&MD regarding total budgetary limit for this EOC.
- (g) Even though E procurement is required for tenders above Rs. 10 lakhs and the EOC powers are procurement upto Rs.10 Lakh, thus EOC will undertake procurement Manual Limited Tenders only and also through E-Tender.
- (h) As the cases being put up to the EOC are for priority / emergency cases requiring short notice tender, the tender notice may be 7 days for cases upto Rs.5 lakh and 10 days for value of tender upto Rs.10 lakh. Notice inviting tender may be forwarded through e mail/fax to the registered e mail id/fax number of the vendors. There should not be any extension of time for submission of offer by the vendors (except abnormal circumstances to be recorded in writing) and the tender will be finalized with appropriate justification of price.
- (i) In cases where it is felt that the material to be procured is one which does not have a vendor base with proper credentials, the same may be done through open E-tender.
- (j) Orders placed by this Committee on registered vendors will be exempt from EMD.
- (k) The procurement against Single Vendor Nomination will continue to be as per norms of Purchase Manual/Sub contracting Manual.
- (l) Considering "Time being of the essence" the tender opening will be done as per the date promulgated and by at least 02 of the 04 members of the Tender Committee of which one should be from Finance / Contract. In the event of members not being available, PS may ask IA officer to open tenders.
- (m) For procurement of material / service estimated upto Rs. 5 lakhs the procedure for bid opening as specified earlier will be followed. For value exceeding Rs. 5 lakhs. IA representative will be asked to open the officers submitted in manual mode.



- (n) The tender will be opened in presence of 'firms' reps. as present ideally Comparative Statement of Tenders is to be prepared forthwith and signed by all members. Other issues, Committee is to complete the same within 02 working days PO issue within 05 working days is to be strived for.
- (o) Comprehensive MIS in an Excel sheet on all procurements initiated & made by the EOC are to be put up on monthly basis to D (S), D (F) & GM (F). The said procurement of materials/ service (subcontract) would be subject at Audit examination on bimonthly basis for which the MIS is also to be forwarded to AGM (IA). The MIS sheet is to indicate:-
 - (i) NIT Ref. & date with description of work.
 - (ii) Name of bidders & price submission
 - (iii) Initiator name/ dept.: (Berth, Plg, PMT etc.)
 - (iv) Whether slandered procurement or included in another contract but taken out for EOC procurement.
 - (v) Value of job estimated & by whom (estimator)
 - (vi) EDC of job planned
 - (vii) Purchase Order ref. & date
 - (viii) Job completion date (actual)
- (p) The MIS in Excel form is to be kept undated and refreshed on monthly basis, in project EOC folder created in "P Drive and read only access given to concerned officials audit.
- (q) MIS could be designed ship-wise and major activity-wise along with a summarised cumulative position.

12.4.2 EOC is empowered to take decision at their level, which shall be recorded at the formal weekly meeting and will be subjected to scrutiny to ensure propriety in each case.

12.4.3 EOC will be formed in initial stages of Project (ship > 100 meter) that are planned for construction by GRSE by outsourcing concept.

12.4.4 EOC may also be formed for projects being undertaken in partner shipyard. In such cases, EOC will be formed generally post launch of the 1st vessel.



CHAPTER 13

PROCUREMENT OF MEDICINES

13.1 PROCUREMENT OF MEDICINES

13.1.1 All medicines which are in use / will be used are classified into four categories :

- (a) Medicines in the category of fast consumption
- (b) Medicines in slow consumption category but essentially required for specific ailment / treatment.
- (c) Medicines of slow consumption whose consumption rate picks up seasonally.
- (d) Consumable like syringes, bandages etc. (The above list may be subject to alteration / expandable time to time as and when necessary).

13.1.2 The procurement action is to be taken on the basis of Monthly / yearly indent requisitioned by CMO. The procurement action is to be taken on the basis of Quarterly / yearly indent requisitioned by CMO.

13.1.3 The medicines are to be procured only from Manufacturers or their authorized Dealers / Distributors.

13.1.3 13.1.4 CMO will identify the Authorized Dealers / Distributors of medicines / consumable (at least two each case) by direct contact with the manufacturer. Purchase Department will extend all necessary help for such identification to CMO, to cover remaining cases.

13.1.4 If no Authorized Distributors are available, it has to be explored to get the names (at least two) to have the benefit of rate through competition. However, if one Dealer / Distributor is available rate should be negotiated with Dealer / Distributor for bulk purchase to get maximum possible discount. The system of rate contract should be implemented for certain period (say for 1 year) on negotiated rate. In rate contract system, where 2(two) or more Dealers are available, the rate should be obtained with



best possible discount from the cheapest source by ensuring quality of medicine. In extra ordinary situation order can be placed on more than one Distributor.

13.1.5 List of Medicines Reserved for procurement from Pharma CPSE are mentioned at Appendix-Y.

13.1.6 All ordering for medicines are required to be regularized through SAP PO as per existing SAP workflow.

13.2 COMMITTEE FOR PURCHASE OF MEDICINES

- (a) Members of the Committee / Task of the Members :
 - (i) CMO / Sr. most Medical Officer along with other members of Purchase Department & Finance will form a Tender Committee.
 - (ii) CMO / Sr. most Medical Officer will provide list of vendors to Purchase Department This list is to be updated periodically.
 - (iii) CMO / Sr. most Medical Officer will provide estimated annual / periodical requirement as the case may be to the Purchase Department to facilitate rate contract.
 - (iv) Purchase Department will issue purchase order on the basis of Tender Committee's recommendation by complying required formality.

13.3 MODE OF PAYMENT / STOCK ACCOUNTING :

- (a) The supply of medicines is to be acknowledged by CMO / Sr. most Medical Officer In-charge by certifying the challans and enter the same in the Medical Department's Stock Register.
- (b) Such receipted challans, with stock report highlighting the item received should be forwarded to Corporate Finance (SLP) along with the invoice for payment.
- (c) Finance Department (SLP) on receipt of the invoice, receipted challans and stock report will scrutinize the same and check with the purchase order for releasing payment.



- (d) Necessary arrangement is to be made so as to have a gate record indicating date and time, vendor's name, Challan No. Challans should have the gate entry stamps along with the Serial No. of Gate Record and date / time.
- (e) All challans, invoices are to be authenticated by CMO and ACOMO.
- (f) Expired medicines should be stored separately.
- (g) Timely disposal of expired medicines must be carried out.

13.4 PREVENTIVE MEASURES

- (a) CMO to ensure that overstocking of medicine does not take place.
- (b) Stocking of medicines whose expiry dates are nearing to be avoided.
- (c) Physical stock verification of medicines is to be carried out periodically, location wise, segment wise so that the whole inventory is covered in the year. DGM (IA) will monitor the whole thing and will submit periodical reports to D(P), D(F) & CMD.
- (d) In the event of exigency only, CMO is authorized to undertake emergency purchase with a ceiling of Rs.25,000/- (Twenty-five Thousand) monthly.
- (e) The medicines which are fast moving should not be kept in stock for more than 2/3 months consumption (keeping, however, in mind the expiry date, new development etc.). Such medicines can be procured first time for the 4 months' consumption taking into consideration the Stock and then replenishment action can be taken after the second month, periodically. The medicines of low value and slow consumption category can be procured initially for six. months including the present stock and then replenishment action can be taken after the second month to ensure the stock of 4 months. Medicines in the category- slow moving but seasonally fast moving can be procured on the basis of the timely requisitions from CMO. Such medicines need not be stocked in large quantities except for 1-1.1/2 months' consumption keeping in mind, the expiry date and other aspects explained above.
- (f) The medicines should be stored properly in the racks/bins in the Medical Department Issue of medicines to be on FIFO (First In First Out) basis to avoid stocking of medicines whose expiry dates are nearing.



- (g) Inventory of medicines is to be controlled /maintained by CMO.
- (h) Stock position: It is to be maintained on computer system existing in each unit and to be monitored by CMO / Sr. Most Medical Officer available in that unit on regular bases to avoid any disruption in normal service in Medical Department of the concern unit.



CHAPTER 14

E-PROCUREMENT AND REVERSE AUCTION

14.1 INTRODUCTION

Internet, digital connectivity and the explosion of Information and Communication Technologies (ICT) has caused a paradigm shift in government purchases. The ICT offers opportunities of electronic procurement that are intended to shorten the procurement cycle by speeding up the procurement process, achieve cost savings as well as transparency in the system.

Migration to Electronic procurement or e-procurement from the traditional process ensures better communication, transparency and value for money. e-procurement transforms a Buyer to a knowledge worker who shift his focus to value added work and is a step forward Re-engineering the process of Buying.

E-procurement involves change Management not only at GRSE but also at Vendors end. Buyer, here acts as a leader to bring in the qualitative change by upgrading its business partners by adopting cost and time sharing and information sharing process in modern day world of business. Finally, it leads to co-prosperity of the organisation and its business partners.

14.2 BENEFITS OF E-PROCUREMENT

E-procurement is a an exclusive, secured, transparent solution for buying and selling of products and services through tendering process. The benefits that can accrue with implementation of e-procurement is as under :-

14.2.1 INCREASE EFFICIENCY AND TRANSPARENCY

- (a) Automated Work Flow
- (b) Automated status update



- (c) Enforcement of Standard process
- (d) Elimination of non-value-added steps
- (e) Improved Accountability

14.2.2 ENSURES SECURITY

- (a) Maintains Documents Security
- (b) Bidding not allowed after due date & time
- (c) Bids cannot be opened before due date & time
- (d) Bid can only be opened by Authorised Officer
- (e) Protected with Features like Digital Authentication, Algorithm etc.
- (f) Data security ensured through security services Hyper Text Transfer Protocol Secure(HTTPS)
- (g) Multiple security protection through SSL /PKI &DSC and firewall for the servers.

14.2.3 COST-EFFECTIVE & TIME EFFECTIVE

- (a) Reduced transaction costs
- (b) Elimination of Tender publishing costs
- (c) Saving on stationery
- (d) New Supplier Participation
- (e) Discourage Cartel Formation.

14.2.4 BETTER MONITORING

- (a) Centralised knowledge base of Supplies and Vendors



- (b) Better Decision Making
- (c) Improved response time

14.3 GOVT. OF INDIA DIRECTIVE

Government of India has declared National e-Governance Action Plan (NeGP). procurement is one of the Mission Mode Projects identified by the Government under NEGP. Government departments at the Centre and the States and PSUs have been advised to implement e-procurement so as to bring about more transparency, reduction in cost and lesser time in procurement cycle. The Plan seeks to create a citizen-centric and business-centric environment for governance. MOD (Finance) clarified that the threshold value limit for DPSUs above which e-procurement is to be adhered to could be left to the Board of Directors of the DPSUs.

14.4 IMPLEMENTATION OF ELECTRONIC PROCUREMENT IN GRSE

GRSE has embarked upon e-procurement process as a part of Mission Mode Projects under National e-Governance Plan (NeGP) and Corporate Governance.

14.4.1 Engagement of Service Provider

The engagement of the Application Service Provider is through an 'Open Tender' process/ selected singlenomination for Govt. Agencies like NIC, whereby the contract is finalized after the techno-commercial and price evaluation. The period of engagement initially was for a contractual period of 2 years. However as the system has stabilized now, the contractual period henceforth is being revised to 3 years, with a renewal clause for extension by another 3 years, subject to satisfactory performance.

14.5 SALIENT E-TENDERING VALUES

14.5.1 Based on benchmarking with major PSUs, e-tendering values for GRSE is as follows:

- (a) Mandatory – (i) Any value for procurement from PSUs.
 - (ii) Rs.2 Lakhs & above per Purchase Order, for procurement from other than PSUs.
- (b) Optional - Between Rs. 1 Lakh to Rs. 2 Lakhs per Purchase Order, e-



tendering to be done as far as possible.

14.5.2 Press tender will be initiated for value above 200Rs. 500 Lakhs for Non-GEM e-procurement .

14.5.3 In case of nominated vendors who are registered with GRSE and having Digital Signature Certificate (DSC) for items related to shipbuilding, e-tendering shall be resorted to irrespective of any values, through Limited Tender. For other items with value more than Rs. 50 lakhs up to Rs. 500 Lakhs per Purchase Order, web open tender shall be published for the purpose of e-procurement.

14.6 SYSTEM USED FOR E-TENDERING

Most of the indigenous procurement are conducted through GeM portal. However, Procurement through floating GTE and other cases may be conducted through GRSE NIC portal based on approval of C.A. In case procurement is conducted through GRSE's NIC portal, following procedures shall be followed.

14.6.1 GRSE will undertake e-procurement through Application Service Provider (ASP) who is maintaining own portal for uploading e-tender, also linked to GRSE website (www.grse.nic.in/etender). The functioning of the e-procurement cell is to be supervised by a nodal officer and in the purview of the NCM Department

14.6.2 **For Limited Tenders;** Respective Internal Agencies (NCM/Purchase points) on receiving released Purchase Requisition (indent) along with soft copies of SOR, Drawing etc through SAP, generate SAP RFQ and forward all relevant soft copies to the e-procurement cell. Representative of ASP under the supervision of the nodal officer(NCM) checks availability of DSC for registered/ nominated vendors to whom RFQ is to be issued. In case any vendor does not have digital certificate, the vendor will not be considered for issuing RFQ through e-tendering.

14.6.3 ASP representative assigned to the e-procurement cell floats e-tender (image of in-progress tender status) on the ASP's portal. 3-tier(Class-III) security is ensured by using of Digital Signature Certificate (DSC) of GRSE and user ID/password while uploading the e-tender.

14.6.4 In case of imported items through Limited Tenders, foreign vendor is to obtain DSC from Indian CA through their Indian representative. In case any foreign vendor(s)



become unable to obtain DSC from Indian CA in a particular import case, and if at least 3 DSC compliant vendors are available, then such non-compliant vendor(s) will not be considered for e-tendering. However, in case tender participation by foreign vendors with DSC, from Indian CA, falls below 3 vendors, such tender will be issued manually (through email/fax/courier/post) instead of e-tender including such non-compliant vendors as well after obtaining approval from CGM/GM for procurement value upto Rs. 400 Lakhs and from Functional Director for procurement value above Rs. 400 Lakhs.

- 14.6.5 For Single Tendering and Limited Tendering time for submission of tender will be stipulated as 10 days unless warranted otherwise due to exceptional circumstances. Time for submission in case of open tender through e-procurement mode to be 21 days.
- 14.6.6 All such e-tender details are also displayed at GRSE website (www.grse.nic.in) in e-Tender link. Automatic mail is to be generated/ transmitted to the vendors encouraging their participation.
- 14.6.7 Vendors are required to obtain individual Digital Signature Certificate (DSC) in order to participate in the GRSE e-tender. In case DSC is not available to an approved/ nominated vendor, they can apply for the same (DSC application form), whereby GRSE through the ASP facilitate allotment of vendors' DSC.
- 14.6.8 Vendors are to submit their bids in the prescribed template in the ASP's portal by using their DSC before due date and time. Bid submission using DSC with PKI encryption technology ensures security and protection over the entire data transfer protocol. After successful submission of bids vendors will receive one acknowledgement report .
- 14.6.9 After tender submission due date & time (12.00 Noon), system report is to be generated from the ASP portal by using GRSE DSC to view the participation details (only total number of submission without specific mention of participating vendors' name). Bids are opened by authorized GRSE officers based on the participation data in consultation with the concerned buyer. Bidders are notified through auto-mail regarding scheduled date and time (02.00 PM) for opening of bids.
- 14.6.10 In case of management approval for extension of bid due date, corrigendum for extension of tender is submitted to ASP's portal. Automatic mail is sent to all vendors



intimating the extension of bid due date. These changes with respect to due date change are automatically recorded in system log file.

- 14.6.11 Techno commercial bid is opened by authorized GRSE Officers and soft version downloaded. Technical bids are forwarded to the indenting department and TNC records are kept in the buyer's file. Similarly, commercial negotiation and CNC records are also maintained by the buyer. These notifications are, however, conducted offline.
- 14.6.12 On completion of techno-commercial evaluation, notice for price bid opening is given through auto-mail and, the price bid is opened for the techno-commercial qualified bidders. Estimate price of GRSE indenter/ C&CP, if any is kept in sealed envelope. If necessary, based on the approval of competent authority, e-procurement nodal officer may amend the price bid opening date and time in the tender document by using of DSC and user ID/password; an auto mail is forwarded to firms regarding the price bid opening schedule.
- 14.6.13 Price bids are opened and comparative statements (CS) are generated automatically through ASP's cost evaluation program. Participating vendors are able to view price bid details by using their own DSC and user ID/password after price bid opening date and time at their own location based on the declared date/ time schedule of price bid opening.
- 14.6.14 Soft version of price bids and CS are handed over to the concerned buyer (NCM/ Purchase Department) for further processing. Price Negotiation with the Qualified L-1 bidder (s), are to be avoided as far as possible in accordance with CVC guidelines. The fact that there is no PNC is to be clearly mentioned in the Tender. If PNC is to be held, suitable justification is to be given & approval taken from TC Chairman. Purchase Proposal is initiated through DMS (or hard copy note in case intranet routing is not possible) enclosing documents i.e. TNC, CNC & PNC minutes, Bids, CS etc. and approval obtained from the relevant tender committee. On approval of Purchase Proposal, Purchase order created in SAP ECC 6.0 and issued to the concerned vendor through e-mail (unsigned system generated copy) with post / fax confirmation copy.
- 14.6.15 For Press Open Tenders: Tender documents stipulating conditions like EMD, tender fees details etc are hosted in ASP's template and after uploading the tender in the ASPs portal the same also is displayed at www.grse.in and

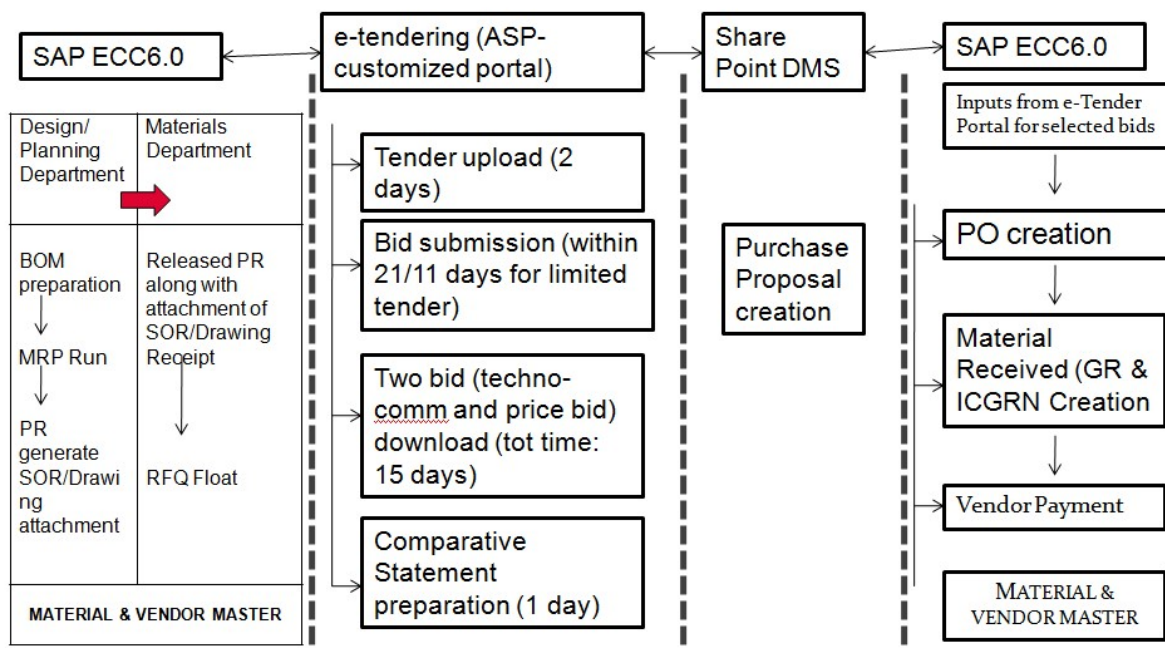


<http://eprocure.gov.in/cpppas> well published through press advertisement for invitation of vendors to participate in the tender. Those vendors having DSC can directly log in and able to download & submit the tender into the GRSE ASP's portal but those vendors who are not having DSC for participation in GRSE e-tender, can register themselves through ASP's online vendor registration procedure along with their own DSC to obtain user ID and password for participation in the tendering process. In case a vendor is not having a DSC, arrangement for the same needs to be made by them for participating in the e-tender in coordination with the e-procurement nodal officer as required.

14.6.16 Vendors are required to submit Tender fees, EMD in hard document to GRSE before tender submission due date. Scanned copy of EMD & Tender fees need to be attached in the prescribed format while uploading online bids.

14.6.17 Any foreign vendors desirous of participating in Global Tender/ Web Open Tender have to obtain DSC issued by Indian CA otherwise they will not be considered for participation in the open e-tender.

GRSE System interlinking stages





14.7 REVERSE AUCTION

14.7.1 Reverse Auction Feature in e-procurement.

'Reverse Auction' (RA) is a tool for improving pricing competitiveness and effectiveness in the e-procurement function. It can be defined as specialized auction that allows the organization to procure goods from the selected sources by triggering decreasing incremental bidding as an online- competition amongst the participating bidder. RA mode of procurement shall be stipulated in NIT. In NIT where RA is stipulated, it shall be stated that the responsibility to have own infrastructure ready and functional during auctioning shall be that of the bidders. GRSE shall not be responsible in any way for malfunctioning of the equipment or failure of power supply or any other interruptions. GRSE shall also not be responsible for any damages or consequential damages for any malfunctioning of the system during auctioning. It shall also be mentioned that bids made during auctioning are binding on them and excuses will not be accepted at all.

14.7.2 Benefits of Reverse Auctions

Following benefits are envisaged:-

- (a) Reduced Acquisition Price
- (b) Reduced Contracting Cycle Time
- (c) Increased Decision-Making Discipline

14.7.3 Rules for RA

The Bidding Rules for Reverse Auction refers to the information and terms defined specifically for the information and terms specific to the auction in which the vendors are bidding. This would include the following:

The Reverse Auction shall be conducted on specific approval of concerned Head of Purchasing Point.

- (a) Items for Reverse Auction may be selected carefully. Items in the nature of commodities, Commercially-off-the-shelf items, items having large number of suppliers and high value, procurements may be more amenable to reverse auction.



- (b) Items of strategic, critical and vital nature, items in short supply in market and where there are only a few suppliers are not good candidates for reverse auction.
- (c) There is a competitive market of bidders anticipated to be qualified to participate in the electronic reverse auction, so that effective competition is ensured.
- (d) The criteria to be used by the procuring entity in determining the successful bid are quantifiable and can be expressed in monetary terms.
[Para 4.16-page 77 - DOE manual]
- (e) Start bid price will be derived through internal estimation processes by concerned Purchase Points.
- (f) L1 price may be considered as start bid price where it is lower than the internal estimated price in case of procurement through NIC.
- (g) For procurement through GeM, GeM system will decide the start bid price which invariably is the L1 price.
- (h) PNC after RA, if required, is to be done with approval of TC Chairman.
- (i) Tender Committee shall decide decremental value.
- (j) Start Time and duration of the Reverse Auction is to be intimated to all participants.
- (k) Duration of the 'Reverse Auction' shall normally be 60 minutes with auto extension feature of the portal (If a bidder places a bid in the last 5 minutes of closing of the RA and if that bid gets accepted, then the auction's duration shall get extended automatically for another 5 minutes). Any change in duration shall be approved by TC Chairman/GM(Mat).
- (l) All bidders shall be informed of the procedure to be followed for RA. Date and time of commencement of auction, opening price of GRSE and decrement value to be quoted shall be spelt out clearly before the auction by e-procurement Section.
- (m) Price estimation (sealed envelope) if available, will be opened by F-FC cell 2-3 days prior to RA activity for deciding start bid price.



- (n) It is essential that the identity of the bidders participating in the auction shall not be known to each other. For this purpose, only the following minimum information shall appear in the bidding screen:
 - Bid Placed by the individual bidder shall be seen by the individual bidder only.
 - Lowest Bid Value prevailing at any time of auction.
 - Own Rank of the individual bidder.
 - Bid Decrement Value.
- (o) Participating bidders can submit decremented price from last quote / start bid price within the duration of the Reverse Auction (including auto extension feature bids once made by the bidder shall not be cancelled.
- (p) After conclusion of Reverse Auction, in case the successful bidder refuses to honour his bid, the bidder shall forfeit Security Deposit or EMD as applicable. The bidder may also be barred from participation in future GRSE tenders.

14.7.4 Steps & modus operandi in Procedure for Reverse Auction :

Reverse auction procedure shall be as follows:

- (a) Bidders will submit techno-commercial bid and Price Bid in e-procurement system.
- (b) The technically and commercially cleared firms shall only be allowed to participate in the RA.
- (c) Qualified bidders will be intimated through e-mail regarding schedule of Reverse Auction.
- (d) Buyer shall advise qualified bidders regarding the start bid price and decremental value.
- (e) Successful bidder will be selected through RA and log details also will be provided by the e-procurement cell and maintained by the buyer as record.
- (f) Successful bidder shall be required to submit to GRSE, within 24 hours of completion of the RA, the final prices duly signed and stamped, as token of acceptance without any new condition other than those already agreed to before start of auction.



14.7.5 No Bid Receipt

During the RA, if no bid is received in the auction system within the specified time duration, then GRSE at its discretion, may decide to revise the auction's start bid price and re-conduct the RA or scrap the RA and proceed with the conventional mode of opening the Price bids or call the L-1 bidder for price negotiation as per rule.

14.7.6 Tentative List of items for Reverse auction:

<u>Item list for Reverse Auction at GRSE Ltd.</u>	
<u>Sl. No.</u>	<u>Item Description</u>
1	Cables (all types)
2	Paints (all types)
3	CU-NI pipes, CU-NI Bud
4	Ropes
5	Steel Plate (Flat)
6	Steel Structural
7	Canteen items(grocery)
8	Canteen items(vegetables)
9	Fasteners
10	Fire Extinguisher
11	UPS
12	Computer & peripherals
13	Electrodes
14	Flanges
15	Doors & Hatches
16	Valves (all type)
17	Nuts & Bolts
18	Steel Pipe
19	Copper pipes
20	MS Flange
21	GM Flange
22	Pipe clamp
23	Cable tray/Support/Hanger
24	Cable Gland, Lugs, Stud
25	DK BHD Tube
26	Ladder steel/ Aluminium



<u>Item list for Reverse Auction at GRSE Ltd.</u>	
<u>Sl. No.</u>	<u>Item Description</u>
27	Sleeves
28	Insulation materials
29	Ropes Material/ non-metallic
30	Hose/ Bellows
31	Rubber sheet
32	MHD Fittings
33	Modular Accommodation
34	LAN Networking
35	Stationery
36	Distribution Board
37	Main switch Board
38	Emergency DG Set
39	AFDS
40	GI Bend
41	Window & Scuttle
42	Search light
43	Gemini craft
44	RIB
45	Life Raft
46	RU locker
47	Stowage Box
48	Life Rafecadle
49	Aluminium and SS Ladder
50	Non-Modular furniture
51	Light fittings
52	SS Pad
53	Tally plate
54	Rod Gearing items
55	Ship Cleaning
56	Shop Cleaning
57	Chipping & Grinding
58	Pressure Testing
59	Fairing of steel & Al str
60	Blasting & Priming Raw steel
61	Plate Cutting & bevelling



<u>Item list for Reverse Auction at GRSE Ltd.</u>	
<u>Sl. No.</u>	<u>Item Description</u>
62	Block Fabrication
63	House Keeping

Note: The above list is to be reviewed by Purchase Department/Procurement point annually

14.8 CVC GUIDELINES BEING FOLLOWED

14.8.1 INTEGRITY OF DOCUMENT: The documents should be digitally signed by the person submitting them. The web server, to which the documents are submitted for hosting, should verify the signature before hosting each.

14.8.2 SECURE HOSTING: 'HTTPS' should be used for both uploading and downloading of documents to avoid alteration of documents over the network.

14.8.3 DIGITAL SIGNING AND SUBMISSION:

- (a) The documents submitted for hosting should be in PDF or un-editable format. The document is digitally signed at the document submission end by a digital signing tool and by using a private key stored in a smart card. The detached Public Key Infrastructure (PKI) signature file is generated.
- (b) The document and the signature are uploaded to the server. The uploading procedure may be automated through a program through development effort.
- (c) The web server can verify the digital signatures programmatically when the files are uploaded.
- (d) The files and their verified signatures are hosted for downloading by end users.
- (e) This procedure will ensure that the signer is confident of what he/she is signing.
- (f) The person involved in web hosting is sure that the documents are properly signed.
- (g) 3 level security through PKI tool is being strictly adhered to and bid documents once uploaded in the e-tender portal are encrypted and decryption is possible only through the approved DSC at GRSE end.



- (h) The end users benefit that the document they are downloading is authentic and that the integrity of the document is maintained.

14.8.4 Download Procedure:

- (a) The user verifies the digital signature of the document on the web site.
- (b) User downloads both the documents and the signatures.
- (c) User can verify the signature of the documents by using any standards compliant document signing tools which can verify a PKI detached signature.

14.8.5 Certificate for Digital Signature :

- (a) The signature should be generated using a certificate issued by a Certification Authority (CA) trusted under Controller of Certifying Authorities (CCA). This is mandatory for legal validity of the digital signature.
- (b) The end user should ensure that the certificate used for signing the document is issued by a trusted CA.

14.8.6 Important CVC Circulars: E-Procurement related circulars from CVC measures are

- (a) 009/VGL/002 dated. 17th September'2009
- (b) 009/VGL/002 dated. 26th April'2010



CHAPTER 15

REGISTRATION OF VENDORS

15.1 REGISTRATION OF VENDORS

Vendor registration in GRSE is under the purview of Vendor Development (VD) Department. There is a separate GRSE Policy on Vendor Development [Seventh Edition, Version-VII, Sept. 2019] available under 'Vendor' Menu of GRSE website www.grse.in which explains all the procedure of vendor registration, revalidation, evaluation and necessary dealings with the vendors who are already doing /intend to do business with GRSE.

GRSE Policy on Vendor Development can be accessed online through GRSE's website www.grse.in through the following link :

<https://www.grse.in/wp-content/uploads/2022/11/GRSE-Policy-on-Vendor-Development-Ver-VII.pdf>



CHAPTER 16

LEGAL ASPECTS

16.1 INTRODUCTION

- (a) The principal aim for preparing a Procurement Manual is to codify all the Administrative Orders, practices and procedures into a unified system, in consonance with the statutes in vogue. Even though it is basically an instruction manual, it will not be a comprehensive document unless some of the legal aspects that directly or indirectly affect the operation of the process or the system, are contained in it. While it is impossible to elucidate such legal aspects in this short parameter, an honest attempt is made to highlight some basic principles and propositions or law, that are commonly encountered in the usual course of dealing in purchase contracts. Also, a purchase officer, while following various guidelines of the Procurement Manual, legitimately deserves to know some of the underlying legal concepts governing such guidelines.
- (b) Broadly speaking, Purchasing is a Contract, whereby the Seller transfers or agrees to transfer the title to the goods to the Purchaser in the manner stipulated in the said Contract. The foundation of this most important commercial activity is built by three main statutes viz. Indian Contract Act, 1872. The Sale of Goods Act, 1930 and the Rules, Regulations and enactments relating to State revenue.
- (c) The Contract Act, originally would determine the circumstances in which a “promise” would be legally binding on the person making it, in lieu of some “consideration”, but it did not profess to be a complete code dealing with the law relating to Contracts for sale of goods. It needed a support. The Sale of Goods Act, therefore, was enacted, which intended to deal exhaustively with the law relating to sale of goods. The specific provisions under Chapter VII of the Contract Act, relating to the sale of goods, was this repealed from the Indian Contract Act, 1872. From the aforesaid historical background, a close nexus between the Indian Contract Act, 1872, as modified and the Sale of Goods Act, 1930 is evident.
- (d) The third most important law relates to State revenue, whereby the State exchequer sought to develop its resources by levying taxes and duties on the



goods under purchase/sale in various forms and manner. In these laws, specific legal obligation has been created on the parties to a contract for sale of goods.

- (e) An additional obligation has also been created upon such corporate bodies or authorities which are considered as “State” within the meaning and scope of Article 12 of the Constitution of India. This law entails a duty upon the State to act fairly while entering into purchase Contracts. The administration must not suffer from lack of natural justice and fair play.
- (f) In the aforesaid backdrop, the essential contour of the activities relating to sale of goods are defined briefly hereinafter.

16.2 DEFINITION, MEANINGS AND INTERPRETATIONS

Various words and phrases are used in the Sales transactions, which, in addition to their respective grammatical meanings, carry specific meanings, purport and interpretations within the meaning of the relevant Acts. Some of such words and phrases, commonly used in sale transactions, are as under:

- (a) **Buyer:** A person (include an individual or a body of individuals or body corporate having a juristic status) who buys or agrees to buy the goods.
- (b) **Seller:** A person (includes an individual or a body of individuals or body corporate having a juristic status), who sells or agrees to sell the goods.
- (c) **Goods:** It has a very wide meaning and coverage, as defined and interpreted in various statues and judicial pronouncements. “Goods” means every kind of movable property other than actionable claims and money; and includes stock and shares, growing crops, grass, and things attached to or forming part of the land which are agreed to be severed before sale or under the contract of sale.
- (d) **Delivery:** Delivery means voluntary transfer of possession of the goods from one person to Mode of another. Delivery of goods under sale may be made by doing anything the parties agree beforehand or at the time of delivery. Delivery may be of three kinds, which may be enumerated as follows:
 - (i) Actual Delivery: When the goods are physically delivered to the buyer



- (ii) **Constructive Delivery:** When it is effected without any change in the custody or actual possession of things as in the case of delivery by adornment(acknowledgement)e.g. where a Warehouseman holding the goods A agrees to hold them on behalf of B, at A's request.
- (iii) **Symbolic Delivery:** Where there is a delivery of a thing in token of transfer of something else, i.e. delivery of goods in transit may be made by handing over the documents of title to goods, like bill of lading, railway receipt, delivery order or key of warehouse containing the goods is handed over to buyer.
- (e) **Document of Title to Goods:** It is the document that gives the possessor of it, the legal right on the goods mentioned on the said Document. Generally, it includes a Bill of Lading, Title Dock warrant, Ware-house Keeper's Certificate, Railway Receipt, Warranty or Order of delivery of goods etc. and any other document used in the ordinary course of business as proof of the possession or control or authorization to use the goods mentioned therein. This document, however, should specifically describe the goods.
- (f) **Price:** It is the money consideration for sale of the goods.

16.3 ESSENTIAL CONDITIONS FOR A PURCHASE

Certain conditions are essential and as such, must be fulfilled or ensured for formation of a purchase contract. As such, there must be:

- (a) An intention of the parties to enter into a Sale/Purchase Contract.
- (b) An Offer from the Seller and an Acceptance by the Purchaser.
- (c) A valuable money consideration (i.e. price).
- (d) A lawful object for lawful goods.
- (e) Competence of the parties to enter into Sales Contract.
- (f) A free and mutual consent of the parties.



- (g) The agreement is not hereby expressly declared to be void by any other law in force in India.

Note: Parties, sometime, come up with a dispute on a particular provision or provisional on the plea that (such) provision(s) is/are not provided in the contract by mutual consent of the parties. It is, therefore, imperative that sufficient care be taken to ensure point (vi) above.

16.4 FORMATION OF PURCHASE CONTRACT

- (a) Under usual course of business, the Purchaser invites offers from competent and prospective sellers, which is called Notice Inviting Tender (NIT) or simply Tender or Enquiry/ RFQ, where certain terms and conditions are pre-set. These conditions are known as “conditions for purchase”.
- (b) Consequent to such invitation, the Sellers submit their Offers, which are also known as “Quotations”. The purchaser then communicates its Acceptance of the Offer or Offers by issuing an order or orders, commonly known as “Supply Order/Purchase Order”.
- (c) Immediately on acceptance of the Offer of the Seller by the Purchaser and communication of the same to the Seller by the Purchaser, the contract for Sale is concluded and both parties are obliged to act in accordance with the provisions of the said contract.
- (d) In formation of a contract, the most important role is played by a factor known as “Time Factor”. The Purchaser must accept the offer within the date of its validity period, in default of which the Offer becomes “Stale” and does not bind the Seller/Offerer. The Seller is also entitled to withdraw its offer before the acceptance by the Purchaser. In such case, however, the EMD, if deposited by the Seller in terms of the Tender, is liable to forfeiture.
- (e) Another most important point relates to treatment of correspondences that were exchanged and negotiations that took place prior to and/or during finalization of the Contract, as part of the bargain between the parties. The final decision and/or points of agreement that would emerge from such documents, should be clearly mentioned in the Supply Order or the Contract (along with the references) in order to facilitate performance of the contract as well as to eliminate any controversy that may crop up in future.



16.5 IMPORTANT FEATURES OF A CONTRACT

- (a) **Communication of Proposal and Acceptance:** The communication of a proposal is complete when it becomes to the knowledge of the person to whom it is made. The communication of an acceptance is complete as against the proposer, when it is put in a course of transmission to him so as to be out of the power of the acceptor; as against the acceptor, when it comes to the knowledge of the proposer.
- (b) **Termination, Cancellation & Recession:** These words are synonyms having very little distinguishable features. While Termination or Cancellation means “to come to an end”, the word Recession has a distinct legal character. It is a volition act of the party who is not guilty of breach of the contract to terminate the contract when there is a breach by the other party. In the former case, the parties may endorse on the act by consent but in the latter case, there must be a breach for recession. It is, therefore, important to keep the above aspect in mind while using these words in commercial letters, otherwise, even an innocent mistake may create a serious legal complication.
- (c) **Breach:** Failure to perform any or all the obligations under the Contract is called a Breach. Breach by one party gives rise to a cause of action for which the other party is entitled to seek suitable compensation or damage from the former. Even though the Purchaser complaining of non-performance by the Seller has no legal right to seek for specific performance (or vice versa), in some exceptional cases, specific performance are considered to be the only remedy and thus, granted.

16.6 CONSEQUENCES OF BREACH, TERMINATION/ RECESSION

- (a) The party complaining of breach by the other, is entitled to claim damages from the later, in accordance with the provisions of the contract or law. In other words, damages flow from the breach and subsequent recession of the contract. The word “damage” has an extremely wide connotation, both in the Sale of Goods Act and the Contract Act. Commonly, damages are known to be the pecuniary recompense given by process of law to a person for the actionable wrong that another has done to him. In a transaction for sale of goods, following two types of damages are claimed very often:
 - (i) Liquidated Damages (LD) for delivery beyond the agreed date of delivery.
 - (ii) Damages flowing from procurement of goods from alternate source or simply purchase at risk and cost of the seller.



- (b) In the former case, the Purchaser becomes entitled to recover such sum as mentioned in the contract, consequent to failure of the seller to supply the goods within the time prescribed in the order. But the essence of such damage should be a genuine covenanted pre-estimate of damage.
- (c) In the later case, where the seller fails to supply the goods, even after allowing sufficient time and opportunity in accordance with the terms of the contract, the purchaser rescinds the contract and arranges to procure the goods from alternate source. In this process, if the purchaser suffers any loss by way of higher procurement cost, the differential cost is usually recovered from the supplier against the said "Risk & Cost" condition.
- (d) Similarly, the seller is also entitled to claim damages from the purchaser for any wrong done by the purchaser. The quantum of such loss or damage, however, is a subject matter of proof by the seller.
- (e) **Effect of failure to perform within a fixed time in contract:**
 - (i) **Time is essence of Contract:** When a party to a contract promises to do a certain thing at or before a specified time, the contract or so much of it as has not been performed, becomes voidable at the option of the promisee, if the intention of the parties was that time should be of essence of the contract.
 - (ii) **Time is not essence of Contract:** If it was not the intention of the parties that time should be of the essence of the contract, the contract does not become voidable by the failure to do such thing at or before the specified time; but the promisee is entitled to compensation from the promisor for any loss occasioned to him by such failure.
 - (iii) **Effect of acceptance of performance at time other than agreed upon:** If, in case of a contract voidable on account of the promisor's failure to perform his promise at the time agreed, the promisee accepts performance of such promise at any time other than agree, the promisee cannot claim compensation of any loss occasioned by the non-performance of the promise at the time agreed, unless, at the time of acceptance, he give notice to the promisor of his intention to do so.



16.7 FRUSTRATION AND FORCE MAJEURE

- (a) The words “termination, breach and damage” have a very close link with the “Doctrine of Frustration” or “Force Majeure”. If either party is prevented from performing the contract, for reasons beyond his reasonable control, he may take shelter under the provision of Force Majeure or the Doctrine of Frustration. While the former is generally not to be included suo-moto in the draft contract, the latter is an implied condition under the Contract Act. No damage flows from the circumstances arising out of either frustration or force majeure.
- (b) “Frustration” is defined as the premature determination of an agreement, lawfully entered into and in course of operation at the time of its premature determination, owing to the occurrence of an intervening event or change of circumstances, so fundamental as to be regarded by law both as striking at the root of the agreement and as entirely beyond what was contemplated by the parties when they entered into the agreement. But if such intervening circumstances is one which the law would not regard as so fundamental as to destroy the basis of the agreement, there will be no frustration. As a result of frustration, the contract becomes void.
- (c) Force Majeure clause is not to be included suo-moto in the standard terms forwarded to the seller. However, when the seller insists on inclusion of such a clause, it should be as per format approved by the Ministry of Law as under:

FORMULATION OF FORCE MAJEURE CLAUSE AS VETTED BY MINISTRY OF LAW:

Should any force majeure circumstances arise, each of the contracting party shall be excused for the non-fulfilment or for the delayed fulfilment of any of its contractual obligations, if the affected part within 15 days of its occurrence informs the other party in writing.

Force majeure shall mean fires, floods, natural calamities or other acts such as war, turmoil, strikes (as not limited to be establishment of the seller), sabotage, explosions, quarantine restrictions beyond the control of either party.

It is understood and agreed between the parties hereto that the rights and obligations of the parties shall be deemed to be in suspension during the continuance of the force majeure event as aforesaid and the said rights and obligations shall automatically



revive upon the cessation of the intervening force majeure event. The period within which the rights and obligations of the parties shall be in suspension due to force majeure event shall not be considered as a delay with respect to the period of delivery and / or acceptance of delivery under the contract or otherwise to the detriment of either party.

Notwithstanding the provisions of the immediately foregoing clauses it is further understood and agreed between the parties hereto that in the event of any force majeure persisting for an uninterrupted period exceeding 6 (six) months, either party hereto reserves the right to terminate this contract upon giving prior written notice of 30 (thirty) days to the other party of the intention to terminate without any liability other than reimbursement on the terms provided in this agreement for the goods received.

16.8 NOVATION

Sometimes, it becomes necessary to amend and/or modify an existing contract. Such substitution is considered as the core of Novation. If the parties to a contract agree to substitute a new contract for it, the original contract need not be performed. The issuance of an amendment to a supply order, altering and/or modifying any or all of the terms and conditions of the said supply order, is considered to be Novation.

16.9 DISPUTE RESOLUTION MECHANISM (DRM):-

The tender documents shall contain following Dispute Resolution Mechanism along with Arbitration clause.

- (a) Any dispute/differences between the parties arising out of and in connection with the contract shall be settled amicably by mutual negotiations.
- (b) In case of non-settlement by (a) above, if at any time, before, during or after the contract period any unsettled claim, dispute or difference arose between the parties, upon or in relation to or in connection with or in any way touching or concerning this tender/agreement/order/contract, the same shall be referred to the concerned Functional Director.
- (c) The Functional Director shall then nominate an Executive of the rank of General Manager whom he thinks fit and competent or a Committee of Executives who/which



shall then scrutinize the claims/disputes that have been referred to the concerned functional Director and make efforts for amicable settlements by mutual discussions/negotiations.

- (d) In case no amicable settlement is arrived by (b) above within a period of three months, then the Supplier/Contractor shall approach Public Grievance Cell and address the disputes as per the provisions made under the relevant clause of the contract.
- (e) In case the issues/disputes do not get settled within a period of six months from the date of submission of the dispute to the Grievance Cell, then the Supplier/Contractor may invoke Arbitration Clause of the contract.

16.10 ARBITRATION

16.10.1 ARBITRATION FOR DOMESTIC COMMERCIAL CONTRACTS

- (a) If at any time, before during or after the contract period, any unsettled claim, question, dispute or difference arises between the parties, upon or in relation to or in connection with or in any way touching or concerning this order, the same shall be settled/adjudicated through Arbitration to be conducted by a Sole Arbitrator, to be appointed by the parties on mutual consent, in accordance with the provisions of the Arbitration and Conciliation Act, 1996.
- (b) In the event the parties fail to mutually appoint a Sole Arbitrator within 30 days from the receipt of a request by one party from the other, then either of the parties may approach the Hon'ble High Court at Calcutta under the provisions of the Arbitration and Conciliation Act, 1996 for appointment of a Sole Arbitrator by the Hon'ble Court.
- (c) Such arbitration shall, in all respects, be conducted in accordance with the provisions of the Arbitration and Conciliation Act, 1996 and the rules framed there under or any statutory modification or re-enactment thereof for the time being in force.
- (d) The Award of the Sole Arbitrator shall be final, conclusive and binding upon the parties.
- (e) In the event of the death or resignation or incapacity or whatsoever of the said Sole Arbitrator if appointed by the parties mutually the said parties may again appoint a suitable Substitute Arbitrator in place of the erstwhile Sole Arbitrator to continue with



the proceedings. In the event of appointment of the Sole Arbitrator by the Hon'ble High Court at Calcutta on death or resignation or incapacity or whatsoever of the said Sole Arbitrator, either of the parties in this behalf, may make an application to the Hon'ble High Court at Calcutta for appointment of a Substitute Arbitrator and the Hon'ble Court may pass such orders as it deems fit and proper.

- (f) Also in the event an Arbitration award is set aside by a competent court the parties may appoint a Sole Arbitrator mutually or on failing to appoint a Sole Arbitrator mutually within the statutory period then either of the parties may file an application before the Hon'ble High Court at Calcutta under the provisions of the Arbitration and Conciliation Act, 1996 for appointment of a Sole Arbitrator by the Hon'ble Court in accordance with the provisions of the Arbitration and Conciliation Act.
- (g) The cost of the arbitration, fees of the arbitrator, remuneration of the stenographer and clerk, stamp paper etc. shall be shared equally by the parties, unless otherwise directed by the Sole Arbitrator. The venue of arbitration shall be at Kolkata and unless otherwise decided by the parties or by the Sole Arbitrator himself, the venue shall be the premises of Garden Reach Shipbuilders & Engineers Ltd. located at 43/46, Garden Reach Road, Kolkata 700 024.
- (h) The language of the proceeding shall be in English."

16.10.2 ARBITRATION IN CASE OF IMPORT PROCUREMENT:

(Refer Note sheet: NCM/Arbitration clause/Foreign Bidder dated 02.02.2018, approved by C&MD on 27.03.2018).

- (a) The NIT/Tender document shall contain GRSE's standard Arbitration clause for International Commercial Contract (Refer para 16.10.3). In case bid received from foreign OEM contain deviation from GRSE's standard Arbitration clause, negotiation with foreign OEM (during CNC) will be conducted for acceptance of GRSE's standard arbitration clause.
- (b) In case bidder does not even accept '**Arbitration through ICA**', '**Arbitration through ICC (International Chamber of Commerce)**' as per 16.11.2 with seat of arbitration at Singapore shall be proposed. '**Three arbitrators**' in lieu of Sole arbitrator' shall be accepted if insisted upon by bidder after obtaining approval of TC Chairman.



16.10.3 ARBITRATION CLAUSE FOR INTERNATIONAL COMMERCIAL CONTRACT

- i) If at any time, before during or after the contract period, any unsettled claim, question, dispute or difference arises between the parties, upon or in relation to or in connection with or in any way touching or concerning this order, the same shall be settled/adjudicated through Arbitration to be conducted by a sole arbitrator under the laws of India
- ii) The India International Arbitration Centre (IIAC), New Delhi on an application made by either of the parties and addressed to the Chairperson or the Registrar of IIAC, shall appoint a Sole Arbitrator under its applicable Rules. The procedure of the arbitration shall be governed by the applicable Rules of IIAC.
- ii) Both parties agree and accept IIAC for all arbitral references and have satisfied themselves about the neutrality and eligibility of the IIAC.
- iv) The Award of the Sole Arbitrator shall be final, conclusive and binding upon the parties.
- v) In the event of the death, incapacity, resignation or inability for any reason whatsoever of the Sole Arbitrator, the appointing Institution i.e, IIAC, shall, on an application from any of the parties, appoint another fit and competent person as Sole Arbitrator to adjudicate on the issues originally referred in accordance with law.
- vi) The arbitrator shall be competent to grant interim orders and direct measures for interim protection to the parties.
- vii) If the arbitration award is set aside by a competent Court and unless the disputed issues are decided or otherwise ordered by the said Court, the appointing institution i.e, IIAC shall, on an application from any of the parties, appoint a new person as Sole Arbitrator to adjudicate such disputes and differences in accordance with laws in force in India.
- viii) The cost of the Arbitration including the Arbitrator's, remuneration, stenographer and clerk's charges, etc., unless decided otherwise by the Sole Arbitrator, shall be shared equally by the parties.
- ix) The Administrative costs and expences of IIAC, if any, shall be borne by the respective parties as per the IIAC Rules, unless otherwise directed by the Sole Arbitrator.



- ix) The seat/venue of the Arbitration unless otherwise decided by the Sole Arbitrator shall be Kolkata, India.
- x) The language of the proceeding shall be in English.

16.10.4 ARBITRATION THROUGH International Chamber of Commerce (ICC):

- (a) In the event of any dispute or difference whatsoever arising in connection with the interpretation or implementation or termination or breach of this Agreement, the Parties shall attempt in the first instance to resolve such dispute amicably.
- (b) If such dispute or difference is not resolved amicably within 45 (forty-five) days after commencement of discussions or such longer period as the Parties agree to in writing, then either of the parties may refer the dispute for resolution by arbitration in accordance with the following provisions.
 - (i) Reference shall be made to the Arbitration by a Sole Arbitrator to be appointed by the mutual agreement of the parties. In the event of disagreement between the parties as to the appointment of a person as Sole Arbitrator or that if either of the party fails to concur as regards the name of the proposed Arbitrator as suggested by one of the parties to the dispute , then after expiry of 30 days from the date of such request for concurrence either of the parties shall refer the matter to the Secretariat of International Court of Arbitration at Paris under the International Chamber of Commerce and in such case the Sole Arbitrator would be appointed by the International Court of Arbitration as per the International Chamber of Commerce Arbitration Rules.
 - (ii) The arbitration award shall be final, conclusive and binding on the Parties and the Parties agree to be bound thereby and to act accordingly.
 - (iii) The language of the arbitration proceedings shall be in English.
 - (iv) The Arbitration would be conducted as per the Arbitration Rules of International Chamber of Commerce and the substantive laws of India will govern the contract.
 - (v) The cost of the arbitration excluding the fees of the respective Counsel of the parties shall be shared equally by the parties.



- (vi) The Venue of Arbitration shall be in Kolkata/Neutral country (preferably in **Singapore**) and award shall be published thereat.

16.10.5 Arbitration between CPSE and DPSE

In the event of any dispute or difference relating to the interpretation and application of the provisions of commercial contract(s) between Central Public Sector Enterprises (CPSEs) and Defence Public Sector Enterprises (DPSEs), such dispute or difference shall be taken up by either party for resolution through Administrative Mechanism for Resolution of CPSEs Disputes (AMRCD) as per DPE's Office Memorandum/Order/Circular.

16.10.6 Arbitration Awards

- (a) In cases where GRSE has challenged an arbitral award and, as a result, the amount of the arbitral award has not been paid, 75% of the arbitral award (which may include interest up to date of the award) shall be paid by GRSE to the contractor/ concessionaire against a Bank Guarantee (BG). The BG shall only be for the said 75% of the arbitral award as above and not for the interest which may become payable to GRSE should the subsequent court order require refund of the said amount.
- (b) The payment may be made into a designated Escrow Account with the stipulation that the proceeds will be used first, for payment of lenders' dues, second, for completion of the project and then for completion of other projects of GRSE as mutually agreed/ decided. Any balance remaining in the escrow account subsequent to settlement of lenders' dues and completion of projects of GRSE may be allowed to be used by the contractor / concessionaire with the prior approval of the lead banker and GRSE. If otherwise eligible and subject to contractual provisions, retention money and other amounts withheld may also be released against BG.

16.11 DUTIES AND LIABILITIES

- (a) An employee, acting on behalf of the organisation, for all intent and purposes, is an agent of the organisation and the organisation is responsible for all acts and conducts of the said employee. However, an employee is personally liable for all consequences if he acts beyond his jurisdiction or authority conferred upon him or does something with or without the consent of superior authority, which are unlawful or against the public policy.



- (b) GRSE, being a “State” within the meaning of Article of 12 of the Constitution of India, an additional duty is cast upon the purchasing authority to ensure fairness in all matters for awarding of Contract.
- (c) Last but not the least, a contract must not only be legitimate but it must also appear to be legitimate in all respects.



CHAPTER 17

INTER-DEPARTMENTAL RELATIONSHIP

17.1 INTER- DEPARTMENTAL RELATIONSHIP

- (a) A good inter-departmental relationship is the key to successful team spirit. In a big organization like GRSE where Departments are delegated with specific financial authority, satisfactory and harmonial inter- departmental relationship can be achieved for a common objective through a proper system of communication which may either be vertically upward/downward or lateral. Any kind of strained relationship is a by-product of distorted or lack of communication. It is, therefore, essential to avoid communication gap which might be achieved through personal contacts, telephonic communication, meetings in a committee, and as a result of prompt and to the point dissemination of information.
- (b) Success of the Ordering Department in giving required service to internal customers of projects and production departments to meet the organizational objective will, in turn, depend on the mutual co-operation. Project Planning Department will keep the Ordering Department informed on the current and future activities in terms of production schedule and probable changes, any new orders likely to be received, volume of business etc. Such information will enable the Ordering Department to initiate preliminary procurement action necessary before placement of finals orders and thereby improve upon the lead time and delivery.
- (c) Project/Production Departments Vs. Ordering Department: A close rapport between Project and Ordering Departments will result in considerable cost saving through avoidance of stock-outs, economic buying of substitute material, etc. For this purpose, not only, Project/Production Department will review their exact requirement of materials/components but also communicate any changes that might arise in the near future. Same shall be conveyed through Stores to Ordering Department in order to avoid any future problems arising out of communication gap. In fact, it is a relationship of output and input. Better input information to the Ordering Department will result in a better output of service to Production/Project Department.



- (d) Central Design Office Vs. Ordering Department: While C.D.O. generates the materials requirement of shipbuilding, it is the responsibility of the Ordering Department to translate such requirement to order and get material in. In the process problems of extra specification rigidity, incomplete Statement of Requirement (SOR) or Statement of Technical Requirement (SOTR) etc. are encountered albeit after a lapse of time and there by complications arise when Project/Production Department demand materials for which the solution lies in understanding the mutual difficulties and in giving a quick decision before finalization of the orders. This will reduce not only the delay in the execution of the orders but also subsequent rejections/non-availability. C.D.O. should take care of the market constraints as projected by the Ordering Department and suitably amend GRSE's requirements to be very realistic. New technical developments and substitutes will be brought to the notice by purchasers for the consideration of price, economy, competition and availability. Adequate copies of drawings, specification shall be provided by CDO/Indenter to avoid delay in issue of Tender enquiry and order.
- (e) Project Planning & Control Vs. Ordering Department: Project Planning & Control Department acts as an intermediary between Ordering Department and Project/Production Department. It gets information from the Ordering Department regarding the availability or any set of constraints as applied to supply position and the same is disseminated to the Project/Production Department so that they can accordingly allocate the machine and man-hours. In this process, Production Department will be relieved of their routine follow up work. In the event of delay in receipt of ordered item for reasons beyond control of ordering department, PP&C would consider diversion of same/similar items from other projects to cater for the priority in requirement. When quantity is inadequate and time frame or quality requirement cannot be achieved or outside vendor is monopolistic and cost is prohibitively high, P&PC would attempt in plant manufacturing, if feasible, to tide over such uncertainty in procuring the items by Ordering Department. Again P&PC should not insist for subcontracting jobs in cases where skill is not available or quantum and cost of job is very small and not available from available subcontractors and such jobs should be carried out using in plant resources. Adequate copies of SOR & Drawing as required with details of service facilities/materials to be provided to sub-contract or free of cost to be clearly defined by PP&C / Indenter to avoid delay in issuance of Tender Enquiry / order.
- (f) Projects/Production Control/Stores vs. Ordering Department: All these Departments should form a close circuit for dissemination of information relating to the projected



demand of any kind of supplies. All Projects/Production Departments are required to project to Stores their quarterly requirement of any category of stock item and the same informed to the Ordering Department for procurement. Stores on receipt of materials should disseminate the required information to all Departments concerned. P&PC to also study stock position to avoid high inventory carrying cost.

- (g) Maintenance Vs. Ordering Department: Maintenance Department not only maintains the machines but also tries to reduce the bottlenecks in production line due to shut down for which spontaneous help is required from all corners, viz. Ordering and Finance Department.
- (h) Finance Vs. Ordering Department: Finance Department will render effective support to the Ordering Department by honouring the financial commitments made by the Ordering Department to its suppliers, and this goes a long way to improve the activities of GRSE. Although Project / Production Department is responsible for timely execution of the projects, a timely delivery of the material to customers, services from Accounts / Ordering Departments given at the right time are complementary function to fulfil the entire activity. It is, therefore, absolutely essential to have co-operation between line and service functions, whenever ordering department accords priority for payment to meet emergent production requirement.
- (i) Quality Assurance Dept. Vs. Ordering Department: QA also forms a vital link in the inter-departmental circuit. There are occasions when production is threatened due to strict adherence and rigidity in our attempt to control quality. Quality and cost cannot be isolated very much from each other. For 100% quality control, perhaps the cost will become prohibitive. In this respect QA is to adapt a pragmatic approach. This is without compromising on the quality and will establish a close rapport between the Production and Ordering Department. A practical and value engineering approach by Q.A. Dept. with due endorsement of user Department will lend the necessary pragmatism as required for the professional functioning of the Company. The Draft QAP/Model QAP is to be included in the NIT. The indenter is required to include the same in the tender.
- (j) Receipt Inspection Cell Vs. Ordering Department: RIC has a vital role to reveal shortfall / breakage / damage / deficiency in supplies vis-à-vis order and all concerned including Suppliers, Stores, Ordering Dept. should be reported clearly for their respective actions. Ordering Dept. should provide all documents like Order Copy, Inspection Note, Guarantee Certificate, Test Certificate, Packing List etc. to RIC so



that they can conduct receipt inspection promptly. Similarly, RIC should come forward to carry out receipt inspection for items urgently required for production. There should be good understanding and harmonious relationship between RIC, Stores & Ordering Dept. so that material is quickly cleared in receipt inspection.



CHAPTER 18

BUYER-SELLER RELATIONSHIP

18.1 INTRODUCTION

Public relation goes along way for effective, economic and timely procurement of various supplies.

All Ordering Dept. shall build up proper seller-buyer relations. Ordering Dept. has a real opportunity and great responsibility of building the reputation of the understanding and the good will it commands. Everyone in the Ordering Dept. will deem this function as important as contributing to company's profit through the extension and involvement of the supplier's team of manufacturing, engineering and R & D as an integral part of GRSE's related functions.

18.2 BUSINESS PARTNERSHIP MEET

- (a) For incorporating improvement towards achieving higher efficiency in terms of quantity, workmanship and reduction in time frame in delivery of ships engineering and other products manufactured by GRSE, active participation of Ancillary Industries is considered most important and counted as a major factor.
- (b) Keeping in view and for closer interaction and exchange of views for the benefit of all concerned and identify areas where improvement could be imparted, Business Partnership Meets should be organized by Ordering Departments at convenient interval.
- (c) A vendor should be sold the idea that there is a genuine interest of the buyer in supply rather than a mere contract fulfilment. A business relationship always pays.
- (d) Follow straightforward conduct in all transactions consignment with the overall buying policies and principles of GRSE.



- (e) The competition amongst suppliers shall be kept open and fair and the sanctity of the tendering system will be maintained by discouraging revision of bids after submission and insisting on receiving the best price at the outset.
- (f) The confidence of the seller or his company shall be respected as to quotations or other confidential information.
- (g) All correspondences with the vendors shall be prompt, complete and to the point.
- (h) The seller's genuine omissions/errors shall not be exploited.
- (i) The buyer shall visit from time to time sources of supply and keep informed about products and stability.
- (j) Give all sellers a full, fair, prompt and courteous hearing.
- (k) Cordial and due consideration shall be given to all vendors.
- (l) A buyer shall keep himself free of any obligation to any supplier.
- (m) Respect time of both yourself and that of the vendor. Maintenance of time schedules for meetings also establish good relations. Prior appointments will conserve time.
- (n) Mutual friendly relations are matters apart from business. It is a two-way traffic to foster business relationship on proper plane. To confer with business circle when an item is suddenly required urgently, the seller may come to the rescue of the buyer. The supplier, receiving brusque dealings will not make any effort to render any special service. Honestly reciprocity and square dealings beget friendship.
- (o) All sorts of commercial bribery, favouritism entertainments which prejudice the buyer's fair decision will be treated as serious offence and by all means, should be avoided. Attempts to influence decisions unfairly or push any product through any other departments are to be thoroughly discouraged.
- (p) Assurances which cannot be kept shall not be given as in the long run they will undo all the previous goodwill built up. To respect GRSE's obligations, express/implied promise which Ordering Department cannot be reasonably expected to fulfil, will be tactfully avoided.



- (q) Lend all kinds of help in explaining the procedures for submission of bills, payment follow-up etc.
- (r) Purchasing from the vendor shall be avoided as it entails legal complications.
- (s) All denials shall be communicated with courtesy and the vendor should be convinced logically. This will prevent the consequent damages which otherwise a disappointed vendor may cause.
- (t) Disclosing any confidential matter will be treated as serious offence and should not be done under any circumstances.



CHAPTER 19

MATERIAL MANAGEMENT IN PERSPECTIVE

19.1 INTRODUCTION

Implementation of effective materials management in GRSE will result in all-round performance improvement. Inventory carrying cost should be brought to minimum as far as possible. Concerted and continuous application of the above aspects will enhance the contributing value of the materials management. Concerted and continuous application of the above aspects will enhance the contributing value of the materials management. All concerned departments need to keep close watch to maintain minimum stock level to avoid blocking of fund. It will embrace better materials accountability. Some of the analytical aspects of the materials management to be followed by ordering departments in this regard are given below:

- (a) Inventory Control
- (b) ABC Analysis
- (c) Standardization
- (d) Materials Planning
- (e) Demand Forecasting
- (f) Value Analysis and Value Engineering
- (g) Cash flow projections for the various projects

19.2 INVENTORY CONTROL

- (a) It aims at carrying on operations at the most optimal level of average inventory. Some sophisticated tools for inventory control viz. Economic Order Quantity (EOQ), Re-order



Level (ROL) and buffer stock etc. may not be strictly applicable as it is even for all stock category items in GRSE due to wide fluctuation of the consumption pattern largely precipitated by jobbing/seasonal type of work. In steel, tailor-made inventory control strategies need to be adopted to suit specific need of GRSE.

- (b) As such some of the stock items may run out of stock since we do not propose to give 100% insurance service level which will mean a very big inventory build-up. Stock-out will be restricted to 2 to 5 percent of a.
- (c) With a service level of even 95 to 98% it is quite possible that a particular point of time some stock category items may go out of the stock. As a policy, avoid colossal Inventory for each category at the expense of minor short-lived stock-out.
- (d) Where applicable for certain groups of stock items, the ROL and the buffer stock (which are the functions of the variable demand rate and replenishment cycle time i.e. lead time) should be constantly reviewed by the Stores Department in liaison with Procurement Department, and indenting procedure should be adopted in the following manners:
 - (i) For all types of 'A' category items annual indents will be placed to the Procurement Department who in turn will try to finalize in as many cases as possible a Rate/Running Contract with staggered delivery. Minimum one month's stock should be maintained at all times.
 - (ii) For 'B' category items indents will be raised for 6 months' requirements. All similar types of items should be consolidated so that piecemeal enquiry is avoided by the Procurement Department. Two orders per item shall be placed in a year with staggered delivery. Minimum 02-month consumption should be kept in the stock.
 - (iii) For all 'C' category items one order should be placed to cover the entire annual requirement and the indent is to be raised accordingly. All types of similar items should be covered in one indent to avoid piecemeal enquiry and ordering.
 - (iv) For non-stock items, ordering should be nominated so that the Minimum funds are invested to keep down the components / W.I.P. inventory.



- (e) In order to minimize surplus inventory (particularly of the projects and new construction) Stores Dept. should invariably be contacted at the design stage when bills of materials are being finalized and vice versa.

Stores including Surplus Stores will carefully check-up the non-stock in dents regarding availability of the stock and if so the details of such stock identifying the P.O. and Yard No. are to be furnished to Design Office / Planning before releasing any SIR/Indent to the ordering Department for such procurement action.

If the nomenclature does not tally, any suitable alternative available in the supply stock may be offered to the indenter for their examination and consideration.

- (f) Delivery schedule should match the production schedule. Delay in receipt of one component of one type of material may postpone the production schedule. In such circumstances delivery of the relating items will accordingly be monitored to avoid unnecessary inventory and W.I.P.
- (g) Inventory control, however, does not mean elimination or wiping off desired level of inventory since inventory will basically serve the purpose of insurance against uncertainty.
- (h) SOTR OF ALL THE STOCK CATEGORY ITEMS TO BE STANDARDIZED.
- (i) INDENT TO CREATE FOR YEAR CONSUMPTION BASIS RATHER PIECEMEAL BASIS.



19.3 ABC ANALYSIS

It is a basic technique of Materials Management which calls for selective control. Purchasing policy and procedure will be geared to this formulation so that maximum attention is adopted for control of 'A' category high value items right at the pre-design and pre-purchase value analysis stage. It needs also close follow-up where a number of orders will cater for staggered delivery. For medium and small value items, proportionate attention will be paid for control purpose but not to that extent as applicable for high value items. It is recommended that all Departmental Heads will get themselves involved in control of the high value items whereas the medium and small value items will be controlled at the junior supervisory ranks.

19.4 STANDARDIZATION

- (a) In GRSE implementation of standardization is not upto the expectation although it is felt by everyone that it is one of the most valuable management tools not only to increase profitability but also to reduce cost and keep down the inventory.
- (b) Indenting of any special type of material, tools and other miscellaneous items will be carefully examined to make room for any standard / stock category item. In the next 2/3 years aggressive standardizing activity will be resorted to and implemented in GRSE in order to reduce the number of non-stock S.I.R.s / Indents as well as the number of non-standard items held in the inventory.
- (c) Any S.I.R. / Indent for non-stock category item above a certain value (Rs.2,000/- per item) will be subject to scrutiny by Departmental Head.

19.5 MATERIAL PLANNING & FORECASTING

Much of the material problems relate to lack of demand forecasting in GRSE.

- (a) A forecast is a conjectural estimate of future activities or events. A project is simply a plan with a purpose. Forecast and project plan are, therefore, inseparable activities.
- (b) Planning means organizing the use of factors of supply and production and allocation of the fund with a definite target. Since plans are circumscribed by numerous constraints at different points of time, a forecast technique will go along way to alleviate such constraints.



- (c) Forecasting is a piece of information and its quality is to be judged on how far it helps a decision whether be it a pricing decision, a sanctioning decision or a procurement decision.
- (d) For smooth functioning of the various ordering departments (particularly, Purchase Department) the following forecasting system will be resorted to:
 - (i) Before commencement of a financial year say, around February/March, the project authority with due approval of the Management will inform all concerned about the current year's tentative production activities/plan.
 - (ii) This will be followed by a break-up of the material Schedule.
 - (iii) Stores will examine the stock position and the Quantity of the various components and materials to be procured will be conveyed to the Purchase Department concerned.
 - (iv) Central Design Office and other Projects/planning will indicate the probable requirement of the various types and sizes of the steel and alloy steel.
 - (v) Planning Dept. in conjunction with C.D.O. and various other Projects will project the probable requirement of timber including ply wood sheets and MPL sheets for the entire year.
 - (vi) Planning Dept. in conjunction with C.D.O., Shipbuilding Shop and Fitting Out Jetty will project the requirement of the paints, adhesive and insulation material.
 - (vii) In this way the high value / critical items should be brought under the purview of the Budgetary Control.
- (e) Any project department needing any foreign exchange release should project their requirement giving full particulars as per the proforma furnished by the Purchase Dept.
- (f) For stock category items, all the Shops/Projects will furnish to the Stores Department a quarterly demand profile. This is to be reviewed in every quarter and Stores Department will accordingly amend the indented quantity.



19.6 VALUE ANALYSIS

Although recently launched in GRSE, it should be carried on by all concerned with a great momentum. A Central Committee under the Chairmanship of AGM (Industrial Engineering) and comprising of member representatives from CDO, particular project concerned, N.C.M. Department and Purchase Department should meet once in a quarter to review and monitor the progress in this area.

19.7 CASH FLOW PROJECTION FOR VARIOUS PROJECTS

- (a) Cash Flow Projections are required by Finance Department for determination of Cash Outflow Budget. All Purchase points including NCMP Department and Project Departments will analyse on the basis of orders placed and purchase requisition /indent in hand vis-à-vis stage payment contracted and or projected should be formulated.
- (b) The success in materials management is not simply the luck of the draw but the successful exploitation of opportunity which will largely depend on the extent of realistic forecasting system to be followed in GRSE.



CHAPTER 20

MICRO & SMALL ENTERPRISES

20.1 BENEFITS BEING ACCORDED TO THE MICRO & SMALL ENTERPRISES

- (a) From time to time, the Government of India (Procuring Entity) lays down procurement policies to help inclusive national economic growth by providing long-term support to micro, small and medium enterprises and disadvantaged sections of society. The Procurement Policy for Micro and Small Enterprises, 2012 [amended 2018 and 2021] has been notified by the Government in exercise of the powers conferred in Section 11 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. Details of the policy along with the amendments issued in 2018 and 2021 are available on the MSME website.
- (b) Micro and Small Enterprises (MSEs) registered under Udyam Registration are eligible to avail the benefits under the policy.
- (c) The Policy is applicable to all the Central Government Ministries / Departments/ CPSUs. However, the policy is not applicable to State Government Ministries / Departments / PSUs.
- (d) To reduce transaction cost of doing business, MSEs will be facilitated by providing them tender documents free of cost, exempting MSEs from payment of earnest money deposit, adopting e-procurement to bring transparency in tendering process. However, exemption from paying Performance Bank Guarantee is not covered under the policy. MSEs may also be given relaxation in prior turnover and prior experience criteria during the tender process, subject to meeting of quality and technical specifications. However, there may be circumstances (like procurement of items related to public safety, health, critical security operations and equipment, etc.) where procuring entity may prefer the vendor to have prior experience rather than giving orders to new entities.
- (e) Chapter V of the MSME Act, 2006 also has provision for ensuring timely payments to the MSE suppliers. The period agreed upon for payment must not exceed forty-five days after the supplies. For delays in payment the buyer shall be liable to pay



compound interest to the supplier on the delayed amount at three times of the bank rate notified by the Reserve Bank. For arbitration and conciliation regarding recovery of such payments and interests, Micro and Small Enterprises Facilitation Council has been setup in states.

- (f) In tender, participating Micro and Small Enterprises (MSE) quoting price within price band of L1+15 (fifteen) per cent shall also be allowed to supply a portion of requirement by bringing down their price to L1 price in a situation where L1 price is from someone other than an MSE and such MSE shall be allowed to supply up to 25 (twenty-five) per cent of total tendered value. The 25% (twenty-five percent) percent quantity is to be distributed proportionately among these bidders, in case there are more than one MSEs within such price band.
- (g) Within this 25% (twenty-five percent) quantity, a purchase preference of four (4) per cent s reserved for MSEs owned by Scheduled Caste (SC)/ Scheduled Tribe (ST) entrepreneurs and three (3) percent is reserved for MSEs owned by women entrepreneur (if they participate in the tender process and match the L1 price). However, in event of failure of such MSEs to participate in tender process or meet tender requirements and L1 price, four percent sub-target for procurement earmarked for MSEs owned by SC/ST entrepreneurs and three (3) percent earmarked to women entrepreneur will be met from other MSEs. MSEs would be treated as owned by SC/ ST entrepreneurs:
 - (i) In case of proprietary MSE, proprietor(s) shall be SC /ST;
 - (ii) In case of partnership MSE, the SC/ ST partners shall be holding at least 51% (fifty-one percent) shares in the unit;
 - (iii) In case of Private Limited Companies, at least 51% (fifty-one percent) share shall be held by SC/ ST promoters.
- (h) If subcontract is given to MSEs, it will be considered as procurement from MSEs.
- (i) In case of tender item cannot be split or divided, etc. the MSE quoting a price within the band L1 + 15% may be awarded for full / complete supply of total tendered value to MSE, considering the spirit of the Policy for enhancing Govt. Procurement from MSEs.



- (j) To develop MSE vendors so as to achieve their targets for MSEs procurement, GRSE shall take necessary steps to develop appropriate vendors by organizing Vendor Development Programmes (VDPs) or Buyer-Seller Meets focused on developing MSEs for procurement through the Government e-Marketplace (GeM) portal. In order to develop vendors belonging to MSEs for Public Procurement Policy, the Ministry of MSME is regularly organizing State Level VDPs and National Level VDPs under the Procurement and Marketing Support Scheme. For enhancing participation of MSEs owned by SCs /STs/ Women in Government procurement, Central Government Ministries/ Departments/ CPSUs have to take the following steps:
- (i) Special Vendor Development Programmes/ Buyer-Seller Meets would be conducted by Departments/ CPSUs for SC/STs and Women.
 - (ii) Outreach programmes will be conducted by National Small Industries Corporation (NSIC) to cover more and more MSEs from SC/STs under its schemes of consortia formation; and
 - (iii) NSIC would open a special window for SCs/ STs under its Single Point Registration Scheme (SPRS).
 - (iv) A National SC/ST hub scheme was launched in October, 2016, for providing handholding support to SC/ST entrepreneur which is being coordinated / implemented by the NSIC under this Ministry.
- (k) Where any Aggregator has been appointed by the Ministry of MSME, themselves quote on behalf of some MSE units, such offers will be considered as offers from MSE units and all such facilities would be extended to these also.
- (l) This Policy is meant for procurement of only goods produced and services rendered by MSEs. Traders/ distributors/ sole agent/ Works Contract are excluded from the purview of the policy.
- (m) Exemptions from the policy: Given their unique nature, defence armament imports shall not be included in computing 25 (twenty-five) per cent goal for Ministry of Defence. In addition, defence equipment like weapon systems, missiles, etc. shall remain out of purview of such Policy of reservation. Monitoring of goals set under the policy will be done, in so far as they related to Defence sector, by Ministry of Defence itself in accordance with suitable procedures to be established by them.



- (n) To monitor the progress of procurement by Central Government Ministries/ Departments and CPSUs from MSEs, Ministry of MSME has launched the MSME 'Sambandh'25 Portal on 8th December, 2017 for uploading procurement details by all CPSUs on a monthly and an annual basis which is regularly monitored by the Ministry.
- (o) To redress the grievances of MSEs related to non-compliance of the Policy a Grievance cell named "CHAMPION Portal" has been set up in the Ministry of MSME.

20.2 RELAXATIONS FOR MICRO & SMALL ENTERPRISES FOR PROCUREMENT ACTION

Following shall be applicable with respect to provisions for procurement from MSEs under the Govt Order on MSME in 2012:

- (a) MSEs will be allowed to participate against tender enquiries without submission of prior experience and prior turnover details even if asked for in the tender enquiry.
- (b) However, with a view to ensure quality, such participating MSEs will be asked to submit proof of manufacturing capability, testing capability and submission of sample(s) (wherever required) to meet the quality and technical specifications of the tendered product(s).
- (c) In accordance with MoD ID No. I(5)/2017/VIP Reference/DP(Plg-V) dtd. 19 Apr 2018, the sample submission criteria may be discouraged for standard items including engineering items. However, if sample submission is indeed warranted, then the terms of sample submission within the stipulated time period, approval of samples within the given time, delivery period for supply after approval of samples, validity of tender etc must be clearly incorporated in the tender.
- (d) In case, after ordering, such vendors are not able to deliver the material of required quality and specifications, the same will be informed to the NSIC and MSME authorities for necessary corrective action for delivery compliance.
- (e) List of items / products, for which eligibility criteria can be relaxed without compromising quality and technical specifications, is listed at **Annexure-I** as well as published in GRSE website.



20.3 15% ADVANCE PAYMENT TO MICRO & SMALL ENTERPRISES AND START-UPS

- (a) Tender enquiries will stipulate the clause that “MSEs and Start-Ups will be given 15% interest-free mobilization advance against a bank guarantee from a nationalized bank”.
- (b) The value of the bank guarantee will be 15% of the value of the purchase order exclusive of taxes and duties.
- (c) The duration of the bank guarantee will be the time period of execution of the purchase order i.e. time from date of placement of purchase order till the date of last delivery.
- (d) This will be applicable only to manufacturers / material suppliers and not service providers.
- (e) This will be applicable initially to tender values within Rs. 10 lacs.
- (f) As a precautionary measure, this will be applicable to tender enquiries issued to MSEs and Start-Ups for stock and non-critical ship building items.
- (g) To preclude any price advantage to MSEs, the L1 price for MSEs shall be arrived after factoring in the 15% interest-free mobilization advance to MSEs against submission of bank guarantee; the prevailing lending rate of Reserve Bank of India shall be loaded onto the price of the MSE vendor to determine the landed rate.

20.4 90% PAYMENT TO MICRO & SMALL ENTERPRISES

- (a) For value of order less than Rs. 1 lakh: 90% of the value of the purchase order, through ECS/NEFT, within 30 days of receipt of material at GRSE Stores. Balance 10% shall be released after inspection and creation of satisfactory inspection report / ICGRN.
- (b) For value of order greater than Rs. 1 lakh: 90% of the value of the purchase order, through ECS/NEFT, within 30 days of receipt of material at GRSE Stores. Balance 10% shall be released after inspection and creation of satisfactory inspection report / ICGRN and against submission of Performance Bank Guarantee, valid till expiry of guarantee period.



- (c) In this context and to facilitate payment within 30 days to the MSEs, the following points are to be followed :-
- (i) Concerned Store department is to create GR for supplies made by MSEs within 02 days of receipt of material at GRSE Stores and intimate RIC department for inspection along with intimation to F-SLP department for processing payment
 - (ii) RIC department is to carry out inspection within 03 days of intimation from GRSE Stores
 - (iii) Copy of inspection report / ICGRN to be forwarded/intimated to concerned purchase point immediately on creation
 - (iv) In the event the ICGRN is clear with no adverse comments, concerned purchase point to intimate MSE vendor to submit bill of balance 10% amount to F-SLP department.

20.5 PROCUREMENT OF RESERVED 358 ITEMS FROM MICRO & SMALL MANUFACTURING ENTERPRISES.

The 358 no. of reserved items to be procured exclusively from Micro & Small Enterprises, are to be procured only from MSE manufacturing enterprises for which they are registered.

20.6 BENEFITS FOR START-UPS.

- (a) All Start-Ups will be allowed to participate against tender enquiries without submission of prior experience and prior turnover details even if asked for in the tender enquiry.
- (b) However, with a view to ensure quality, such participating Start-Ups will be asked to submit proof of manufacturing capability, testing capability and submission of sample(s) (wherever required) to meet the quality and technical specifications of the tendered product(s).
- (c) In case, after ordering, such Start-Ups are not able to deliver the material of required quality and specifications, the same will be informed to the Department of Industrial Policy and Promotion authorities for necessary corrective action for delivery compliance.



- (d) To preclude possibilities of failures of Start-Ups to execute the purchase order which, in turn, may result in cascading effect on project timelines, leading to delay, price escalation, L.D. from customer and loss of reputation as a reliable shipbuilder, this policy will be applicable considering the criticality of the item(s) in terms of technology, safety, etc. The purchasing authority will decide the necessity of prior experience in terms of quality. Accordingly, such items will be exempted from procurement from Start-Ups without prior experience and prior turnover.
- (e) This policy will also not be applicable for Nominated items, Import items and B&D Spares.
- (f) All Start-Ups will be exempted from submission of Earnest Money Deposit. However, Security Deposit / Contract Performance Bank Guarantee will be applicable.
- (g) Efforts will be made to ensure that the Start-Ups get themselves registered with GRSE prior to placement of purchase order.
- (h) Start-Ups here will imply all such organizations as registered with the Department of Industrial Policy and Promotion and will include Micro, Small and Medium sub-categories.

20.7 PROCUREMENT FROM MICRO & SMALL ENTERPRISES - ADVISORY CLAUSE

The following Advisory Clause is to be incorporated in the tender enquiries:-

- (a) GRSE, being a public sector enterprise, endeavours to support the Micro and Small Enterprises for facilitating their promotion and development and enhancing their competitiveness.
- (b) Bidders may therefore procure all such parts / components, as contained in the list available on GRSE website, required in manufacturing of the ordered equipment / products, from MSEs and a certificate to that effect (with details of the vendors, value of procurement and quantity) may be furnished with the bills.



20.8 NEW PURCHASE ORDER SERIES IN SAP SYSTEM FOR MICRO & SMALL ENTERPRISES

- (a) Data with regard to procurement from Micro & Small Enterprise vendors are required to be forwarded to various Ministries on a regular basis.
- (b) With a view to identify the Micro & Small Enterprise vendors on whom purchase orders have been / will be placed, new 'Order Types' have been created in the SAP system for purchase orders to be placed on Micro & Small Enterprise vendors.
- (c) These 'Order Types' are titled as "Capital PO – MSME, Domestic PO – B&D – MSME, Domestic PO – MSME, Emergency PO – MSME and Service PO – MSME".
- (d) The appropriate Order Type is to be used by all departments / users of SAP MM module while creating purchase orders on Micro & Small Enterprise vendors.
- (e) The purchase proposal is also to clearly mention if the order is being awarded to a Micro & Small Enterprise vendor in compliance with the MSME Act. It is to be ensured that relevant document - Entrepreneurs Memorandum (EM Part-II) / NSIC / Udyog Aadhar Memorandum (UAM) or any other certificate as promulgated by the concerned Ministry from time to time, in support of manufacture/supply of concerned equipment/item - must be submitted along with the offer to be considered as a Micro & Small Enterprise vendor.
- (f) This is to be strictly complied with as all reports with regard to Micro & Small Enterprises shall be fetched from the SAP system.

20.9 AMENDMENT OF MSE POLICY

The MSE policy is amended by Government of India time to time, followed by amendment of GRSE's MSE policy through C&MD's Ty order. C&MD's Ty order No. 49/18 dtd. 03 Dec 2018.

ANNEXURE-I
(Refer Art.20.2)

- 1. Air / Room Coolers
- 2. Ammeters / Ohmmeter / Voltmeter (Electro Magnetic upto Class I accuracy)
- 3. Bandage Cloth



4. Barbed Wire
5. Battery Charger
6. Bench Vices
7. Bituminous Paints
8. Bolts & Nuts
9. Boot Polish
10. Boots & Shoes of all types including Canvas Shoes
11. Boxes made of Metal
12. Brooms
13. Brushes of all types
14. Buckets of all types
15. Centrifugal Pumps - Suction & Delivery 150 mm x 150 mm
16. Chappals and Sandals
17. Chokes for Light fitting
18. Cleaning Powder
19. Cloth Jaconet
20. Coir Mattress Cushions and Matting
21. Coir Rope Hawserlaid
22. Conduit Pipes
23. Diesel Engines upto 15 HP
24. Disinfectant Fluids
25. Distribution Board upto 15 amps
26. Dust Bins
27. Emergency Light (Rechargeable type)
28. Eyelets
29. Fire Extinguishers (Wall type)
30. Fuse Unit
31. Garments
32. Glue
33. Gun Metal Bushes
34. Hand Gloves of all types
35. Hand Pump
36. Hand Tools of all types
37. Helmet Non-Metallic
38. Hydraulic Jacks below 30-ton capacity
39. Lamp Holders
40. Linseed Oil
41. Lockers



- 42. Machine Screws
- 43. Mallet Wooden
- 44. Manhole Covers
- 45. Measuring Tapes and Sticks
- 46. Pad Locks of all types
- 47. Paper Conversion Products: Paper Bags, Envelopes, Ice-Cream Cup, Paper Cup & Saucers and Paper Plates, Photocopier Paper
- 48. Plugs & Sockets Electric upto 15 Amp
- 49. PVC Pipes upto 110 mm
- 50. Rivets
- 51. Screws
- 52. Soap Liquid
- 53. Steel Almirah
- 54. Steel Chair
- 55. Steel Racks / Shelf
- 56. Stockinet
- 57. Studs (excluding High Tensile)
- 58. Tarpaulins
- 59. Transformer type Welding Sets conforming to IS:1291/75 (upto 600 amps)
- 60. Trolley
- 61. Umbrellas
- 62. Utensils all types
- 63. Water Tanks upto 15,000 litres capacity
- 64. Wire Nails and Horse Shoe Nails
- 65. Woollen Hosiery



CHAPTER 21

GOVERNMENT E MARKETPLACE

21.1 INTRODUCTION TO GOVERNMENT E MARKETPLACE (GEM)

Hon'ble Prime Minister, based on recommendations of the Group of Secretaries, decided to set up a dedicated e market for different goods & services procured by Government Organisations / Departments / PSUs. This meant transforming DGS&D to a digital ecommerce portal for procurement and selling of goods and services. Government e Marketplace (GeM), created in a record time of five months, facilitates online procurement of common use Goods & Services required by various Government Departments / Organisations / PSUs. GeM aims to enhance transparency, efficiency and speed in public procurement. It provides the tools of e-bidding, reverse e-auction and demand aggregation to facilitate the government users, achieve the best value for their money.

Government of India (Allocation of Business) Rules, 1961, vide notification dated 8th December 2017 (PDF Size:1.55MB) has made the following entry³². Development, operation and maintenance of National Public Procurement Portal—Government e Marketplace”. The purchases through GeM by Government users have been authorised and made mandatory by Ministry of Finance by adding a new Rule No. 149 in the General Financial Rules, 2017.

21.2 VISION, MISSION, CORE VALUES

21.2.1 Vision

To affect an evolution in public procurement promoting a transparent, efficient and inclusive marketplace.

21.2.2 Mission

- (a) Institute a unified procurement policy to encourage behavioural change and drive reform.



- (b) Establish a lean, dynamic organization capable of continuous innovation and market driven decision making.
- (c) Build an easy to use, fully automated platform to ensure transparency and efficiency in procurement.
- (d) Demonstrate commitment to delivering value by ensuring right quality at right price.
- (e) Create a sustainable ecosystem covering all stakeholders and driving inclusive development in India.
 - Core Values
 - Commitment
 - Responsiveness
 - Ownership and Accountability
 - Transparency and Integrity
 - Social Inclusion
 - Innovate to simplify
 - Be Bold and Think Big

Government e-Marketplace (GeM) is the National Public Procurement Portal; an end- to-end online Marketplace for Central and State Government Ministries / Departments, Central & State Public Sector Undertakings (CPSUs & SPSUs), Autonomous institutions and Local bodies, for procurement of common use goods & services. The portal is owned and managed by GeM SPV which is a Section 8 (Non- Profit) Company registered under the Companies Act, 2013.

GeM SPV operates, monitors and supervises all the business transactions on the portal through the Managed Service Provider as per defined roles and responsibilities.

21.3 DEFINITION OF THE STANDARD TERMS USED IN GEM CONTRACT

- (a) “APPLICABLE LAWS” shall mean any statute, law, ordinance, notification, rule, regulation, judgment, order, decree, bye-law, approval, directive, guideline, policy or other governmental restriction as may be in effect.



- (b) “GOODS” shall mean an Article / product or an intangible product like software, technology transfer, licenses, patents or other intellectual properties being offered for sale on the GeM portal by Seller(s) on GeM. The term ‘Goods’ shall also include works and services which are incidental or consequential to the supply of such goods, such as, transportation, insurance, installation, commissioning, training and guarantee / warrantee obligations as defined in the scope of supply given in the contract.
- (c) “SERVICES” shall mean the services offered or provided by the Seller such as IT Professional Services, Manpower Services, Security Services, Transport Services, etc. listed as Services on GeM. The term ‘Service’ shall also include supply of goods / articles which are incidental or consequential to the provisioning of such Services as defined in the scope of supply given in the contract.
- (d) “SERVICE LEVEL AGREEMENT (SLA)” shall mean the Contractual Commitment that prevails between the Buyer and the Service Provider with regard to type of service to be provided, deliverables, desired performance level, reliability and responsiveness, monitoring process and service level reporting, response and issue resolution time-frame, repercussions / penalties / remedies for service provider not meeting its commitment. The SLA of a particular contract may carry the matrix regarding the delivery of the goods and/or services and the corresponding penalties or remedies and liquidated damages as applicable.
- (e) “CATEGORY SPECIFICATION” shall mean the framework of technical features, functional capabilities, technical properties, certifications of the items etc. in a particular category. The Specifications shall identify the key parameters defining the products with all necessary validations related to configuration, type of data, restrictions, range / allowed values, allowed units etc. Sellers as well as Buyers while offering / buying the Goods / services shall have to comply with the validation rules / restrictions provided for in the Category Specification. Buyers / Sellers cannot add parameters and / or drop-down values not provided for in category Specification. If any Buyer / Seller desire to add new parameter, value, validation etc. against any category specification, they have to raise request for the same to GeM for incorporation in Category Specification.
- (f) “BUYER” is the Contract placing authority, which includes Central/State Government Ministries/Departments including its attached/subordinate offices, Central/State Public Sector Units (PSUs) and Autonomous Bodies acting through its authorized officer(s)



for and on behalf of President of India/Governor of the State/PSU/Autonomous Bodies, as the case may be, for purchase of Goods/Services offered by Sellers on GeM.

- (g) “SELLER / SERVICE PROVIDER” on GeM shall mean any legal entity such as firm(s) of Proprietorship / Partnership Firm / Limited Liability Partnership / Private Limited / Limited company / Society registered under Society’s Act / Statutory Bodies etc., registered on GeM to sell its Good(s) / Service(s) to the Buyers registered on GeM.
- (h) The “Seller on GeM” will be either OEM (Original Equipment Manufacturer*) or Seller having authorization to sell products manufactured by the OEM in open market or Licensed manufacturer under Drugs & Cosmetics Act, 1940.
- (i) * OEM is the owner of the Brand / Trademark of the product being offered or in case of un-registered brand’s products / products with own brand, the actual manufacturer of the final product. To be recognized as an OEM on GeM, seller has to get Vendor Assessment Report from designated agency (unless exempted as per GeM VA policy) as per due process of vendor assessment notified on GeM portal (which would include production of documentary evidences and demonstration of manufacturing facilities and / or capabilities as required).
- (j) In case of Services related to Goods, Service Provider on GeM will be either OEM or Service Provider having authorization to Service products manufactured by that OEM in open market. In respect of other Services, Service Provider on GeM will be any legal entity offering its services.
- (k) By registering on GeM portal, Seller / Service Provider hereby agrees to be bound by these General Terms and Conditions for Sale / Purchase of Goods and / or Services (GTC); Product / Service Specific Special Terms and Conditions (STC) and Service Level Agreements (SLAs) for various Services; and Additional (Bid Specific) Terms and Conditions (ATC) as applicable. For the purpose of this document and transactions on GeM, Seller as well as Service Provider will be referred to as “Seller”
- (l) “USER ID and PASSWORD” All users including Buyers and Sellers (primary as well as secondary) will get User ID and Password created on GeM following due registration process defined on GeM. It is the responsibility of the user to keep their User ID and Password secure and confidential. Individual user shall be solely and



completely responsible for all transactions taking place on GeM portal using his / her User Id and Password and GeM shall not be responsible in any manner.

- (m) “LICENSE” shall mean by registering the Seller and by offering Product / Service details on GeM, the Seller grants GeM a non-exclusive, royalty-free, irrevocable, perpetual and fully sub-licensable right to use, reproduce, modify, adapt, publish, translate, distribute, and/or display the content/materials which has been submitted to GeM excluding Aadhaar No. In case of registration of Primary user and creation of secondary user(s) by the Buyer/Seller, their Aadhaar (UID) details collected by GeM are solely for user verification and to apply e-signing on the documents. The e-sign is at par with digital signatures as per Information Technology Act Amendment 2008 and it works based on details available in Aadhaar database of UIDAI and there is no interference / intrusion in their personal details.
- (n) “CONTRACT” shall mean the purchase order created / issued by the Buyer on GeM for supply of Goods / Services in electronic form which includes scope of supply, delivery instructions and specifications etc. as ordered by Buyer against such Contract besides the subject GTC, STC/ATC as the case may be.
- (o) “BID SECURITY” (also known as Earnest Money Deposit) shall mean Insurance Surety Bond, Account Payee Demand Draft, Fixed Deposit Receipt, Banker’s Cheque or Bank Guarantee (including e-Bank Guarantee) from any of the Commercial Banks or payment online in an acceptable form as defined in the bid document, safeguarding the purchaser’s interest in all respects.
- (p) “PERFORMANCE SECURITY” shall mean Insurance Surety Bonds, Account Payee Demand Draft, Fixed Deposit Receipt from a Commercial bank, Bank Guarantee (including e-Bank Guarantee) from a Commercial Bank or online payment in an acceptable form as defined in the bid document safeguarding the purchaser’s interest in all respects.

21.4 ROLE, RESPONSIBILITIES AND OBLIGATIONS OF SELLER/ BUYER

- (a) Role and Responsibilities of Sellers on GeM are as under:
 - (i) Only Director(s) / Partner(s) / Proprietor (as applicable) are authorized to become Primary User and register any legal entity on GeM as Seller.



- (j) Once Seller/Service Provider is registered and account is created on GeM, the Primary user of the Seller/Service Provider can create Secondary User Accounts within Seller/Service Provider Organization with different Roles and Responsibilities. However, the Primary User creating Secondary User accounts shall continue to be fully responsible and accountable for all actions / transactions done by Secondary Users on GeM Portal.
- (k) Since GeM is a trust-based Portal, the complete accuracy and integrity of data submitted in respect of the Seller and also in respect of the Goods / Services offered on GeM will be the sole responsibility of the Seller/Service Provider. Seller will be liable for administrative action as per GeM terms and conditions in case of any discrepancy / infirmity in any data / information submitted on GeM.
- (l) The Primary / Secondary Users of Sellers, offering Goods/Services and/or participating in e-Bidding / Reverse Auction on GeM, must ensure that they have the requisite authorization to enter into contract with Buyer(s) in GeM for and on behalf of the Seller, failing which such Seller as well as the individual(s) shall be vicariously liable for its actions and also for any liability arising out of such actions.
- (m) Seller can offer any number of products. However, it will be the sole responsibility of the seller to satisfy themselves regarding possessing the requisites for doing business for the offered product(s). The Sellers are solely responsible for ensuring that there is no violation of any Intellectual Property Rights in their offer for sell / providing service on GeM.
- (n) The Seller should not exercise any corrupt influence on any aspect of contract and commit to take all measures necessary to prevent corruption maintaining complete transparency, integrity and fairness in all activities related to GeM.
- (o) The seller would represent its business on the GeM portal and is mandated to comply with all the terms and conditions of the platform. Sellers would be solely and absolutely responsible for the information provided about their organization, business, products and services on the portal and would be required to produce proof of such information, if requested at any point in time by the Buyer and / or GeM.
- (p) GeM would not allow creation of any fresh data related to Seller identity on GeM portal. All details provided by the Seller at the time of registration would be



counter checked / verified through other data bases of Government such as PAN, MCA 21, Udyam Registration / Udyog Aadhaar (as validated by Government from time to time), etc. For Financial details, PAN / Income tax Database shall be primary validating database and will override any conflicting data in any other database. If the data / details entered by the seller while registering on GeM is not verified with validating databases, registration will not be allowed. Further, in case of any conflict in details after registration, Seller's registration would be automatically suspended. It is the Seller's responsibility to keep all their information on GeM updated with the latest change(s). Non-updating of details on GeM within 7 days of such occurrence would make Seller liable for administrative actions.

- (q) Eligibility of Sellers in terms of Turn Over / Past Performance / Profitability etc. and also their eligibility for availing various benefits / advantages in terms of various Govt. Policies / Guidelines / Acts / Laws etc. shall be determined solely on the basis of data fetched / validated or verified through external agency / owner of that set of database such as Income Tax / PAN Data Base, MCA 21, Udyam Registration / Udyog Aadhaar (as validated by Government from time to time), GSTN, Certifying Agencies such as BIS, BEE etc. In case of any discrepancy in data available in these databases, Seller has to get the same updated in the corresponding validating database before updating the same on GeM. Till such time only the existing validated information shall be used to decide seller's eligibility on GeM. Any default in sellers updating their data on partner sites / validating databases and any fall out of the same impacting adversely any transaction on GeM, shall entirely and exclusively be Seller's responsibility. GeM shall not be responsible for any consequential impact on any GeM transaction due to data discrepancy and / or suspension of seller account due to data discrepancy. Seller will be solely responsible for the same.
- (r) The Seller shall be solely responsible for the Goods / Services including, without limitation, the applicable guarantee / warranty, shelf-life, quantity, quality and the title and for giving the correct and accurate details of the offer their Goods and / or /Services indicating product specifications, quantity which can be supplied over the specified time period, etc. as per catalogue or catalogue-based template prescribed in GeM. Seller would ensure that the Goods or /Services offered are latest, new and complete in all respects. Where Seller is selling any Goods which needs spare parts, Seller should ensure and make available such spare parts for a minimum period of three years from the date of expiry of warrantee period



(unless otherwise specified). The individual Sellers shall ensure that the products offered in e-Bidding and/or ordered shall remain available on GeM during the bid / contract validity period.

- (s) Sellers shall offer minimum discount of 10% on the Maximum Retail Price (MRP) mandatorily (unless otherwise specified for offering their products on GeM). Sellers are free to offer higher discounts. The Seller must offer its best possible lowest price on GeM and undertake that it would not sell or offer to sell the same product outside GeM in comparable quantity on similar terms and conditions at a price equal to or lower than Offer Price on GeM. In case any such infringement by Seller is noticed, the Seller shall be liable to be removed / debarred from the GeM.
- (t) By offering their product on GeM, the Seller agrees for sharing price details of the offered Goods / Service by GeM authorities with other Government agencies including Department of Excise & Customs, Income tax, GST etc.
- (u) Sellers shall ensure uploading of their product / service in the correct category in all respects. Any offering of wrong and misleading product(s) or service(s) in any of the category will be removed by GeM from the portal when noticed without making any reference to the seller(s). The seller(s) will also be liable for any other Administrative action as deemed fit by GeM for uploading wrong product(s) or service(s) in any category.
- (v) If any such infringement made by Seller leads to placement of a contract by any Buyer for such inappropriately offered product(s) / service(s) by the Seller, such contract shall be treated as null and void.
- (w) No claim whatsoever against such contract shall be admissible and entertained.
xiv. The Seller(s) shall pass on all the benefits associated with any scheme / offer / freebies provided by the OEM on any product from time to time on an "as-is basis" to the Buyer. This obligation will also apply to OEM's directly supplying the goods. Holding back any such offer or accounting such freebies in quantity supplied shall make such consignments liable to be rejected by the consignee and shall also be considered as inappropriate and against the GeM policies for which GeM reserves all rights to take necessary action against such Seller/OEM as deemed fit.



- (x) By registering on GeM and by participating in any bid on GeM, Seller undertakes that presently it is not “Debarred from Bidding” on the grounds mentioned in Rule 151 of GFR 2017.
- (y) In case of drug manufacturer licensed under Drugs & Cosmetics Act 1940, drug manufacturers have to submit a notarized undertaking that the license for the product submitted by them has been issued under Drugs & Cosmetics Act, 1940 and is authentic and that the data of the same has been uploaded by the manufacturer on the SUGAM Portal under rule 84AB of Drugs Rules, 1945.
- (z) Only such manufacturers who have given the said undertaking as above will be considered as authentic for registration on GeM.
- (aa) The said undertaking / affidavit to be submitted by the Drug Manufacturer, in prescribed form, would enable / empower Buyer / Ministry / Central Drugs Standard Control Organization (CDSCO) to initiate criminal proceedings in case of false declarations.
- (bb) By offering their product and fulfilling the basic need of regular updating of the stock on GeM as stipulated on the portal, the Seller agrees for the acceptance of the order placed through the Direct purchase and L1 purchase without any need for any acceptance or confirmation. The seller commits to hold the price and offer as valid till the date seller itself removes the product offer from GeM or changes the price in compliance with online price change guidelines / rule engines applicable in that category. The action as deemed fit may be initiated for the declining of the such orders as incident policy of the GeM.
- (cc) Role and Responsibilities of Buyer on GeM:

21.5 BUYER REGISTRATION ON GEM

Buyer Registration on GeM is divided in two categories:

- (a) Primary User: In GeM, the Primary User is as under:
 - (i) Any officer of Central / State Government / PSU / Autonomous Bodies / Local Bodies / Constitutional Bodies / Statutory Bodies at the level of Deputy Secretary of the Government of India or equivalent



- (ii) Head of the Office at Sub Centre / Unit / Branch, can Register his / her organization / unit on GeM portal as Primary User.
 - (iii) Primary User shall be responsible for registering the organization on GeM, for creating User accounts for Secondary Users, assigning them roles and responsibilities on GeM and for supervision of all transactions performed by Secondary Users under him / her.
 - (iv) Primary User shall also be vicariously responsible for ensuring compliance of General Financial Rules and / or Rules Governing Public Procurement in respect of their organization, all GeM terms and conditions and other Procurement Policies / Guidelines notified by the government from time to time, by all the secondary users including timely payments and for dispute resolutions as per GeM terms and conditions. Primary user cannot perform any Procurement related transactions on GeM portal.
- (b) Secondary Users: Secondary Users are officials responsible for procurement transactions on GeM including Placement of Contracts, Receipt of Stores, and Payments to the Sellers etc. The access rights permissible to registered Secondary users would be decided by the Primary User of the Department. Secondary Users may be given the roles of Buyer / Consignee / Drawing and Disbursement Office (DDO) / Paying Authority / Indenter / Technical Evaluator, etc. For transaction on GeM portal, Buyer is the official who is responsible for processing procurement transaction up to Order Placement stage. Consignee is the Secondary User in Buyer Organization responsible for certifying receipt and acceptance of the goods procured.
- (c) Buyer's responsibilities on GeM portal are as under:
- (i) The Buyers are responsible to ensure that the procurement done by them are in compliance of General Financial Rules and / or Rules Governing Public Procurement in respect of their organization, all GeM terms and conditions and other procurement Policies / Guidelines notified by the government from time to time, including timely payments as per GeM terms and conditions.
 - (ii) The Buyers (in all capacities i.e. as Buyer, Consignee, DDO, Paying Authority etc) are responsible to ensure that the procurement done by them are in compliance with GeM Terms and Conditions / Guidelines and all contract related transactions are completed within time lines prescribed in GeM Contract.



- (iii) The Buyers must ensure that they have the requisite authorization to enter into contract with Seller(s) on GeM for and on behalf of the organization, failing which such individual(s) shall be individually liable for its actions and also for any liability arising out of such actions.
- (iv) While making procurement on GeM, the Buyers shall judiciously search and shortlist items using filters such as quantity, technical parameters, delivery period, warranty period, consignee location(s), Seller's eligibility etc. as per their approved requirements. Placement of contract for a product / service uploaded by the Seller in any wrong/inappropriate product category is strictly prohibited and such contracts shall be treated as null and void and such Buying shall adversely affect Buyer Rating on GeM.
- (v) The Buyers shall satisfy themselves that the price of the selected offer is reasonable. Buyer is at liberty to utilize all the data / information and Business Analytics made available in GeM including e-bidding and reverse auction.
- (vi) The Buyers, before placing the order on GeM, should have the required mandatory approval with prior sanction and approval of the competent authorities and shall be in compliance with and as per procedures outlined in GFR and other procurement guidelines issued by the Government from time to time.
- (vii) On award of the Contract(s), it would be construed that the Buyer has obtained all necessary Administrative & Financial sanctions of the competent authority and adequate funds are available indicating the relevant Head of accounts in the awarded Contract(s).
- (viii) The Buyers should not exercise any corrupt influence on any aspect of contract and commit to take all measures necessary to prevent corruption maintaining complete transparency and fairness in all activities related to GeM.
- (ix) Buyers are not allowed to place any order at GeM prices outside GeM. The prices on GeM are only applicable if the procurement is made through GeM portal. Using GeM prices for procurement outside GeM portal is strictly prohibited. Further, Buyers are not allowed to place any off-line contract to the Seller directly based on the outcome of e-Bidding / RA conducted on GeM. All such contracts shall be treated as null and void and GeM reserves the right to delete all data



related to such transactions from GeM database besides taking suitable actions against such Buyers including suspension from GeM and / or reduction of Buyer rating etc.

21.6 ENABLING PROVISIONS OF RULE 149 OF GENERAL FINANCIAL RULES- 2017

Enabling provisions of Rule 149 of General Financial Rules- 2017 as amended vide Ministry of Finance OM dated 02.04.2019 regarding procurement through GeM and necessary guidelines and terms and conditions thereon:

GeM portal may be utilized by the Government buyers for on-line purchases as under:-

21.6.1

Up to INR 25,000/- through any of the available suppliers on the GeM, meeting the requisite quality, specification and delivery period.

21.6.2

Above INR 25,000/- and up to INR 5,00,000/- through the GeM Seller having lowest price amongst the available sellers (excluding Automobiles where there is no ceiling limit), of at least three different manufacturers, on GeM, meeting the requisite quality, specification and delivery period. The tools for online bidding and online reverse auction available on GeM can be used by the Buyer if decided by the competent authority.

21.6.3

Above INR 5,00,000/- through the supplier having lowest price meeting the requisite quality, specification and delivery period after mandatorily obtaining bids, using online bidding or reverse auction tool provided on GeM (excluding Automobiles where there is no ceiling limit).

21.6.4

The Government Buyers may ascertain the reasonableness of prices before placement of order using the Business Analytics (BA) tools available on GeM including the Last Purchase Price on GeM, Department's own Last Purchase Price etc.

21.6.5

GFR rule 149 allows direct on-line purchases on GeM up to INR 25,000/- through any of the available suppliers on the GeM, meeting the requisite quality, specification and delivery period. However, this is subject to procuring authorities certifying the reasonability of rates. While making such direct on-line purchase below INR 25,000/-, the buyer should have



approval of competent authority and should also record reasons for selecting the specific product in case lowest priced products are not being accepted / ordered.

21.6.6

Tools have been deployed on GeM portal to show the price of compared products on other e-commerce sites (wherever available) and also the rates at which orders have been placed on GeM for such items in recent past. While taking decision on reasonableness of price, the buyers may also consider the discount over MRP; Last Purchase Price (LPP) on GeM, Department's own Last Purchase Price; rates on other e-commerce websites etc. The prices on e-commerce site give a broad idea and its terms and conditions may be different. If it is found that the price available on GeM marketplace is not reasonable or is substantially higher than e-commerce sites or LPP, the GeM Portal provides tools for online bidding or reverse auction which can be used by the Buyers to get better competitive rates and then satisfy themselves about reasonableness of the price as per GFR -2017 before placement of contract. Bidding should be considered as the preferred mode of procurement above INR 25,000/-.

21.6.7

In case of Direct Purchase, during carting period, rates for carted quantity, for that buyer, are frozen for carting period as notified from time to time on GeM against any upward revision by seller. However, advantage of any downward revision in the offer price of carted item shall be automatically provided to the buyer.

21.6.8

According to the provisions of Rule 149 (ii) of GFR, 2017, GeM shall be utilized by Government buyers for direct on-line purchases above INR 25,000/- and up to INR 5,00,000/- however such purchase has to be through the Seller having the lowest price (L-1) amongst the available Sellers on the GeM. In order to ensure that buyers select only L-1 available offer, the GeM portal enables buyer to first compare all the product options available on GeM to ensure that it meets its requirements/ specifications. While comparing, care should be taken by the Buyer that comparison has to be done between products of at least three different Manufacturers / OEMs. For L-1 buying, comparison has to be made between products of at least three different OEMs, as per GFR. If Buyer wants to buy any specific OEM's product then he has to go for Proprietary Article Certificate (PAC) buying after obtaining necessary approvals of competent authorities for PAC buying as per GFR-2017, as amended from time to time or the Procurement Guidelines of the respective Organisation as the case may be.



21.6.9

Proprietary Article Certificate (PAC) Buying: While making procurement under PAC Buying on GeM, it is the responsibility of the Buyer to ensure that compliances with the conditions / rules as laid down under GFR, 2017, as amended from time to time or the Procurement Guidelines of the respective Organisation, as the case may be, is met before initiating procurement under PAC:

- (a) In case a Govt. Buyer on GeM wants to make procurement on proprietary basis on the GeM Portal after obtaining the requisite approvals / PAC certificate from their competent authority as per Rule 166 of GFR-2017 or the Procurement Guidelines of the respective Organisation, as the case may be, the Buyer can use PAC filter provided on GeM for selecting a specific model/ make available from a particular GeM Seller. The Buyer should ensure before procuring the goods under PAC Buying that the Proprietary Article Certificate as per the conditions laid down in GFR or the Procurement Guidelines of the respective Organisation, as the case may be, is available with the Buyer. It is the responsibility of the Buyer to ensure compliance with GFR or the Procurement Guidelines of the respective Organisation while procuring goods on proprietary basis through the GeM Portal including ensuring the certificate to be in proper format as per GFR or the Procurement Guidelines of the respective Organisation, as the case may be.
- (b) The Buyer should note that the Seller's price on the Portal is just their offer prices and the proper discovery of price generally happens through bidding/RA. Moreover, in PAC procurement irrespective of multiple listing by authorised sellers, the important issue of price control remaining with the OEM should not be overlooked. Therefore, in case of all the PAC procurements, the Buyers are advised to carry out extra due diligence in establishing the reasonableness of prices before placement of contract as per Para (vii) of Rule-149 of GFR-2017 or the Procurement Guidelines of the respective Organisation, as the case may be.
- (c) Except for direct buying up to INR 25,000/- subject to establishing the reasonableness of price, the bidding is mandatory for procurements above INR 25,000/- as per GFR. As result of bidding, the response could be as under:
 - (i) Only OEM is available or only single authorised seller is available.
 - (ii) OEM as well as multiple authorised Sellers are available.



- (iii) Multiple authorised Sellers of the OEM are available.
- (d) After bidding, under PAC buying, the Buyer may take decision with the approval of the competent authority to process the procurement subject to establishing the reasonableness of prices before placement of contract as per Para (vii) of Rule - 149 of GFR-2017 or the Procurement Guidelines of the respective Organisation, as the case may be.

21.6.10

In order to give flexibility to the buyers in sourcing their requirements through GeM, provision has been made in e-bid and RA modules for indicating delivery period in terms of “number of days from date of placement of contract”. While stipulating delivery period in their bid documents, Buyers are advised to be careful since un-realistic delivery period stipulations may result in elimination of some genuine sellers, lack of competition and may ultimately have impact on cost of procurement. While fixing delivery period in e-bid/ RA bid, buyers should not only take into consideration the quantity required and the essentiality of requirement of that quantity within stipulated time period but also the possible impact of shorter delivery period on competition in e-bidding / RA.

21.6.11

Splitting of demands by creating multiple Bids / RAs of same goods / services or making repeated procurements of same Goods / Services through L-1 buying as per rule 149(i) and 149(ii) of GFR-2017 are strictly prohibited on GeM. Splitting of demand deprives the organizations from achieving the best competitive prices leveraging economies of scale. It also implies avoiding the necessity of obtaining the sanction of higher authority required with reference to the estimated value of the total demand. It is a violation of Para Rule 149 (viii) of GFR -2017 and terms and conditions of GeM Portal and Buyer including the Primary Buyer shall be entirely responsible for the same. If any such splitting of demand is noticed, GeM shall have the right to take necessary action such as blocking of such Bids/RAs and / or cancelling such contracts.

21.6.12

GeM is a dynamic online marketplace. The product/service listings across the existing categories are dynamic. Moreover, new categories of products/services are continuously being added on GeM. In situations where there is only one offer available in a product/ service category and/or there is offer from only one Seller after filter based search, the buyer should not select such offer for buying. Efforts should be made by Buyer to get their past suppliers and prospective Sellers on-boarded on GeM so as to ensure availability of sufficient Sellers on GeM. This however will not apply for PAC procurement.



21.6.13 e-Bidding and Reverse Auction (RA) on GeM

- (a) The e-Bidding / RA module of GeM is a tool provided to the Buyer(s) for organizing bidding / RA from GeM Sellers of the particular product category for a pre-defined requirement i.e. quantity, technical parameters for Goods/ Services of the particular product category required for one or more Buyers / Consignees.
- (b) Prior to initiating e-Bidding / RA, the Buyer shall judiciously search and shortlist item among the items offered on GeM using filters such as quantity, technical parameters, warranty period, consignee location(s) etc. as per the requirement. In case the search made using actual quantity required, fails to identify sufficient offers, the Buyer may use an indicative quantity for initial search and selection of product and quantity may be amended to match the actual requirement at the time of finalizing e-Bidding / RA.
- (c) The technical parameters and warranty of the item identified by the Buyer shall be base parameters of the item for conducting e-Bidding / RA for the required Goods/Services.
- (d) The e-Bidding / RA document will be finalized by the Buyer(s) by stipulating requirements such as Quantity, Consignee Details, Terms of Delivery, Delivery Period, Bid Security, Performance Security, Time & Date for Start and End of Bid Submission and for Opening of Bids and required Bid Validity period etc. GeM system shall decide Start / Reference Price and Step Value of Decrement in case of RA based on product selection and / or outcome of bidding process.
- (e) The e-Bidding / RA invitation / Notice shall be published on GEM, stipulating the last date for bid submission / opening of bids giving at least clear 10 days' time after the publication. Any change in last date for bid submission will be intimated to eligible bidders through e-mail / GeM. The e-Bidding invitation shall be extended to all the registered Sellers on GeM who have Goods / Services for that particular category listed on GeM, at least 2 hours prior to closing time of e-Bidding / RA. The GeM normally requires 48 hrs for approval / rejection of the product / service offered by Sellers before it is listed on the portal. Considering these time lines, the Sellers are required to offer their Goods / Services on GeM well in advance before bid closure. The decision of the Buyer/GeM regarding technical/commercial eligibility of the individual Seller to be invited for e-Bidding / RA shall be final.



- (f) The Seller participating in the e-bidding / RA may offer any one of their product(s) already listed on GeM. The bid submitted under e-Bidding / RA shall remain valid for 15 days (or as stipulated by the Buyer in the bid document) from the Bid Opening Date (till 24.00 Hrs IST). Bid Validity can be further extended with mutual consent between Buyer and Seller. The products offered in e-Bidding / RA cannot be withdrawn by the Sellers from GeM during the bid validity period. The Buyer reserves the right to postpone/cancel the e-bidding and intimation thereof will be sent by e-mail / GeM to the Bidders. Any amendment / corrigendum to the e- bid invitation issued by the Buyer will be made online and shall be uploaded on the GeM. The participation by the Seller in e-bidding shall be construed as his / her acceptance for all the Terms and Conditions as outlined in the e-bidding including GTC, STC and ATC. However, the Buyer shall have right to decide the technical and commercial acceptability of the individual bids based on eligibility criteria and compliances as stipulated in the bid document. The technical parameters shown in the bid are from a particular catalogue as selected by the buyer while applying initial filters in selection of the product. The sellers are free to bid for same, equivalent or superior specifications catalogue / products. In the public interest, buyers will evaluate such bids based on their requirements / end use and bid parameters and will accordingly technically accept or reject the bids on merits.
- (g) In bid documents, Buyers can incorporate suitable eligibility criteria and additional terms and conditions only using various filters and ATC module available in e-bidding / RA modules of GeM. Buyers are not allowed to incorporate eligibility criteria and / or additional / special terms and conditions exterior to the GeM portal by referring to any other website / documents etc.
- (h) In case, two or more acceptable bidders are found to have quoted identical lowest bid price, Buyer has to conduct Reverse Auction for the required Goods among all technically qualified bidders in case of bids for Goods. In case of Services bids, if the multiple L-1 bidders have quoted the lowest allowed price for that service, Buyer shall place the Contract by selection of a bidder amongst the L-1 bidders through a Random Algorithm executed by GeM system.
- (i) The Buyer reserves the right to accept/reject any bid including the lowest bid received through e-bid and/or annul the e- bidding process.



- (j) The participating bidders shall not disclose details of their bid or other details of their e-bids to other bidders or indulge in any anti-competitive behaviour including price manipulation in violation of Competition Act, 2002.
- (k) The Buyer/GeM will not be held responsible for consequential damages such as no internet connection, no power supply, system problems, loss of electronic information, power interruption etc.
- (l) Against any bidding or RA conducted on GeM, if a bidder quotes Nil Charges/consideration, the bid shall be treated as non- responsive and will not be considered.
- (m) There shall be no Bid Security for Bids / RA having estimated value less than INR 5 lakh. For bids / RA having estimated value more than INR 5 Lakh, while finalizing e-Bid / RA, Buyer shall indicate the exact amount of Bid Security required to be submitted by bidders. Scanned copy of the same shall be uploaded by Seller in the online bid and hard copy of the same will have to be submitted directly to the Buyer within 5 days of bid opening, failing which the bid may be treated as incomplete & may lead to rejection of the bid by buyer without making any reference to the seller.
- (n) GeM recommends quantum of Bid Security @ 1% of estimated value of procurement. The Buyer also has the option to select Bid Security between 0.5% to 5%. The same should be valid for 45 days beyond the bid validity. No interest shall be payable upon the Bid Security / EMD or any other amounts payable by the Seller to the Buyer under the Contract. Following categories of Sellers shall however, be exempted from furnishing Bid Security:
 - (i) Start-ups as recognized by Department of Industrial Policy and Promotion (DIPP).
 - (ii) KVIC, ACASH, WDO, Coir Board TRIFED and Kendriya Bhandar.
- (o) Micro and Small Enterprises who are manufacturer of the Primary Product Category or Service Provider of the Primary Service Category and give specific confirmation to this effect at the time of bid submission and whose credentials are validated online through Udyam Registration / Udyog Aadhaar (as validated by Government from time to time) and through uploaded supporting documents.



- (iii) Sellers who have got their credentials verified through the process of Vendor Assessment by Vendor Assessment Agencies for the Primary Product / Primary Service for which Bid / RA has been invited.
- (iv) Sellers/ Service Provider having annual turnover of INR 500 Crore or more.
- (v) Micro and Small Enterprises registered with NSIC for the Primary Product Category whose credentials are validated through NSIC database and through uploaded supporting documents.
- (vi) Micro and Small Enterprises registered with DIC for the Primary Product Category whose credentials are validated through DIC database and through uploaded supporting documents.
- (vii) Sellers / Service Providers holding BIS License for the Primary Product Category whose credentials are validated through BIS database and through uploaded supporting documents.
- (viii) Central / State PSUs.
- (ix) Seller / Service Provider registered with designated Agency / Authority as specified in the bid document by the Buyer – such bidder shall have to upload scanned copy of relevant registration document in place of Bid Security document while bidding.

Note: No EMD to be taken from exempt category of sellers even by way of specific clauses mentioned in ATC / STC by the Buyers. Such clauses which are against the GeM GTC, will be treated as null and void.

- (p) Bid Security submitted by the bidder shall be forfeited, if the bidder:
 - (i) Withdraws or modify or impairs or derogates from the bid in any respect within the period of validity of its bid; or
 - (ii) If it comes to notice that the information / documents furnished in its bid is false, misleading or forged; or



- (iii) Fails to furnish requisite performance security within stipulated time required as per e-bid / RA conditions.
- (q) Notwithstanding above, GeM SPV / GeM Admin also reserve the right to debar such seller from GeM portal. Such debarment shall be for minimum 3 months initially on first such offence and on repeat offence, the debarment period can be increased suitably by GeM SPV / GeM Admin. By submitting a bid on GeM, the Bidder explicitly undertakes to abide by the above clause.
- (r) Earnest money of unsuccessful bidders shall be returned within 15 days after the award of contract or expiry of bid validity, whichever is earlier. However, in case of two packet or two stage bidding, Bid securities of unsuccessful bidders during first stage i.e. technical evaluation should be returned within 15 days of declaration of result of first stage itself i.e. technical evaluation. Earnest money of successful bidder shall be returned within 15 days after receipt of Performance Security / e-PBG.
- (s) In case of RA, Start / Reference Price and Step Value of Decrement shall be indicated to the Bidders at the start of the auction. Any participating bidder can bid one or multiple Step Decrement lower than the prevailing Lowest Bid at that time.
- (t) The Bidder shall be able to view Bid Start Price, Bid Decrement Value, Prevailing Lowest Bid value and last Bid Placed by him. Whenever a lower price bid is received in the closing moment i.e. within 15 minutes of existing end time of Reverse Auction, the end time of reverse auction shall be extended automatically by another 15 minutes. All participant sellers of that RA shall be notified by the GeM system about extension of time through email and/or SMS and they shall be allowed to submit revised bid under the RA. The same process shall be repeated, if there is another lower bid received in the RA during last 15 minutes of RA.
- (u) GeM / Buyer shall not have any liability to bidders for any interruption or delay in access to the GeM site / Reverse Auction link etc, irrespective of the cause.
- (v) By creating a bid on GeM, the Buyer undertakes as under:

"I confirm that this tender document complies with the "Public Procurement (Preference to Make in India) Order, 2017, as amended from time to time" issued by DIPP and "Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012, as amended from time to time " issued by MSME".



(w) Bid to RA:

While creating bid on GeM, Buyer shall have the provision to select Bid to RA option. If this option is selected by the Buyer at the time of bid creation, Sellers would be required to submit their Technical and Commercial bids before bid closure. After completion of technical evaluation by the Buyer, Reverse Auction would be conducted as per Bid to RA qualification rule selected by the buyer, which have been stated below:

- (i) Bid to RA with 50% elimination rule: Reverse Auction would be conducted amongst first 50% of the technically qualified bidders arranged in the order of prices from lowest to highest. Number of sellers eligible for participating in RA would be rounded off to next higher integer value if number of technically qualified bidders is odd (e.g. if 7 bids are technically qualified, then RA will be conducted amongst L-1 to L-4). In case number of technically qualified bidders are 2 or 3, RA will be between all without any elimination. If Buyer has chosen to split the bid amongst N sellers, then minimum N sellers would be taken to RA round. In case Primary products of only one OEM are left in contention for participation in RA based on lowest 50% bidders qualifying for RA, the number of sellers qualifying for RA would be increased to get at least products of one more OEM (directly participated or through its reseller) if available. Further, if bid(s) of any seller(s) eligible for MSE preference is / are coming within price band of 15% of Non MSE L-1 or if bid of any seller(s) eligible for Make in India preference is / are coming within price band of 20% of non MII L-1, then such MSE / Make in India seller shall also be allowed to participate in the RA process.
- (ii) Bid to RA with H-1 elimination rule: Reverse Auction would be conducted amongst all the technically qualified bidders except the Highest quoting bidder. The technically qualified Highest Quoting bidder will not be allowed to participate in RA. However, H-1 will be allowed to participate in RA in following cases:
 - (aa) If number of technically qualified bidders are only 2 or 3.
 - (bb) If Buyer has chosen to split the bid amongst N sellers, and H1 bid is coming within N.



- (cc) In case Primary product of only one OEM is left in contention for participation in RA on elimination of H-1.
 - (dd) If L-1 is non-MSE and H-1 is eligible MSE and H-1 price is coming within price band of 15% of Non-MSE L-1.
 - (ee) If L-1 is non-MII and H-1 is eligible MII and H-1 price is coming within price band of 20% of Non-MII L-1
 - (ff) After the RA process, the award of contract(s) shall be made by the buyer keeping in view the Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2012 and Public Procurement (Preference to Make-in-India) Order, 2017 as amended from time to time.
- (iii) In case any Seller / Service provider has been debarred in any particular Department / Organization, Buyers of that particular Department /Organization only shall have the right to disqualify such Sellers / Service providers at the time of technical evaluation of Bids during the period of debarment, subject to the condition that orders of such debarment has been taken with approval of Competent Authority of that Department / Organization and has been communicated to the concerned Seller / Service Provider before bid opening date.
- (iv) GeM is an end to end on-line procurement portal and not a tender publishing portal. GeM has detailed GTC, product / service specific STC and a rich ATC library in-built in the portal which can be used to create a comprehensive bid document. Based on the available terms and conditions, there is hardly any need to add any additional conditions to be attached with any GeM bid. However, for inclusion of some clause which is considered absolutely necessary for that particular bid for reasons to be explained in detail, a provision for inclusion of additional conditions in the bid through corrigendum is available in Request Management System. Only indispensable conditions that are not covered in and are not in conflict with GeM GTC, Product / Service STC and the standard ATC library, and which are in accordance with the Govt. orders on Public Procurement and are not restrictive and not against the core principals of transparency, fairness and efficiency enshrined in GeM, can be requested through RMS ATC request for making part of GeM bid through corrigendum. Each such request has to be made only after due approval of the Competent Authority in Buyer



Organization confirming that the request has been made with the approval of the Competent Authority. Buyer organization shall be solely responsible for the impact of the requested clauses on the bidding process and its outcome. The clauses which are already covered in standard ATC library available on GeM Portal, will not be allowed through RMS.

- (v) Determination of eligibility in case of products requiring BIS License: In case the bid requires availability of BIS License, bidder has to upload currently valid and operative BIS License copy (Valid on the date of bid opening) to be considered eligible. Submitted BIS License may be in the name of Bidder / OEM or in the name of the Manufacturer to whom the OEM has outsourced manufacturing of his brand of product. The name of the Brand of the offered product should be mentioned in the BIS License. BIS certificate issued under Compulsory registration Scheme for electronic products to OEM/Brand owners for the products marketed under their brand name wherein their products are manufactured at third- party manufacturing unit is valid and is allowed for participation in the bids floated on GeM. The Manufacturer's Authorization in all such cases wherein the manufacturing is done by a third party shall be issued by the Brand owner / OEM and not by the third-party manufacturing unit mentioned in the BIS certificate.

- (vi) Bid Splitting: In case of critical / vital / safety / security nature of the item, and / or large quantity under procurement and / or urgent delivery requirements and / or inadequate vendor capacity, Buyer may decide to have more than one source of supply. In such cases Buyer may opt for Bid Splitting while creating the bid on GeM, clearly indicating the Bid Splitting ratio in which order will be split among L-1, L-2, L-3 etc as per ratio of splitting pre- disclosed in the bid. After technical and financial evaluation, before splitting the quantity, it should be ensured by the Buyer that the L1 price is reasonable. After deciding the acceptable reasonable price, L1 would be awarded contract for at least the first / highest percentage indicated in the bid splitting ratio. For the rest of the bid quantity, the L-1 rates / lowest accepted rate will be counter offered to the next higher quoting bidder(s) for price matching. On acceptance of the counter offer, the order will be placed on next higher quoting bidder(s) for the respective percentage. In case of non-acceptance of the counter offer by the next higher quoting bidder(s), a similar offer shall be made to L3 and L4, and so on. In case counter offered rates are not accepted for ratio of splitting quantity as per bid document by any of the



subsequent bidders, the left over quantity will be divided between bidders who have accepted the rates in the ratio of their originally allocated quantities subject to their confirmation and after getting consent on mutually agreed delivery schedule for the additional quantity.

21.7 CONTRACT(S)

Following documents shall be construed to be part of the contract generated through GeM:

- (a) Scope of supply including price as enumerated in the Contract Document.
- (b) General Terms and Conditions (GTC).
- (c) Product / Service specific Special Terms and Conditions (STC).
- (d) Product / Track / Domain Specific STC of Particular Service including its SLA (Service Level Agreement)
- (e) Bid / RA specific Additional Terms and Conditions (ATC).

The Terms and Conditions stipulated in STC & SLA will supersede those in GTC and Terms and Conditions stipulated in ATC will supersede those in GTC and STC in case of any conflicting provisions.

21.8 PRICES

- (a) Offer price on GeM portal: The prices of the offered Goods or Services shall be firm and fixed at any point of time and shall be indicated in INR for each accounting unit. The Seller can choose to offer Goods or Services with uniform all inclusive unit price for deliveries at locations across India on All India basis or for specified locations selected at the time of product listing. As such, for supply of Goods contract, no additional charges such as local levies / transportation / loading unloading charges etc., shall be payable over and above the contract price. For selected freight intensive products, as notified on GeM, the Seller may quote unit price inclusive of GST with delivery charge(s) (including transportation, loading unloading and local levies) payable extra as defined in the relevant categories. In respect of items requiring installation and / or commissioning and other services (as indicated in technical details



of the item), the charges for the same shall also be included in the offered price on GeM.

Once a Buyer carts a particular quantity of offered Goods / Service, during carting period as notified from time to time on GeM, rates for carted quantity, for that buyer, are frozen for the period as specified on the portal against any upward revision by seller. However, advantage of any downward revision in the offer price of carted item shall be automatically provided to the buyer.

By offering their product and fulfilling the basic need of regular updating of the stock on GeM as stipulated on the portal, the Seller agrees for the acceptance of the order placed through the Direct purchase and L1 purchase without any need for any acceptance or confirmation. The seller commits to hold the price and offer as valid till the date seller itself removes the product offer from GeM or changes the price in compliance with online price change guidelines / rule engines applicable in that category. The action as deemed fit may be initiated for the declining of the such orders as incident policy of the GeM.

- (b) Offer price in e-bidding: Bidder is required to indicate offer price in the price schedule as provided in the bidding document. Complete breakup of price as required must be indicated. However, evaluation of the bid shall be on the basis of total all inclusive, landed price at consignee destination (unless otherwise specified in the ATC).
- (c) Offer price in RA: Bidder is required to indicate total offer price.
- (d) Evaluation of the bid shall be on the basis of total all inclusive, landed price at consignee destination (unless otherwise specified in the ATC). Successful bidder shall have to provide complete breakup of the quoted price in the required price bid format before award of contract.
- (e) Transaction / Annual Milestone Charge: Sellers / Buyers will have to pay Transaction Charge and / or Annual Milestone Charge, wherever applicable, as per extant Revenue Policy of GeM.



21.9 PERFORMANCE SECURITY AND PERFORMANCE

21.9.1

There shall be no Performance security requirement for contracts:

- (a) Placed under Direct Purchase / L-1 Purchase Option under Para (i) and (ii) of GFR rule 149;
- (b) Placed through Bids / RA with estimated bid value up to INR 5 Lakh (in case of Goods contracts); and
- (c) Placed through Bids / RA with estimated bid value up to INR 5 Lakh (in case of Services contracts)

21.9.2

- (a) In case of contracts placed following e-Bidding / RA, Performance Security valid for 2 months beyond the date of completion of all contractual obligations including warrantee obligations, will be obtained from the successful Bidder, for ensuring due performance of the contract. GeM recommends quantum of Performance Security @ 2% of the value of contract. The Buyer also has the option to select Performance Security between 2% to 5%. While finalizing e- Bid / RA, Buyer shall indicate the percentage (%) of Performance Security required to be submitted by successful bidders. In case of any extension of contract obligation period, the seller shall be liable to suitably extend the validity of the Performance Security.
- (b) Such Performance Security must be submitted by Seller to the Buyer within 15 days of award of contract on GeM. The payments to the seller shall become due only after receipt of Performance Security by the Buyer and verification of its genuineness. No interest shall be payable upon the Performance Security / PBG or any other amounts payable by the Seller to the Buyer under the Contract.
- (c) If the Seller fails or neglects to observe or perform any of his obligations under the contract it shall be lawful for the Buyer to forfeit either in whole or in part, the Performance Security furnished by the Seller.
- (d) If the Seller duly performs and completes the contract in all respects the Buyer shall, refund the Performance Security, as the case may be, to the Seller within 30 days of completion of all contractual obligations by the Seller.



21.10 TAXES & DUTIES

- (a) Offer Prices on GeM shall be on all-inclusive basis i.e. including all taxes, duties, local levies / transportation / loading-unloading charges etc. In the case of Bid / RA, complete break-up of the quoted price in the required price bid format shall be furnished by the Bidder, before award of contract.
- (b) Any Statutory variation in the rate of GST, taking place between the Bid Submission by seller and Bid End Date, shall be to the Seller's account. Hence, Seller must ensure that any Statutory variation in the rate of GST till Bid End Date is duly incorporated in the bid submitted by the seller. In case seller fails to incorporate the same in bid, the seller will not be eligible for claiming any change in price due to such Statutory variation.
- (c) Statutory variation in the rate of GST, taking place between the Bid end date and the original / re fixed delivery period, shall be to the Buyer's account. For claiming any change in price due to such Statutory variation, the seller shall have to lodge claim before the Buyer providing documentary evidence of change in rate of GST taking place after Bid end date and the date of supply within the original / re fixed delivery period along with an undertaking that the provisions of anti-profiteering clause under GST Act have been complied with. In respect of contracts awarded under Direct Purchase and L-1 purchase, Statutory variation taking place after date of award of contract shall only be admissible subject to submission of documentary evidence and anti-profiteering compliance certificate to the Buyer. Changing Seller's offered price on GeM portal immediately after any such change in GST rates is seller's responsibility and in case of failure on part of seller, no increase shall be admissible for such changes taking place before award of contract under Direct Purchase and L-1 purchase.
- (d) No increase in price on account of statutory increase in the rate of GST taking place during the period of delivery period extension with liquidated Damages shall be admissible. Nevertheless, the Buyer shall be entitled to the benefit of any decrease in price on account of reduction in GST taking place during extended delivery period.
- (e) The Bill Form / On-line invoice shall be generated by the Seller which may inter-alia include the following confirmations from the Seller:



- (i) Certified that the Goods and Services Tax (GST) charged on this Bill is not more than what is payable under the provision of the relevant Act or the Rules made there under.
- (ii) Certified that the goods on which GST has been charged have not been exempted under the GST Act or the rules made there under and the charges on account of GST on these goods are correct under the provisions of that Act or the Rules made there under.
- (iii) Certified that the Seller is registered with above indicated GSTIN as dealer in the State where in their Billing address is located for the purpose of GST.
- (iv) The seller shall provide an undertaking that the provisions of anti- profiteering clause under GST Act have been complied with.
- (f) The on-line bill form / invoice generated on GeM is not a replacement for the GST invoice. The proper GST invoice as per requirements of GST rules shall be sent by the seller to the buyer / consignee directly along with the Goods / Services as and when deliveries are made to the consignee.
- (g) Seller shall comply with all the necessary statutory compliances including but not limited to providing GST invoices or other documentation as per GST Law relating to the supply of Goods or Services, uploading the details of the invoices, payment of taxes, timely filing of valid statutory returns for the tax period in the GST portal. In case the Input Tax Credit of GST is denied or demand is recovered from Buyer on account of any act/ omission of the Seller in this regard, the Seller shall be liable in respect of all claims of tax, penalty and / or interest, loss, damages, costs, expenses and liability that may arise due to such non-compliance. Buyer shall have the right to recover such amount from any payments due to the Seller or from Performance Security, or any other legal recourse from the said Seller. If any tax is required to be paid by the Seller in pursuance of any demand from tax authorities, on account of Seller's suppression of facts, fraud or wilful misstatement of facts while offering the products or submitting the bids, then the same shall not be passed on to Buyer through debit notes or Invoices or Supplementary Invoices and the seller shall be solely liable for payment of the same.



21.11 INTEGRITY PACT

All the Users in GeM i.e. Seller as well as Buyer agree not to indulge in any corrupt practices including without limitation any activity or action to influence the transaction on any aspect of contract and commit to take all measures necessary to prevent corruption maintaining complete transparency and fairness in all activities related to GeM. Users agree to follow and adhere with the Integrity Pact guidelines provided on GeM Portal.

21.12 GUARANTEE AND WARRANTEE

- (a) The Goods/Services supplied under the Contract(s) shall be in accordance with the contract specifications & quality and the Goods shall be brand new and have standard Guarantee/Warranty for one year period from the date of final acceptance by the consignee unless otherwise specified in category specifications, specific Bid / RA. Seller, at the time of listing their product on GeM portal or offering their products against any Bid / RA, may accordingly provide longer Guarantee/Warranty period (i.e. more than 1 year) and in such case, Guarantee/Warranty period stipulation made in category specifications / Bid / RA document, shall prevail over standard Guarantee / Warranty period of 1 year stipulated in these General Terms and Conditions.
- (b) Notwithstanding the fact that the Buyer or its Quality Assurance Officer may have inspected and/or approved / accepted the said Goods, it is further guaranteed that if during the said guarantee / warranty period, the Goods be discovered not to conform to the requisite description and quality and/or not giving satisfactory performance or have deteriorated, and the decision of the Buyer in that behalf shall be final and binding on the Seller and the Buyer shall be entitled to call upon the Seller to rectify and/or replace the Goods or such portion thereof as is found to be defective by the Buyer within 7 days. Otherwise, the Seller shall pay to the Buyer such compensations that may arise by reasons of the warranty therein contained. In cases requiring Spares, the Seller guarantees that they will supply Spare Parts, if and when required on agreed basis for an agreed price for a minimum period of three years from the date of expiry of warranty period (unless otherwise specified in STC / ATC). The agreed basis could be, including but without any limitation, an agreed discount on the published catalogue or an agreed percentage of profit on the landed cost. The aforesaid provisions made specifically for Goods, shall also be applicable for Services to the extent the same are practically possible.



21.13 BUYER / CONSIGNEE'S RIGHT OF REJECTION (RETURN POLICY)

- (a) The Goods delivered shall bear the self-certified Manufacturer's/Seller's Warranty/Guaranty. Buyer / Consignee shall have the right to inspect the supplied Goods themselves and/or through their appointed agency at consignee's own cost, at Consignee's site(s) after receipt and accept or reject on proper justification any consignment of the Goods received within a period of 10 days (unless otherwise specified in STC or ATC) of receipt of consignment of goods. The date of receipt shall be reckoned from the date of receipt of the Goods as notified in the Provisional Receipt Certificate (PRC) which will be issued online by consignee immediately after receipt of Goods.
- (b) In case of Service contract, the Buyer reserves right to reject the same in conformance with the terms and conditions of the agreed Service Level Agreement (SLA). However, such right to reject services offered by the Seller under the contract shall be exercised by the Buyer within 10 days (unless otherwise specified in STC or ATC) of the date of receipt of the Service. The date & time of start and completion of the Service, shall be indicated by the Seller while raising on- line invoice for a specified period of Service as per Service Level Agreement (SLA). The date of such invoice or the date of completion of the service, whichever is later shall be reckoned as date of receipt of the Service.
- (c) On Acceptance / Part Acceptance or Rejection of Goods / Services, Consignee will issue an online 'Consignee's Receipt cum Acceptance Certificate' (CRAC), which will form the basis of Payments to the Seller.
- (d) No payment shall be made for rejected goods or services. After intimation of the rejection / part rejection by the Buyer/ Consignee, the Seller shall be liable to remove / lift back such rejected Goods within 10 days without any extra charge/cost to the Buyer / Consignee failing which suitable ground rent / warehousing charges would be payable by the Seller to the Buyer /Consignee. If the Seller fails to remove / lift back such rejected Goods within reasonable time period, the Buyer / Consignee shall have the right to dispose of such rejected goods at the risk and cost of the seller.

21.14 PAYMENT AUTHORITY AND PAYMENT TERMS

Payments shall be made to the Seller in the manner below:



- (a) For supply of goods: In case of goods, 100% payment will be released within ten (10) days of issue of consignee receipt-cum-acceptance certificate (CRAC) and on-line submission of bills unless otherwise specified in STC / ATC.
- (b) For supply of services: In case of services, 100% payments on the basis of monthly (unless otherwise specified) bills will be paid within ten (10) days of issue of consignee receipt-cum-acceptance certificate (CRAC) and on-line submission of bills unless otherwise specified in STC / ATC.

21.15 TERMS OF DELIVERY

All the Goods or Services in the GeM shall be offered on Free Delivery at Site basis including loading/unloading. In respect of items requiring installation, commissioning and other services in the scope of supply (as indicated in respective product category specification / STC / ATC), the cost of the same shall also be included in the offer price.

21.16 DELIVERY PERIOD

Seller shall indicate the quantity which can be supplied over the specified time period(s). The Seller would offer these details, which would constitute the part of the awarded Contract(s) in the GeM and would make a binding Contract between the Seller & the Buyer. Any modification thereto shall be mutually agreed and incorporated in the Contract. This Delivery Period/Time shall be deemed to be essence of the Contract and delivery must be completed not later than such date(s).

21.17 EXTENSION OF DELIVERY PERIOD AND LIQUIDATED DAMAGES

Buyer may, on the request of the Seller or otherwise, extend the delivery date suitably subject to the following conditions:

- (a) The original Delivery Period may be re-fixed by the Buyer without any Liquidated damages subject to Force Majeure conditions mentioned below and also on the ground/reasons of delay attributable to the Buyer / Consignee.
- (b) For other cases, provided the price trend is not lower, the Delivery Period may be suitably extended for which an amount equal to the Liquidated Damages for the



extended period(s) for delay in the supply of the Goods/Services after the expiry of contract delivery period /re-fixed delivery period, shall be recovered from the Seller as mentioned hereinafter for the extended period. No increase in price on any ground after the original/re-fixed delivery date shall be admissible during such extended period(s). Nevertheless, the Buyer shall be entitled to the benefit of any decrease in price on account of reduction in GST taking place during extended delivery period.

- (c) **Liquidated Damages:** If the Seller/Service Provider fails to deliver any or all of the Goods/Services within the original/re-fixed delivery period(s) specified in the contract, the Buyer will be entitled to deduct/recover the Liquidated Damages for the delay, unless covered under Force Majeure conditions aforesaid, @ 0.5% of the contract value of delayed quantity per week or part of the week of delayed period as pre-estimated damages not exceeding 10% of the contract value of delayed quantity without any controversy/dispute of any sort whatsoever.

- (d) **Force Majeure Conditions:** If at any time during the continuance of the Contract, the performance in whole or in part by either party of any obligation under this Contract shall be prevented or delayed by the reasons of any war, hostility, acts of the public enemy, epidemics, civil commotion, sabotage, fires, floods, explosion, quarantine restrictions, strikes, lockouts or act of God (but not including negligence or wrongdoing, predictable/seasonal rain) provided notice of happening of such event duly evidenced with documents is given by one party to the other within 10 days from the date of occurrence thereof, neither party shall be by reasons of such event, be entitled to terminate the Contract nor shall either party have any claim for damages against the other in respect of such non-performance or the delay in performance, and deliveries under the contract shall be resumed as soon as practicable after such event has come to an end or ceased to exist, and the decision of the Buyer as to whether the deliveries have been so resumed or not, shall be final and conclusive, Provided further that if the performance in whole or part of any obligation under this contract is prevented or delayed by reason of any such event for a period exceeding 90 days, either party may at its option terminate the contract provided also that the Buyer shall be at liberty to take over from the Seller at a price to be fixed by Buyer, which shall be final, all unused, undamaged and accepted material, bought out components and Goods in course of manufacture in the possession of the Seller at the time of such termination or such portion thereof as the Buyer may deem fit excepting such materials, bought out components and Goods as the Seller may with the concurrence of the Buyer elect to retain.



21.18 DISPUTE RESOLUTION BETWEEN THE BUYER AND THE SELLER / SERVICE PROVIDER

(a) Amicable settlement:

- (i) The Parties (i.e., the Buyer and the Seller/ Service Provider) undertake that any conflict or dispute that may arise between them shall first be dealt with in the manner stated below, irrespective of any other recourse, which any Party may have in law or in equity.
- (ii) In the event of any conflict or dispute arising out of or in connection with the Contract placed through GeM, the Parties shall endeavour to settle such disputes amicably. If a dispute is not resolved within 30 (thirty) days after a written notice of any dispute by one Party to the other, the same shall then be resolved through the mechanism of a Dispute Resolution Committee. This Dispute Resolution Committee shall comprise of representatives of both the Buyer and the Seller / Service Provider and shall be chaired by the Primary User of the Buyer organization/department or any other person as authorized by the Primary User. If the Dispute Resolution Committee is not able to resolve the matter within 30(thirty) days of its formation, the dispute shall then be referred to Arbitration.

(b) Arbitration:

In the event of any conflict / dispute arising out of or in connection with the Contract placed through GeM, which has not been resolved in accordance with the procedure laid down in Clause 16.1 above, the aggrieved Party may invoke Arbitration by sending a written notice to the other Party. The procedure for appointment of the Arbitral Tribunal shall be as follows:

- (i) In cases where the total value of the Contract is less than INR 1, 00, 00,000/- (Indian Rupees One Crore only) the same shall be referred to a sole arbitrator mutually appointed by both the Parties.
- (ii) Where the total value of the Contract exceeds INR 1,00,00,000/- (Indian Rupees One Crore only), the arbitration shall be conducted by a quorum of three arbitrators. Each party shall be entitled to appoint an arbitrator and the two party-appointed arbitrators shall within 30 (thirty) days from their nomination, appoint a third arbitrator i.e., the Presiding Arbitrator.



- (iii) In case of failure to appoint the Presiding Arbitrator within a period of 30 (thirty) days from the date of nomination of the two arbitrators by the respective parties, the aggrieved party shall approach the High Court (under whose jurisdiction the principal place of business of the Buyer department/ organization is located) to appoint the Presiding Arbitrator as per the provisions of the Arbitration and Conciliation Act, 1996 (as amended up to date).
- (iv) The arbitration shall be conducted in the English language. Arbitration proceedings can also be conducted online, as per the discretion of the Arbitral Tribunal.
- (v) The cost of the Arbitration shall be equally borne by both the Parties.
- (vi) The award of the arbitrator shall be final and binding on the Parties to the Contract. The arbitration shall be governed by the Arbitration and Conciliation Act, 1996, as amended up to date. The seat of arbitration shall be at the place where the principal place of business of the Buyer department / organization is located.
- (vii) The Contract shall be interpreted and governed in all respects in accordance with the laws of India. All disputes in connection with or arising out of the Contract, shall be subject to the exclusive jurisdiction of the Court within the local limits of whose jurisdiction principal place of business of the Buyer department / organization is located.
- (c) Both the Parties understand and agree that GeM being an Intermediary cannot be made a party to any dispute in connection with or arising out of the Contract and/or the arbitration proceedings between the Parties
- (d) Where the arbitral award is for the payment of money, no interest shall be payable on whole or any part of the money for any period till the date on which the award is made.

21.19 LAWS GOVERNING THE CONTRACT

- (a) The contract shall be governed by the laws of India for the time being in force.



- (b) Irrespective of the place of delivery, the place of performance or the place of payment under the contract, the contract shall be deemed to have been made at the registered address of the Buyer and / or Primary Buyer.
- (c) Jurisdiction of Courts: The courts of the place from where the contract has been made shall alone have jurisdiction to decide any dispute arising out of or in respect of the contract.
- (d) GeM SPV would not be a party to any such litigation.
- (e) In case any Seller / Service provider makes GeM a party / respondent in any case involving any dispute between Buyer and Seller arising out of a concluded contract or arising out of bidding process initiated / concluded by the Buyer on GeM, it would be obligatory on the part of the Buyer to represent GeM also through their Counsel / Lawyer in the proceedings before the legal authority and ensure timely filing of replies / affidavits etc provided by GeM also through their Counsel / Lawyer before the concerned legal authority during the course of litigation. A standard reply on behalf of GeM, covering following aspects shall be incorporated in all replies / affidavits filed by the Buyer in such cases: "Government e-Marketplace is a National Public Procurement Portal; an end- to- end online Marketplace for Central and State Government Ministries / Departments, Central & State Public Sector Undertakings (CPSUs & SPSUs), Autonomous institutions and Local bodies, for procurement of common use goods & services. Prima facie, the dispute in the present case appears to be between the Buyer and Seller arising out a contract placed / bid created by the Buyer on Government e-Marketplace. As per Clause 16, Clause 17 and Clause 22 of the General Terms and Conditions of Government e-Marketplace (duly accepted by the Buyer and Seller), GeM is not to be made a party to any dispute between the Buyer and the Seller. As such Government e-Marketplace is liable to be deleted from the array of parties. In light of the above, we request your good self to kindly delete Government e- Marketplace from the array of parties."

21.20 LIMITATION OF LIABILITY

Except in cases of criminal negligence or wilful misconduct, the aggregate liability of the contractor to the Procuring Entity or Procuring Entity to Contractor, whether under the contract, in tort or otherwise, shall not exceed the total Contract Price, provided that this limitation shall not apply to the cost of repairing or replacing defective equipment, or to any



obligation of the contractor to indemnify the Procuring Entity concerning IPR infringement and Confidentiality of Documents.

21.21 TERMINATION FOR DEFAULT

If the Seller does not perform its obligations within the Delivery Period/Date mentioned in the Contract, the same would constitute the breach of the Contract and the Buyer shall have the right to Cancel or withdraw the Contract for the unsupplied portion after the expiry of the original or re-fixed delivery date or period stipulated in the Contract. Such cancellation of contract on account of non - performance by the Seller would entitle the Buyer to forfeit the performance security besides other actions such as downgrading the Seller's rating or debarment from the GeM for specified period as decided by GeM on merits.

21.22 CLOSURE OF TRANSACTION

After satisfactory completion of all the obligations under the Contract and release of payments for the goods / services, the transaction shall be treated as closed.

21.23 GROUND FOR ADMINISTRATIVE ACTION

- (a) Administrative actions may be taken by GeM against the Buyer or the Seller either suo-moto on the basis of the platform mechanisms identified through analytics or on the basis of a complaint or report made to GeM by any stakeholders or any third-party information or upon Court order, inter-alia, for non-adherence to the GeM Website Policies including Terms and Conditions and the Incident Management Policy published on the GeM Website.
- (b) The Seller would be liable for administrative actions such as suspension / debarment / removal from GeM, if they fail to abide by any of the Website Policies including the terms & conditions stipulated in this document and/or on anyone or more of the following grounds:
 - (i) Listing the products/services not in the relevant categories and/or listing the same with vague/conflicting product specifications / details and irrelevant product photographs.



- (ii) Offering Goods / Services without having proper authorization
 - (iii) Supplies goods of inferior / substandard quality
 - (iv) Supplies or offers to supply refurbished or counterfeit or fake products
 - (v) Withdraws or modify or impairs or derogates from the bid in any respect within the period of validity of its bid;
 - (vi) Seller furnishes inaccurate, false, misleading or forged or fails to furnish any information / documents, within the prescribed time limits, to GeM or to a Buyer, including during e-Bidding/ RA process;
 - (vii) Fails to furnish requisite performance security within stipulated time required as per e-bid / RA conditions;
 - (viii) Fails to update GeM about any change in information furnished within the prescribed time limits;
 - (ix) Executes services without conforming to requirement given in Service Level Agreement (SLA);
 - (x) Fails to execute an order/ contract or fail to execute it satisfactorily
 - (xi) Is declared bankrupt or insolvent;
 - (xii) Fails to produce the requisite documents/ information during the course of inspection / assessment at any stage;
 - (xiii) Performs any activity which is listed as prohibited activities on GeM.
 - (xiv) On any other ground for which, in the opinion of GeM, the retention of the seller or any of its offered product in GeM is not in Public Interest.
 - (xv) The grounds mentioned above are illustrative only. Users are also advised to read the list of prohibited activities published on the website.
- (c) Notwithstanding anything contained in the GTC, GeM reserves the right to cancel or annul the registration of any Seller or remove any of the Good/Services listed by a



Seller on the GeM Website to comply with any provision of the Applicable Laws and / or Court Orders.

- (d) GeM may take an administrative action in terms of the GeM Website Policies against a Buyer which may include reporting of any breach or misconduct to the Buyer Primary User and/or to the competent authority and GeM reserves the right to review the rating of such Buyer, and / or block Buyer's account for such time as considered appropriate by GeM.
- (e) The Seller and the Buyer understands that the grounds for administrative action as provided under the Contract are only indicative and additional grounds may be provided under the GeM Website Policies including the Incident Management policy. The Seller/ Buyer warrants to abide by all additional grounds as may be specified by GeM in the GeM Website Policies from time to time.

21.24 ROLE OF GOVERNMENT E- MARKETPLACE - GEM SPV

Government e-Marketplace – GeM SPV is the owner of the GeM portal which monitors and supervises all the business transactions on the portal. The role and responsibilities of the company are as under:

- (a) To develop, operate and maintain technology driven e-marketplace, through a Managed Service Provider (MSP), to be used by government agencies for procurement of various goods and services in a transparent and efficient manner.
- (b) Overall supervision and monitoring of GeM portal operations, policy management, finalization and implementation of various business processes and work flows in adherence with the applicable law and executive orders issued from time to time . To provide tools for on- line Bidding, on-line Reverse Auction and Business Analytics Tools on GeM.
- (c) To work continuously for improvements in the Business Processes and Work Flows for various activities / functions on GeM based on feedback from various stakeholders to enhance transparency, efficiency, competitiveness, equality, economy in procurement of goods and services by government agencies.
- (d) To finalize General Terms and Conditions for sale and purchase of Goods and Services on GeM, Product / Service Specific Special Terms and Conditions, Special



Terms and Conditions for Bunching of Goods / Services, Bid Specific Special Conditions, Project Specific Special Conditions etc.

- (e) To finalize, upload and approve Technical Specification Frameworks for various item / service categories on GeM and to monitor conformity of offered products to the larger framework so finalized and uploaded.
- (f) To decide addition / deletion of any of the offered product(s)/Product category (ies) and their framework of technical parameters on GeM.
- (g) To work and co-ordinate with different Organizations/Departments / Agencies for integration of their Databases with the GeM portal on real time basis for the purpose of verification/authentication of data entries made by stakeholders.
- (h) To offer and manage Demand Aggregation services for identified categories across buyers with assured reasonability of price, recommending for placement of orders by individual buyers
- (i) To co-ordinate with MSP for conducting workshops for the various Stakeholders in capacity building and in change management associated with the implementation of technology enabled procurement process.
- (j) To monitor MSP that the Buyers, Sellers and Service Providers are being assisted properly by them to onboard their goods and services on the GeM platform.
- (k) To identify and offer services of 3rd parties for Vendor Assessment relating to technical, financial capacity, past experience of sellers including manufacturing / testing facilities / quality control arrangement(s) of manufacturing premises and/or any of the premises related to manufacturing process of products / services offered by the seller / service provider on GeM.
- (l) To identify and offer services of 3rd parties for testing and certifying the quality of the product offered/ supplied, through documents, test reports/ certificates, testing at any independent lab or through inspection/testing by its authorized representative/s at firm's premises or at user's premises, that buyer choose to use.
- (m) Overall monitoring and management of Call Centre/Help desk operations being provided by the MSP.



- (n) Removal / debarring the Sellers/Buyers and Goods / services in GeM.
- (o) Management of complaints and their redressal mechanism in GeM (not disputes related to concluded contracts).
- (p) To identify, integrate and manage MoUs with verifying, certifying and validating entities across government(s) and also professional agencies to reinforce the online paperless, contactless and cashless system on GeM.
- (q) To issue Notices, Circulars, News, Flashes, Updates etc in GeM
- (r) Reporting and MIS mechanism in GeM
- (s) Any other related activities in the GeM
- (t) In exceptional circumstances, for ensuring propriety of procurement processes or to obviate possible misuse of GeM functionalities, GeM SPV as GeM Admin may keep any Bidding / RA process on hold for some time as considered appropriate.
- (u) To take approved User Charges from Buyers and Sellers for the various transactions on the GeM portal as decided and notified on the GeM portal.

21.25 MISCELLANEOUS PROVISIONS

- (a) Assignment: Users understand and agree that the GTC, STC and ATC provisions, rights and obligations granted by GeM are non- transferrable or assignable by the User to any third party, without the prior written consent of GeM.
- (b) If same is permitted by GeM, all the conditions, rights and obligations of the GTC or any on-going STC/ATC shall also be binding upon such third-party assignee besides the User.
- (c) Indemnification: The Seller shall at all time indemnify Buyer against all suits and claims which may be made in respect of the goods/services for infringement of any right protected by patent, registration of designs or trade mark. Provided always that in the event of any claim and suit in respect of alleged breach of patent, registered designs or trade-mark being made against the Buyer, the Buyer shall notify the Seller/ Service



Provider of the same who shall at its own expense either settle any such dispute or conduct and litigation that may arise there from.

- (d) Buyers and Sellers agree to indemnify, defend and hold harmless GeM, its officials, Managed Service Provider (herein after individually and collectively referred to as "indemnified parties") from and against any and all losses, liabilities, claims, suits, proceedings, penalties, interests, damages, demands, costs and expenses (including legal and other statutory fees and disbursements in connection therewith and interest chargeable thereon) asserted against or incurred by the indemnified parties that arise out of, result from, or in connection with
- (e) Breach of the contract(s); or
- (f) Any claims made by any third party due to, or arising out of, or in connection with, use of the Website; or
- (g) Any claim made by any third-party regarding content/ information or materials provided by Seller cause any damage to a third party; or arising out of, or in connection with, use of the Website.
- (h) Violation of any intellectual property rights or any other rights.
- (i) Once GeM notifies the Buyer/ Seller of such claims, they shall defend and indemnify GeM for the same. Further, in no case they shall compromise or settle any claim or admit any liability on the part of GeM without the express or prior written consent of GeM which can be withheld or denied or modified by GeM in its sole discretion or as per the Applicable Laws.
- (j) Severability: If due to any change in Applicable laws, certain part of the GTC or any applicable STC or any provisions of the GeM policies or portions thereof, becomes unenforceable, the remaining provisions shall continue in full force and effect so as to give effect to the intent of the parties.
- (k) Website Terms and Policies Updation: Buyers and Sellers are advised to check the website terms and conditions as well as policies such as Privacy Policy and the Website Disclaimer at all times, as GeM may update the Website and such terms from time to time.



- (I) List of Prohibitive Activities (Suggestive and Non-Exhaustive):

21.26 LIST OF PROHIBITIVE ACTIVITIES

The following is an indicative list of prohibitive activities which the Buyers and the Sellers registered on GeM platform shall not perform on the GeM platform. A breach of any of the prohibited activities shall give the right to GeM under the Applicable Laws or in terms of these GTC or the GeM Website Policies to take administrative action which may include partial or permanent disabling of account on GeM Website, debarment etc. Additionally, GeM may remove any non-compliant information and reserves the right to preserve and share with the appropriate authority such information and associated records for investigation purposes. The Buyer and the Seller understand that this list is only indicative and additional activities may be prohibited under the GeM Website Policies. The Buyers and the Sellers shall undertake to provide their full support that may be required by GeM for removal and disabling of the non-compliant information. The prohibited activities include:

- (a) Indulging in cybercrime or other criminal activities which can become a threat to GeM, GeM Website, to the Government of India or to any State Government or Government Agency.
- (b) Advertising, exhibiting, representing, publishing, pronouncing, listing, delivering, offering to sell or selling any kind of Goods/Services which can cause any kind of infringement or disparagement of intellectual property rights.
- (c) Selling refurbished, counterfeit and/or fake Goods / Services under a brand or misusing others brand name.
- (d) Offering to sell or selling above the MRP any Goods or misrepresenting the MRP.
- (e) Delivering some other Goods or Services instead of the Goods or Services Contracted for or delivering empty parcels or used Goods in breach of the terms of the Contract.
- (f) Offering to sell or selling freebies which are 'Not for sale' Goods.
- (g) Listing of the Goods on GeM Website without authorization to sell Goods manufactured by the OEM in open market or without proper authorisation, if any required, for providing the Service.



- (h) Listing of the Goods or Services is done on GeM Website without guarantee/warranty or without a genuine guarantee/warranty.
- (i) Listing of the Goods or Services in irrelevant or inappropriate categories or with vague or conflicting specifications or description (including descriptive or pictorial description).
- (j) The Buyer /Seller registering on GeM and/or offering or buying the Goods and/or Services and/or participating in e-bidding/reverse auction on GeM, without the requisite authorization to enter into contract on behalf of the concerned legal entity. Failing which such individual(s) shall be individually liable for its actions and also for any liability arising out of such actions.
- (k) If any Seller has been debarred from GeM then such Seller or their authorized sellers shall also not be permitted to register and offer/sell their products on GeM and / or participate in Bids / RA on GeM.
- (l) Using GeM prices for making procurement outside GeM Portal.
- (m) Splitting of demands by creating multiple Bids/RAs of same goods / services or making repeated procurements of same goods/services through Direct Purchase / L-1 buying as per rule 149(i) and 9(ii) of GFR- 2017.
- (n) Uploading goods / services containing information that —
 - (i) belongs to another person and to which the user does not have any right to;
 - (ii) is grossly harmful, harassing, blasphemous, defamatory, obscene, pornographic, paedophilic, libellous, invasive of another's privacy, hateful, or racially, ethnically objectionable, disparaging, relating or encouraging money laundering or gambling, or otherwise unlawful in any manner whatever;
 - (iii) harm minors in any way;
 - (iv) infringes any patent, trademark, copyright or other proprietary rights;
 - (v) violates any law for the time being in force;



- (vi) deceives or misleads the addressee about the origin of such messages or communicates any information which is grossly offensive or menacing in nature;
- (vii) impersonate another person;
- (viii) contains software viruses or any other computer code, files or programs designed to interrupt, destroy or limit the functionality of any computer resource;
- (ix) threatens the unity, integrity, defence, security or sovereignty of India, friendly relations with foreign states, or public order or causes incitement to the commission of any cognizable offence or prevents investigation of any offence or is insulting any other nation.
- (x) Achieving or trying to achieve illegal access to features on GeM Website not specifically authorised or exceeding the scope of authorized access to or other features of the GeM Website;
- (xi) Obstructing or causing GeM to lose (in whole or in part) the services provided by any internet service provider ("ISPs") or carrying out any cyber security incident;
- (xii) Sending unsolicited emails, bulk messaging, auto messaging, junk email, spam and like.

21.27 INCIDENT MANAGEMENT POLICY ON GEM

- (a) GeM is a trust-based system and self- declaration is the key, along with a strong automated process to penalize any deviant behaviour on part of Sellers / Buyers. For this purpose, deviations from the terms and conditions of procurement on GeM, including general terms and conditions, special and additional terms and conditions and any other relevant Government rules and guidelines, are termed as “deviation”. A deviation can occur while listing the products on GeM, at pre- contract stage, during bidding or at post contract stage on GeM. The mechanism for reporting and initiating action on such deviation has been detailed in the Incident Management Policy available on GeM portal under Resources. All stakeholders of GeM shall be bound by the actions as detailed in the Incident Management Policy.
- (b) All administrative actions under this Incident management Policy, taken by GeM against any of the stakeholders shall not cause any limitation on the legal and/or



contractual remedies including any financial recoveries, available to Buyers/Sellers under the Terms and Conditions of contract and/or GeM policies. In case the Buyer / Seller choose to pursue any of these remedies, GeM shall not be made party to such proceedings / remedial actions taken by Buyer/Seller under the contractual provisions.

- (c) If any individual has registered multiple proprietorship concerns as separate seller entities on GeM under different business names (with same PAN), all such Seller entities would be equally impacted by the action taken against any one of such entities for his default / deviation under incident management policy.
- (d) All the allied firms, as per definition of DOE's OM number F.1/20/2018- PPD dated 02/Nov/2021, will be equally impacted by the action taken against any one of such entities for the default / deviation under Incident Management Policy.
- (e) Following is the definition of allied firms:
All concerns which come within the sphere of effective influence of the debarred firms shall be treated as allied firms. In determining this, the following factors may be taken into consideration:
 - (i) Whether the management is common.
 - (ii) Majority interest in the management is held by the partners or directors of banned / suspended firm.
 - (iii) Substantial or majority shares are owned by the banned/ suspended firm and by virtue of this it has a controlling voice.
 - (iv) Directly or indirectly controls or is controlled by or is under common control with another bidder.
 - (v) All successor firms will also be considered as allied firms.

21.28 USE OF AADHAAR NUMBER IN GEM

Purpose of the Aadhaar authentication in GeM is to identify the user using eKYC. GeM has provisioned the option for Sellers and Buyers to provide virtual Aadhaar ID instead Aadhaar number. GeM receives First Name, Last Name, Mobile Number, Email ID, DOB and Gender details. It is used to link the mobile number with the user who is registering on GeM; on which subsequently OTP is sent for achieving the property of non-repudiation in different artefacts



/ documents generated on GeM. GeM has provisioned an alternative Identity Information option through PAN based verification to Sellers.

21.29 COMPLIANCE OF RESTRICTIONS UNDER RULE 144 (XI) OF GFR 2017

Restrictions on procurement from a bidder of a country which shares a land border with India

- (a) Any bidder from a country which shares a land border with India will be eligible to bid in this tender only if the bidder is registered with the Competent Authority.
- (b) "Bidder" (Seller / Service Provider) means any person or firm or company, including any member of a consortium or joint venture (that is an association of several persons, or firms or companies), every artificial juridical person not falling in any of the descriptions of bidders stated hereinbefore, including any agency branch or office controlled by such person, participating in a procurement process.
- (c) "Bidder from a country which shares a land border with India" for the purpose of this Order means: -
 - (i) An entity incorporated, established, or registered in such a country; or
 - (ii) A subsidiary of an entity incorporated, established, or registered in such a country; or
 - (iii) An entity substantially controlled through entities incorporated, established, or registered in such a country; or
 - (iv) An entity whose beneficial owner is situated in such a country; or
 - (v) An Indian (or other) agent of such an entity; or
 - (vi) A natural person who is a citizen of such a country; or
 - (vii) A consortium or joint venture where any member of the consortium or joint venture falls under any of the above
- (d) The beneficial owner for the purpose of (iii) above will be as under:



- (i) In case of a company or Limited Liability Partnership, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercises control through other means. Explanation—
 - a) "Controlling ownership interest" means ownership of or entitlement to more than twenty-five per cent. of shares or capital or profits of the company;
 - b) "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements;
- (ii) In case of a partnership firm, the beneficial owner is the natural person(s) who, whether acting alone or together, or through one or more juridical person, has ownership of entitlement to more than fifteen percent of capital or profits of the partnership;
- (iii) In case of an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than fifteen percent of the property or capital or profits of such association or body of individuals;
- (iv) Where no natural person is identified under (1) or (2) or (3) above, the beneficial owner is the relevant natural person who holds the position of senior managing official;
- (v) In case of a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with fifteen percent or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.
- (e) An Agent is a person employed to do any act for another, or to represent another in dealings with third person.
- (f) The successful bidder shall not be allowed to sub-contract works to any contractor from a country which shares a land border with India unless such contractor is registered with the Competent Authority.



Any false declaration and non-compliance of the above would be a ground for immediate termination of the contract and further legal action in accordance with the laws.

21.30 CAUTION MONEY DEPOSIT

- (a) All sellers on GeM are required to deposit a one-time amount as under as caution money:
 - (i) Seller Turnover less than 1 Crore: INR 5,000/-
 - (ii) Seller Turn over > 1 Crore but < 10 Crore: INR 10,000/-
 - (iii) Seller Turn over > 10 Crore: INR 25,000/-
- (b) The above caution money shall remain at the disposal of GeM SPV. This can be forfeited in part or in full (as per approval of CEO (GeM)) in following circumstances:
 - (i) Failure of the seller in executing any GeM contract or if the Seller fails or neglects to observe or perform any of his obligations under the contract (applicable only in respect of contracts that did not have provision of Performance Security).
 - (ii) Withdraws any bid submitted on GeM within the period of validity of the bid.
 - (iii) Fails to furnish requisite performance security as per GeM e-bid/ RA conditions.
- (c) In case the Caution Money of any seller is forfeited in full or part and his caution money deposit goes below the threshold indicated in para 1 above, the seller account shall be put on hold till the seller re-coups the caution Money account to required value. Seller's stock will become zero for all categories and seller will not be allowed to update anything till the caution money is topped up to minimum required amount.
- (d) Forfeiture of caution money as per above shall be over and above any other actions taken against such sellers as per GeM Incident Management Policy and shall be without any prejudice to the rights and remedies available to GeM and / or Buyer as per provisions of the relevant contracts.



21.31 CMS 3.0 AND OEM - RESELLER RESPONSIBILITY MATRIX

- (a) GeM has implemented enhanced Catalogue Management System (CMS 3.0) on GeM Portal. The Primary Objective of CMS 3.0 is to offer higher level of ownership & accountability to OEMs & its approved Resellers while maintaining Efficiency, Transparency & Inclusiveness of GeM. Complete and detailed Obligations and Privileges matrix of the different stakeholders in different quadrants is given in CMS document available on GeM Portal and OEMs and Resellers are bound to operate on GeM in compliance with the CMS document as updated from time to time.
- (b) CMS Quadrant 1 (CMS Q1): Product offers in categories under Q1 will be solely offered by GeM validated OEMs. OEM shall be exclusively responsible for maintaining currency and sanity of catalogue and its offer in the Market Place. OEM shall be absolutely and exclusively responsible and be legally liable for sanity and quality of offers including Warranty and After Sales Service obligations.
- (c) CMS Quadrant 2 (CMS Q2): OEMs as well as pre-Authorized Resellers can offer products in Q2. OEMs shall operate Market Place subject to providing its complete list of Open market authorized sellers along with formal commitment to list and maintain all appropriate and current Product Catalogue for pairing by its Resellers. OEM shall be absolutely and exclusively responsible and be legally liable for sanity and quality of catalogues including Warranty and After Sales Service obligations. Authorize Resellers shall be responsible for Pairing their offer with the already existing Product Catalogue created by the OEM. However, resellers can Update their Offer Price, Stock and Delivery Locations solely at their own discretion and shall be solely responsible for the same.
- (d) CMS Quadrant 3 (CMS Q3): Catalogue creation in categories under Q3 can be from OEMs and/or their Authorized Resellers concurrently. In case OEM has not created Product Catalogue, Authorized Resellers of OEMs are also permitted to do the same. However, OEM (when registered on GeM and taken OEM Dashboard) shall be responsible for Validating & verifying the Catalogue uploaded by Reseller, Maintaining the Catalogue by adding/updating the Specifications, MRP etc. specific to catalogue. OEM shall also assume all responsibility and legal liability for sanity and quality of offers including Warranty and After Sales Service obligations. However, resellers can Update their Offer Price, Stock and Delivery Locations solely at their own discretion and shall be solely responsible for the same.



- (e) CMS Quadrant 4 (CMS Q4): Catalogue creation in categories under Q4 can be done by OEMs as well as by any Reseller also. However, OEM (when registered on GeM and taken OEM Dashboard) shall be responsible for Validating & verifying the Catalogue uploaded by Reseller, Maintaining the Catalogue by adding/updating the Specifications, MRP etc. specific to catalogue. However, there is no requirement of any endorsement or authorization of the reseller by the OEM. Resellers can Update their Offer Price, Stock and Delivery Locations solely at their own discretion and shall be solely responsible for the same. Reseller will also be responsible for providing Replacement Warranty in case of Q4 products and Buyer shall not be required to take up with OEM for any warranty claims.
- (f) CMS (Special Category): The Special Category is a specialized segment outside the four quadrants for select few categories that require a customized behaviour such as Self-Help Groups (SHG) categories.
- (g) In Q3 and Q4, in case of re-sellers, if the reseller has not been approved as an authorized re-seller by the OEM on GeM, the re-seller is required to give an undertaking as under while uploading the product, while accepting any order and while participating in any bid:

"I hereby undertake that I have made arrangements for getting the stores from authorized distributor / dealer / channel partner of the OEM of the offered product. At the time of delivery of goods, I will provide necessary chain documents to prove that the supplied goods are genuine and are being sourced from authorized distributor / dealer / channel partner of the OEM. In case of any complaint from the Buyer / Consignee about genuineness of the supplied products, I shall be responsible for providing genuine replacement supplies."

By uploading any product on GeM or accepting any order on GeM or by participating in any bid on GeM, the re-seller is deemed to have given above undertaking and is liable for compliance of the same.

Further in view of the on-line verification of Seller credentials by the OEM on GeM platform, there is no need for Buyer to ask for or insist on furnishing of OEM authorization in bids in respect of "OEM verified Catalogue" offered by "OEM Verified Reseller". OEM authorization is also not required to be sought and checked by Buyers in case of bids for products in Q1 or Q2.



21.32 ONE BID PER BIDDER

- (a) A Bidder shall submit only one bid in a particular bidding process (unless otherwise allowed in the bid STC / ATC conditions). In case of a holding company having more than one independent manufacturing units or more than one unit having common business ownership / management, only one unit should quote. Similar restrictions shall apply to closely related sister companies. Bidder's sister/ Associated/ Allied concern(s) participating or applying against the same tender, shall lead to disqualification of Bidders. Sister/ Associated/ Allied concern means a company, society, partnership firm or proprietorship firm having one or more common persons as Director/ Partner/ Member/ Owner. A Bidder who submits more than one bid will cause all the proposals submitted in the particular bid to be disqualified. In relation to the above, a person will include firm(s) of Proprietorship / Partnership Firm / Limited Liability Partnership / Private Limited / Limited company / Society registered under Society's Act / Statutory Bodies / any other legal entity, as the case maybe, & will be deemed to have submitted multiple bids in a particular bid if a person bids in any of the two formats given below:
- (i) individual or proprietorship format and/or
 - (ii) a partnership or association of persons format and/or
 - (iii) a company format

Whereby,

- A company shall for this purpose include any artificial person whether constituted under the Indian laws or of any other country.
- A person shall be deemed to have bid in a partnership format or in association of persons format if he is a partner of the firm which has submitted the bid or is a member of any association of persons which has submitted a bid.
- A person shall be deemed to have bid in a company format if the person holds:
 - (i) more than 10% (ten percent) of the voting share capital of the company which has submitted a bid, or
 - (ii) is a director and / or Key Managerial Personnel of the company which has submitted a bid, or



- (iii) holds more than 10% (ten percent) of voting share capital in and/or is a director and / or Key Managerial Personnel of a holding company of that company which has submitted the bid.
- (b) By making a bid pursuant to the Tender Documents, the bidder / tenderer shall be deemed to have declared that the bidder / tenderer has not made any other bid or multiple bids as understood or deemed in terms of this clause.
- (c) All the bids of a bidder who has submitted multiple bids, as per the clause, shall be rejected and Bid Security for all such bids shall be forfeited, not by way of penalty or liquidated damages but by way of reimbursement of the pre-estimated costs likely to be incurred by the buyer towards bidding process and in the scrutiny & evaluation of bids.
- (d) In addition to the above, bidders found to be in contravention to the said clause will be liable for administrative actions.

21.33 PUSH BUTTON PROCUREMENT (PBP)

In line with Department of Expenditure OM No. F.6/7/2022-PPD dated 6th September, 2022, "Push Button Procurement (PBP)" for small value procurements will be available on GeM with the following conditions:

- (a) PBP will be made only through bidding (PBP through Direct Purchase, L-1, Custom bid, etc. are not permitted).
- (b) The total procurement value of the specific case is not to exceed INR 1,00,000/- (inclusive of all taxes).
- (c) PBP will be additional method of procurement and procuring entities are free to use or not to use this additional method of procurement.
- (d) PBP method can be used only in case at least five bids are received. In case of less than five bids are received, the procurement is to restart using usual procurement method.
- (e) Buyer is to ensure that no splitting of requirement is being done so as to bring procurement under PBP method.



- (f) Once PBP bid is invited, contract will be placed directly without any human intervention (provided condition (d) above is compiled).
- (g) PBP will be permitted only for such categories, where at least ten sources are listed.
- (h) Push button procurement process is very simple and user friendly and mostly automated.

21.33.1 Buyer PB procurement:

- (a) Buyer will select a product from marketplace, do 3 OEM comparison etc. just as they do in any normal L-1 purchase.
- (b) Thereafter instead of directly placing order on the L-1, the buyer will create a Push Button Procurement Notice by selecting the L-1 product which is otherwise eligible for L-1 purchase.
- (c) Clicking on "Create PBP Notice" will give an option to Buyer to decrease the quantity and delivery period at consignee level. This is enabled for Buyers to seek quotations for lower delivery periods and quantity lower than Minimum Order Quantity (MOQ) otherwise offered by the sellers in marketplace.
- (d) Per unit L-1 price will be set as ceiling price for that PBP Notice.

21.33.2 PBP Notice content and validations:

- (a) The PBP Notice will contain all biddable specification parameters as per GeM category definition [excluding the text input parameters] of the product chosen by Buyer, Consignee-wise Quantity and Consignee-wise Delivery Period.
- (b) Bunching of items is not allowed in PBP Notices.
- (c) The estimated all-inclusive bid value should be less than or equal to Rs 1,00,000 based on the system identified L-1 price estimation for the quantity to be procured.
- (d) PBP Notice will include ONLY GeM GTC and category specific Special Terms and Conditions (STC), integrity pact, land border sharing countries declaration etc. Buyer is not allowed to push any new specification parameter or any Additional T&C.



- (e) PBP Notice have participation time of 3 days and offer validity of 10 days.

21.33.3 Seller participation:

- (a) PBP notices is published on GeM portal under a separate tab for anyone to see.
- (b) All sellers / service providers can view the PBP Notices created for their category in their dashboard.
- (c) By participating in PBP, Sellers unconditionally accept the GTC and STC, integrity pact, price declaration and other conditions part of the PBP Notice floated before participation.
- (d) Sellers will offer their matching product and price against the PBP Notice by clicking on “Offer Price” and submission of price and compliance of T&C. This offer price will be applicable only for that PBP Notice.
- (e) Seller/Service Provider can participate in a PBP Process only once and there is no option to withdraw.
- (f) PBP participation will be without EMD and against Bid Securing Declaration only.
- (g) Per unit price to be entered by the seller will have to be less than the L-1 price set as ceiling price in PBP Notice.

21.33.4 Procurement Decision:

- (a) System/Buyer will open offers after PBP end date and time.
- (b) System will check if offers are received from at least 5 sellers offering products of at least three different OEMS and total L1 value is less than or equal to 1,00,000.
- (c) Buyer will not get any access to see list of participating bidders or Seller details.
- (d) If all conditions as defined above are satisfied, system will automatically prompt Buyer to create order on L1 by providing details related to financial approval, paying authority and payment mode etc. as applicable to buyer.



- (e) In case of multiple L1 System would place order on seller with maximum Seller Rating on GeM
- (f) If adequate number of offers are not received or total L1 value is more than 1,00,000 system will cancel the PBP Notice. A message will be displayed to the buyer stating - Due to insufficient participation in the PBP, you cannot create an order against this PBP. You may go ahead and procure L1 in marketplace through L- 1 Purchase after Comparing and verifying price reasonableness or create a regular bid / RA to get better response
- (g) System will not allow same buyer to use PBP to BUY SAME ITEM in case of failure of the PBP for next 30 days.
- (h) System generated contract will have complete specification of the product offered by seller, Consignee-wise Quantity, Consignee-wise Delivery Period and GeM GTC and category specific STC etc.

21.34 SPECIAL NOTE ON TENDER PROCESSING ON GEM

The above procedures are the standard procedure followed on GeM. Being a government made and governed portal, all relevant procurement policies are strictly adhered on GeM. In any case if it deviates with GRSE standard procurement procedure decision to be taken with approval of competent authority for further consideration. Concern procurement entity need to ensure that there should not be any contradiction between GeM GTC and our NIT is our tenders. Priority for such contradiction to be well elaborated in tender with due approval of competent authority.



CHAPTER-22

POLICY TO PROCURE SHIP CONSTRUCTION ITEMS FROM INTERNAL MANUFACTURING UNITS OF GRSE

22.1

The existing Purchase Preference Policy as promulgated vide C&MD's Ty. Order no. 42/19 dated 14 Oct 2019 has been scrapped and following policy is herewith promulgated as approved by Board:

22.2

"Wherever GRSE's Unit/Division is one of the nominated vendors for sourcing ship construction items, following procedures shall be adopted:

- (a) In case of Fixed Price ship building contract including contracts received under competitive bidding, revised procedures are to be complied as approved by the Board:
 - (i) Direct Order to GRSE's units/division being a nominated unit for supplying equipment without any tendering based on the offer of respective unit/division on cost transfer basis.
 - (ii) Only cost incurred against manufacturing of the item is transferred through SAP against internal PO for regularization.
 - (iii) Cost will be considered as accrual of VOP for respective unit/division for internal reporting purpose.
 - (iv) The revised procedure will benefit GRSE by utilizing respective unit/division's asset & manpower to the full extent.
 - (v) In case the capacity of respective unit/division is fully occupied, in such cases market survey / tendering may be resorted to find a cheaper source of supply.
- (b) In case items required for Cost plus contract and as per required contract terms, tendering procedure to be adopted if specific approval of SVN is not available from the customer."



CHAPTER-23

VENDOR SELECTION AT BIDDING STAGE

23.1

GRSE is working in a competitive environment and it is required to Bid for various Tenders / RFPs of IN/ICG and other domestic and international customers and faces a rising competition in the Indian as well as global market. Hence it has become imperative that Bids submitted by GRSE is competitive/ aggressive while providing necessary sustainable margins.

23.2

In order to prepare competitive pricing for Shipbuilding projects, two most important elements of cost need to be addressed, i.e., Material and Labour. It is to be noted that in any marine platform cost, the percentage of cost contribution by material is of significance and may vary from 60 to 70%.

23.3 SYSTEM FOLLOWED PRIOR TO JUNE 2023

On receipt of RFP, the same was circulated to various departments like, Design, PP&C and Finance to obtain various data to prepare the estimation. Once the Bill of Material was received from CDO, Budgetary Quotes were sought for high valued equipment from respective OEMs / vendors without any assurance of orders. Based on the quotes received, the lowest technically viable quote was considered in the costing. Subsequently, in the event GRSE wins the Bid, tenders were issued during project execution by the procurement department for the individual equipment / system where in the OEMs submit their Bids and the lowest of the technically qualified Bid was considered for placement of order.

23.4 DRAWBACKS IN THE ABOVE SYSTEM

The above procedure had inherent drawbacks & challenges in estimating competitive price for the equipment / system at RFP bidding stage as enumerated below:-

- (a) The vendors did not display adequate indulgence in their quote knowing that they would be required to Bid again during the actual equipment tendering process by the contract winning shipyard.



- (b) While seeking BQ, vendors usually tended to inflate the price of the equipment which further creates difficulty in working out the estimated cost of the equipment.
- (c) The vendors were constrained & reluctant to offer their best price for the equipment / system due to absence of any surety of the placement of orders.
- (d) The global economic turmoil and high uncertain supply chain sustainability forced vendors to adequately pad up their quote for uncertainties in absence of any assured business.
- (e) GRSE competitors would get the cost details and other sensitive information due to the above process and they may use such data to eliminate GRSE from the competition.

23.5

To obviate the above challenges, a sense of assurance of business to the vendors would prompt OEMs to engage seriously in pre-bid stage itself and would motivate them to work out in detail for providing a competitive price bid. In order to address above challenges, Board approved following revised policy and was promulgated vide Ty order GM(Com)/Office/2023/22 dated 30 May 2023 for all business segments of GRSE.

- (a) On receipt of RFP from GRSE's Customer, the same will be circulated to CDO & PP&C for their inputs.
- (b) CDO will then prepare the BOM and Specification of equipment/ system.
- (c) Simultaneously, PP&C will prepare the procurement schedule and manpower requirement including Build Strategy.
- (d) CDO will further co-ordinate activity & identify eqpt. for tendering in consultation with CE&C. Accordingly, indent will be prepared and released with SOTRs for tendering by Commercial Department. Unique series of indent (without mentioning project specifics) shall be raised to differentiate from normal project-based indents. SOTRs to be prepared based on RFP and accounting scope of work that is not likely to change later, on contract conclusion (incl spares). Escalations (delivery schedules as indicated by PP&C), wherever applicable on OBS, Training, documentation, SMT/STE, preservation, services, warranty etc. to be addressed. On receipt of indents, the ordering department will initiate tendering action in manual mode (since there is no provision in GeM for such type of tendering) in compliance with provisions



in the extant GRSE procurement manual, DOP and other relevant Gol guidelines. The tender document shall clearly state following:

- (i) GRSE shall place firm order subject to project contract being awarded by GRSE's Customer against RFP (No. issued by name of customer).
 - (ii) GRSE reserves right to re-evaluate the capacity of successful vendor prior to issuing firm order after award of contract to GRSE.
 - (iii) The price bid shall include basic price of equipment, OBS, optional warranty extension charges, optional delivery postponement charges etc.
 - (iv) The bid shall be sought considering projected delivery of equipment after award of contract by GRSE's Customer.
 - (v) In case there is significant delay in award of contract to GRSE by GRSE's customer and consequently delivery is postponed, the delivery postponement charges quoted by firms shall be used to arrive final contract price.
- (e) On receipt of bids (2 bid system) by Commercial Department, TNC and CNC will be conducted as per the existing procedures and if revised quote is required based on the outcome of TNC and CNC, the same will be obtained from vendors. TEC qualified original/ revised price bids as applicable to be forwarded to constituted committee at Para (f) below.
- (f) A committee authorized by the Functional Director, consisting of senior members from Commercial, CE&C and finance members as per the provision of the respective manuals will be constituted. The date, time and venue for price bid opening (for bidding purpose) will be informed to all technically qualified bidders. These bidders will be asked to be present at the time of price bid opening.
- (g) The committee referred at para (f) above will be present at the time of price bid opening from GRSE.
- (h) The committee will confirm from all bidders present there that all bids are available in sealed/ encrypted condition as it was submitted by them by signing on the sealed cover endorsing date and time.



- (i) After getting confirmation, the committee may call the vendors and ascertain the price Bids submitted (in confidence) to prepare price comparative statement and L1 status. However, other vendors present there will not know the price noted by GRSE for bidding purpose. The members from the ordering department and the finance as per provision of the respective manuals will prepare price comparative statement and the same to be checked and certified confirming the L1 status by commercial and finance member.
- (j) Once the above process is completed for all bidders, the tender opening meeting will be concluded with MoM prepared and signed by all stakeholders.
- (k) Thereafter Price negotiation (if required) shall be conducted with L1 bidder by PNC team constituted as per provision of Procurement Manual and final negotiated price shall be called as “discovered price”.
- (l) The ‘discovered’ price to be noted by CEC rep and the same will be used to prepare and submit bid by GRSE to its Customer. All financial bids shall be under custody of committee formed as above till the time of award of contract by GRSE’s Customer. The financial bids shall be forwarded to commercial department after award of contract by GRSE’s Customer, for further use for the purpose of ordering actions
- (m) A confirmation letter (without any amount) regarding their status based on the price comparative statement will be issued by the ordering department to the L1 vendor with a rider that formal order can be placed subject to award of contract to GRSE vide RFP No. (..... issued by ... Name of Customer) and the L1 price will be valid as per the time specified in RFP. The present confirmation will not constitute any commitment/ assurance/ financial liabilities from GRSE at this stage. The said confirmation letter also specifies that GRSE reserves right to re-evaluate the capacity of successful vendor prior to issuing firm order after award of contract to GRSE.
- (n) On receipt of contract from the Customer, formal order will be issued based on the tendering action / PNC completed during pre-bidding stage and on compliance / approval of CFA as necessary as per extant procedures.
- (o) CMD shall be authorized to approve any changes in NIT conditions related to STACS/SOTR without any financial implication.



APPENDIX



Appendix-A

Refer Art. 2.1

Indent in SAP/Purchase Requisition(PR)

Print Report for Purchase Requisition

YARD NO: C3020000000000 ASWC- GRSE YD: 3020

INDENTOR : ASWC
INDENT NO: 110002340
REQUISITION DATE: 16.01.2018
INDENT RELEASED BY: MELLAMU ASHOK KUMAR (488105)

INDENT

Garden Reach Shipbuilders & Engineers Ltd.
(Ministry of Defence, India)
Design and Planning Office-1,
43/46, Garden Reach Road, Kolkata - 700024.

Sl No	Material Code	Material Description	Quantity Required	UOM	Req Date	Per Firing Number	WBS Element
00010	059101021002	DIVIDEA ROPE	2.000	EA	30.04.2018	IMP	C-3020-02-02-01

Components of Service

Inspection Authority / Scope Of Inspection:

serial No. 00010

Item Text:

1.16 MM PRETENSIONED DIVIDEA ROPE WITH SPLICED THIMBLE TO BE SUPPLIED

2 INSPECTION: MTC <(X<) > SC TO BE FURNISHED

3.RECEIPT INSPECTION BY GRSE (R/C)

P11 (1) 100 * gresparind2 OVR

12:28 PM 8/3/2018



Refer: Art.2.5.3

Appendix-B

Public Procurement (Preference to Make In India)

To encourage 'Make in India' and promote manufacturing and production of goods and services in India with a view to enhancing income and employment, Department of Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, Government of India, issued Public Procurement (Preference to Make in India), Order 201727. The order is issued pursuant to Rule 153 (iii) of GFR, 2017.

The Order is applicable on the procurement of Goods, Works and Services. For the purpose of this Order:-

- a) 'L1' means the lowest tender or lowest bid or the lowest quotation received in a tender, bidding process or other procurement solicitation as adjudged in the evaluation process as per the tender or other procurement solicitation.
- b) 'Margin of purchase preference' means the maximum extent to which the price quoted by a "Class-I local supplier" may be above the L1 for the purpose of purchase preference. It has been fixed as 20 (twenty) percent.
- c) 'Nodal Ministry' means the Ministry or Department identified pursuant to this order in respect of a particular item of goods or services or works.
- d) 'Procuring entity' means a Ministry or department or attached or subordinate office of, or autonomous body controlled by, the Government of India and includes Government companies as defined in the Companies Act.
- e) 'Works' means all works as per Rule 130 of GFR- 2017, and will also include 'turnkey works'.
- i) Eligibility of 'Class-I local supplier'/'Class-II local supplier'/'Non-local suppliers' for different types of procurement
 - a) In procurement of all goods, services or works in respect of which the Nodal Ministry/ Department has communicated that there is sufficient local capacity and local competition, only 'Class-I local supplier', shall be eligible to bid irrespective of purchase value.
 - b) Only 'Class-I local supplier' and 'Class-II local supplier', shall be eligible to bid in procurements undertaken by procuring entities, except when Global tender enquiry has been issued. In global tender enquiries,



'Non-local suppliers' shall also be eligible to bid along with 'Class-I local suppliers' and 'Class-II local suppliers'. In procurement of all goods, services or works, not covered by sub- para (i)(a) above, and with estimated value of purchases less than Rs. 200 Crore, in accordance with Rule 161(iv) of GFR, 2017, Global tender enquiry shall not be issued except with the approval of competent authority as designated by Department of Expenditure.

c) For the purpose of this Order, works includes Engineering, Procurement and Construction (EPC) contracts and services include System Integrator (SI) contracts.

ii) Purchase Preference

a) Subject to the provisions of the Order and to any specific instructions issued by the Nodal Ministry or in pursuance of the Order, purchase preference shall be given to 'Class-I local supplier' in procurements undertaken by procuring entities in the manner specified here under.

b) In the procurements of goods or works, which are covered by para (i)(b) above and which are divisible in nature, the 'Class-I local supplier' shall get purchase preference over 'Class-II local supplier' as well as 'Non-local supplier', as per following procedure:

1. Among all qualified bids, the lowest bid will be termed as L1. If L1 is 'Class-I local supplier', the contract for full quantity will be awarded to L1.

2. If L1 bid is not a 'Class-I local supplier', 50 (fifty) percent of the order quantity shall be awarded to L1. Thereafter, the lowest bidder among the 'Class-I local supplier' will be invited to match the L1 price for the remaining 50 (fifty) percent quantity subject to the Class-I local supplier's quoted price falling within the margin of purchase preference, and contract for that quantity shall be awarded to such 'Class-I local supplier' subject to matching the L1 price. In case such lowest eligible 'Class-I local supplier' fails to match the L1 price or accepts less than the offered quantity, the next higher 'Class-I local supplier' within the margin of purchase preference shall be invited to match the L1 price for remaining quantity and so on, and contract shall be awarded accordingly. In case some quantity is still left uncovered on Class-I local suppliers, then such balance quantity may also be ordered on the L1 bidder.

c) In the procurements of goods or works, which are covered by para (i)(b) above and which are not divisible in nature, and in procurement of services where the bid is evaluated on price alone, the 'Class-I local supplier' shall get purchase preference over 'Class-II local supplier' as well as 'Non-local supplier', as per following procedure:



1. Among all qualified bids, the lowest bid will be termed as L1. If L1 is 'Class-I local supplier', the contract will be awarded to L1.
 2. If L1 is not 'Class-I local supplier', the lowest bidder among the 'Class-I local supplier', will be invited to match the L1 price subject to Class-I local supplier's quoted price falling within the margin of purchase preference, and the contract shall be awarded to such 'Class-I local supplier' subject to matching the L1 price.
 3. In case such lowest eligible 'Class-I local supplier' fails to match the L1 price, the 'Class-I local supplier' with the next higher bid within the margin of purchase preference shall be invited to match the L1 price and so on and contract shall be awarded accordingly. In case none of the 'Class-I local supplier' within the margin of purchase preference matches the L1 price, the contract may be awarded to the L1 bidder.
 4. "Class-II local supplier" will not get purchase preference in any procurement, undertaken by procuring entities.
- iii) Applicability in tenders where contract is to be awarded to multiple bidders. In tenders where contract is awarded to multiple bidders subject to matching of L1 rates or otherwise, the 'Class-I local supplier' shall get purchase preference over 'Class-II local supplier' as well as 'Non-local supplier', as per following procedure:
- a) In case there is sufficient local capacity and competition for the item to be procured, as notified by the nodal Ministry, only Class I local suppliers shall be eligible to bid. As such, the multiple suppliers, who would be awarded the contract, should be all and only 'Class I Local suppliers'.
 - b) In other cases, 'Class II local suppliers' and 'Non local suppliers' may also participate in the bidding process along with 'Class I Local suppliers' as per provisions of the Order.
 - c) If 'Class I Local suppliers' qualify for award of contract for at least 50 (fifty) percent of the tendered quantity in any tender, the contract may be awarded to all the qualified bidders as per award criteria stipulated in the bid documents. However, in case 'Class I Local suppliers' do not qualify for award of contract for at least 50 (fifty) percent of the tendered quantity, purchase preference should be given to the 'Class I local supplier' over 'Class II local suppliers'/'Non local suppliers' provided that their quoted rate falls within 20 (twenty) percent margin of purchase preference of the highest quoted bidder considered for award of contract so as to ensure that the 'Class I Local suppliers' taken in totality are considered for award of contract for at least 50 (fifty) percent of the tendered quantity.



d) First purchase preference has to be given to the lowest quoting 'Class-I local supplier', whose quoted rates fall within 20 (twenty) percent margin of purchase preference, subject to its meeting the prescribed criteria for award of contract as also the constraint of maximum quantity that can be sourced from any single supplier. If the lowest quoting 'Class-I local supplier', does not qualify for purchase preference because of aforesaid constraints or does not accept the offered quantity, an opportunity may be given to next higher 'Class-I local supplier', falling within 20 (twenty) percent margin of purchase preference, and so on.

e) To avoid any ambiguity during bid evaluation process, the procuring entities may stipulate its own tender specific criteria for award of contract amongst different bidders including the procedure for purchase preference to 'Class-I local supplier' within the broad policy guidelines stipulated in sub-paras above.

iv) Exemption of small purchases: Notwithstanding anything contained in paragraph (i), procurements where the estimated value to be procured is less than Rs. 5 lakhs shall be exempt from the Order. However, it shall be ensured by procuring entities that procurement is not split for the purpose of avoiding the provisions of this Order.

v) Minimum local content: The 'local content' requirement to categorize a supplier as 'Class-I local supplier' is minimum 50 (fifty) percent. For 'Class-II local supplier', the 'local content' requirement is minimum 20 (twenty) percent. Nodal Ministry/ Department may prescribe only a higher percentage of minimum local content requirement to categorize a supplier as 'Class-I local supplier'/ 'Class-II local supplier'. For the items, for which Nodal Ministry/ Department has not prescribed higher minimum local content notification under the Order, it shall be 50 (fifty) percent and 20 (twenty) percent for 'Class-I local supplier'/ 'Class-II local supplier' respectively.

vi) Requirement for specification in advance: The minimum local content, the margin of purchase preference and the procedure for preference to Make in India shall be specified in the notice inviting tenders or other form of procurement solicitation and shall not be varied during a particular procurement transaction.

vii) Government E-marketplace: In respect of procurement through the Government E-marketplace (GeM) shall, as far as possible, specifically mark the items which meet the minimum local content while registering the item for display, and shall, wherever feasible, make provision for automated comparison with purchase preference and without purchase preference and for obtaining consent of the local supplier in those cases where purchase preference is to be exercised.



viii) Verification of local content:

a) The 'Class-I local supplier'/ 'Class-II local supplier' at the time of tender, bidding or solicitation shall be required to indicate percentage of local content and provide self-certification that the item offered meets the local content requirement for 'Class-I local supplier'/ 'Class-II local supplier', as the case may be. They shall also give details of the location(s) at which the local value addition is made.

b) In cases of procurement for a value in excess of Rs. 10 crores, the 'Class-I local supplier'/ 'Class-II local supplier' shall be required to provide a certificate from the statutory auditor or cost auditor of the company (in the case of companies) or from a practicing cost accountant or practicing chartered accountant (in respect of suppliers other than companies) giving the percentage of local content.

c) Decisions on complaints relating to implementation of this Order shall be taken by the competent authority which is empowered to look into procurement-related complaints relating to the procuring entity.

d) Nodal Ministries may constitute committees with internal and external experts for independent verification of self-declarations and auditor's/ accountant's certificates on random basis and in the case of complaints.

e) Nodal Ministries and procuring entities may prescribe fees for such complaints.

f) False declarations will be in breach of the Code of Integrity under Rule 175(1)(i)(h) of the General Financial Rules for which a bidder or its successors can be debarred for up to two years as per Rule 151 (iii) of the General Financial Rules along with such other actions as may be permissible under law.

g) A supplier who has been debarred by any procuring entity for violation of the Order shall not be eligible for preference under the Order for procurement by any other procuring entity for the duration of the debarment. The debarment for such other procuring entities shall take effect prospectively from the date on which it comes to the notice of other procurement entities, in the manner prescribed under paragraph (h) below.

h) The Department of Expenditure shall issue suitable instructions for the effective and smooth operation of this process, so that:

1. The fact and duration of debarment for violation of the Order by any procuring entity are promptly brought to the notice of the Member-



Convenor of the Standing Committee and the Department of Expenditure through the concerned Ministry /Department or in some other manner;

2. on a periodical basis such cases are consolidated and a centralized list or decentralized lists of such suppliers with the period of debarment is maintained and displayed on website(s);

3. in respect of procuring entities other than the one which has carried out the debarment, the debarment takes effect prospectively from the date of uploading on the website(s) in the such a manner that ongoing procurements are not disrupted.

ix) Specifications in Tenders and other procurement solicitations:

a) Every procuring entity shall ensure that the eligibility conditions in respect of previous experience fixed in any tender or solicitation do not require proof of supply in other countries or proof of exports.

b) Procuring entities shall endeavour to see that eligibility conditions, including on matters like turnover, production capability and financial strength do not result in unreasonable exclusion of 'Class-I local supplier'/ 'Class-II local supplier' who would otherwise be eligible, beyond what is essential for ensuring quality or creditworthiness of the supplier.

c) Procuring entities shall review all existing eligibility norms and conditions with reference to sub-paragraphs (viii) (a) and (b) above.

d) Reciprocity Clause

1. When a Nodal Ministry/Department identifies that Indian suppliers of an item are not allowed to participate and/ or compete in procurement by any foreign government, due to restrictive tender conditions which have direct or indirect effect of barring Indian companies such as registration in the procuring country, execution of projects of specific value in the procuring country etc., it shall provide such details to all its procuring entities including CMDs/CEOs of PSEs/PSUs, State Governments and other procurement agencies under their administrative control and GeM for appropriate reciprocal action.

2. Entities of countries which have been identified by the nodal Ministry/Department as not allowing Indian companies to participate in their Government procurement for any item related to that nodal Ministry shall not be allowed to participate in Government procurement in India for all items related to that nodal Ministry/ Department, except for the list of items published by the Ministry/ Department permitting their participation.



3. The stipulation in (2) above shall be part of all tenders invited by the Central Government procuring entities stated in (1) above. All purchases on GeM shall also necessarily have the above provisions for items identified by nodal Ministry/ Department.

4. State Governments should be encouraged to incorporate similar provisions in their respective tenders.

5. The term 'entity' of a country shall have the same meaning as under the FDI Policy of DPIIT as amended from time to time.

e) Specifying foreign certifications/ unreasonable technical specifications/ brands/ models in the bid document is restrictive and discriminatory practice against local suppliers. If foreign certification is required to be stipulated because of non-availability of Indian Standards and/or for any other reason, the same shall be done only after written approval of Secretary of the Department concerned or any other Authority having been designated such power by the Secretary of the Department concerned.

f) “All administrative Ministries/Departments whose procurement exceeds Rs. 1000 Crore per annum shall notify/ update their procurement projections every year, including those of the PSEs/PSUs, for the next 5 years on their respective website.”

x) Action for non-compliance of the Provisions of the Order: In case restrictive or discriminatory conditions against domestic suppliers are included in bid documents, an inquiry shall be conducted by the Administrative Department undertaking the procurement (including procurement by any entity under its administrative control) to fix responsibility for the same. Thereafter, appropriate action, administrative or otherwise, shall be taken against erring officials of procurement entities under relevant provisions. Intimation on all such actions shall be sent to the Standing Committee.

xi) Assessment of supply base by Nodal Ministries: The Nodal Ministry shall keep in view the domestic manufacturing / supply base and assess the available capacity and the extent of local competition while identifying items and prescribing the higher minimum local content or the manner of its calculation, with a view to avoiding cost increase from the operation of this Order.

xii) Increase in minimum local content: The Nodal Ministry may annually review the local content requirements with a view to increasing them, subject to availability of sufficient local competition with adequate quality.



xiii) Manufacture under license/ technology collaboration agreements with phased indigenization

a) While notifying the minimum local content, Nodal Ministries may make special provisions for exempting suppliers from meeting the stipulated local content if the product is being manufactured in India under a license from a foreign manufacturer who holds intellectual property rights and where there is a technology collaboration agreement / transfer of technology agreement for indigenous manufacture of a product developed abroad with clear phasing of increase in local content.

b) In procurement of all goods, services or works in respect of which there is substantial quantity of public procurement and for which the nodal ministry has not notified that there is sufficient local capacity and local competition, the concerned nodal ministry shall notify an upper threshold value of procurement beyond which foreign companies shall enter into a joint venture with an Indian company to participate in the tender. Procuring entities, while procuring such items beyond the notified threshold value, shall prescribe in their respective tenders that foreign companies may enter into a joint venture with an Indian company to participate in the tender. The procuring Ministries/Departments shall also make special provisions for exempting such joint ventures from meeting the stipulated minimum local content requirement, which shall be increased in a phased manner.

xiv) Powers to grant exemption and to reduce minimum local content: The administrative Department undertaking the procurement (including procurement by any entity under its administrative control), with the approval of their Minister-in-charge, may by written order, for reasons to be recorded in writing,

1. reduce the minimum local content below the prescribed level; or
2. reduce the margin of purchase preference below 20 (twenty) percent; or
3. exempt any particular item or supplying entities from the operation of this Order or any part of the Order.

A copy of every such order shall be provided to the Standing Committee and concerned Nodal Ministry / Department. The Nodal Ministry / Department concerned will continue to have the power to vary its notification on Minimum Local Content.

xv) Directions to Government companies: In respect of Government companies and other procuring entities not governed by the General Financial Rules, the administrative Ministry or Department shall issue policy directions requiring compliance with this Order.



xvi) Standing Committee. A standing committee is hereby constituted with the following membership:

Secretary, Department for Promotion of Industry and Internal Trade-
Chairman Secretary, Commerce-Member Secretary, Ministry of Electronics
and Information Technology-Member Joint Secretary (Public Procurement),
Department of Expenditure-Member Joint Secretary (DPIIT)-Member-
Convener

The Secretary of the Department concerned with a particular item shall be a member in respect of issues relating to such item. The Chairman of the Committee may co-opt technical experts as relevant to any issue or class of issues under its consideration.

xvii) Removal of difficulties: Ministries /Departments and the Boards of Directors of Government companies may issue such clarifications and instructions as may be necessary for the removal of any difficulties arising in the implementation of the Order.

xviii) Ministries having existing policies: Where any Ministry or Department has its own policy for preference to local content approved by the Cabinet after 1st January 2015, such policies will prevail over the provisions of the Order. All other existing orders on preference to local content shall be reviewed by the Nodal Ministries and revised as needed to conform to this Order, within two months of the issue of this Order.

xix) Transitional provision: The Order shall not apply to any tender or procurement for which notice inviting tender or other form of procurement solicitation has been issued before the issue of this Order.(Rule 153 of GFR 2017)



Refer: Art. 2.5.3(t)

Appendix C

Sample NIT Format for Press Tender for Capital Items

Garden Reach Shipbuilders & Engineers Ltd.
(A Govt. of India Undertaking)
43/46, Garden Reach Road, Kolkata 700 024
Ph: 0091 33 2469 8100-13, Fax: 0091 33 2469 2020/8150
e-mail :
Website : www.grse.nic.in

TENDER NO. & Date :

DUE DATE for TENDER OPENING:
NOTICE INVITING TENDER

- 1.0 GRSE invites sealed tender in triplicate for the supply of following item(s) from manufacturers:

Sl. No	Tender No.	Item Description	Unit	Qty.	E.M.D (Rs)	Tender Fee (Rs)

- 2.0 **Qualifying Requirements for issue of BID DOCUMENTS :**
- Bidder should be a manufacturer of the above item(s).
 - Bidder should confirm having in house testing facilities for such items as per relevant IS/Specification.
 - Bidder should have manufactured & supplied at least 100 % quantity per annum on the average of the above items during the last three years.(Proof to be submitted).
 - Bidder to submit copies of order(s) executed for such items of value not less than Rs. lakhs in the recent past.
 - Bidder to submit copy of PAN & Sales tax/Trade tax registration certificate.
 - Bidder to submit copy of performance certificate from their clients for the above supplied items.
- 3.0 Bid documents will be issued only to Prima-facie qualified manufacturers. However issuance of bid documents to any bidder will not construe that such bidder is considered qualified for placement of order.
- 4.0 Request for bid documents to be made to CGM/GM (Material)/ GM(Commercial) separately for each tender at the address given above along with documents related to qualifying requirement as at



para 2.0 above and non-refundable tender fee of Rs 500.00 by demand draft in favor of GRSE Ltd, Kolkata. Bidders can download tender documents from our website, access code for which will be faxed/e-mailed only to the prima-facie qualified vendors based on documents submitted by fax/courier.

- 5.0 GRSE will not be responsible in any way for late receipt of request for tender documents/tender due to any postal delay or any form of transit.
- 6.0 The bids shall be opened on the Date & time mentioned in the Notice inviting tender/tender documents in presence of qualified bidders.
- 7.0 GRSE may also utilize this NIT for enlistment of vendors for meeting future requirements of similar materials.
- 8.0 The **LAST DATE** for receipt of request for tender documents is



Refer: Art. 4.9.1

Appendix-D

Sample Landed Price Calculation Procedure for Procurement for Arriving at L-1 Price

Refer: Art.4.9.1(h)

SAMPLE NET LANDED COST CALCULATION FOR DETERMINATION OF L-1 RANKING

RANKING								
SI No	Description	Ref clause of PM-2018	Loading	Formula	Quoted price(Sample Example)			Remarks
					Bidder-1	Bidder-2	Bidder-3	
					(FOB quote in INR)	(CIF Quote in INR)	FOR Kolkata GRSE store quote in INR	
(A)	Loading for Deviations from Tender Terms:-							
A.1	Loading for Deviations on Delivery Terms:-							
1	Basic Quoted Price :							
1(a)	FOB Price in INR (Conversion of Foreign currency quote to INR @ ER found from RBI website on actual tender closing date)			(a)FOB	100.00			



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1(b)	CIF Price in INR (Conversion of Foreign currency quote to INR @ ER found from RBI website on actual tender closing date)			(b)CIF/FOB		130.00		
1(c)	FOR GRSE Store in INR			(c) FOR GRSE Store			135.00	
2	Add: Freight charge	4.9.3(b)	6% on Basic quote	1(a)*6% (Applicable for FOB quote)	6.00	0.00	0.00	Say, estimated freight is 6% on FOB quote, i.e. Rs.6
3	Add: Insurance Charge	4.9.3(b)	0.15% on basic quote	1(a)*0.15% (Applicable for FOB quote)	0.15	0.00	0.00	
4	Total including freight and insurance(CIF Value)/FOR Value			1+2+3	106.15	130.00	135.00	
4.1	Landing Charge		1% on CIF Value	SI4*1% (Applicable for FOB and CIF quote)	1.06	1.30	0.00	If applicable
4A	Assessable Value(AV)			SI4+SI4.1	107.21	131.30		
5	Custom Clearance/Port Handling/Landing charge/Transportation to Yard		3% on Assessable Value	SI.4A*3% (Applicable for FOB and CIF quote)	3.22	3.94	0.00	CIF quote of all foreign bidder will be loaded @ 3% in order to bring to landed cost at GRSE.
6	Landed Cost at GRSE excluding taxes & duties (Total of A.1)			Sr.Nos. (4A+5)	110.43	135.24	135.00	

A.2	Loading on account of deviations from Tender in following Commercial Terms:-	



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7	Additional delivery period sought over stipulated period as per Tender	4.9.3(c)	@ 0.50% per week on landed cost at sl.6	$Sl6 * 0.5\% * 10$	5.52	0.00	0.00	Say Bidder1 sought for additional 10 weeks from tender delivery date for delivery of goods. Applicable for other bidders if sought
8	Loading due to Payment Terms Deviation	4.9.3(a)	Loading on amount at variation(landed cost at sl.6) @ MCLR found in RBI as on tender closing date plus 2% for the period at variation	$Sl6 * 10\% * (8\% / 12 * 11)$	0.81	0.00	0.00	Say, Delivery time 12 month from PO release and normal payment term is 30 days from shipment date as per tender terms, bidder 1 seeking 10% stage payment after release of PO and submission of binding drawing/data .Say binding data is submitted after 01 month of PO release, and say MCLR is 6%, then loading @ 8% for 11 month period on 10% amount to be done
9	Loading due to LD term deviation	4.9.3(d)	Loading on landed cost at sl.6 in respect of rate per week and/or maximum ceiling in respect of LD	$Sl6 * 1.5\%$	1.66	0.00	0.00	For example, the maximum ceiling towards liquidated damages stipulated in the Tender is 5% and the bidder1 seeks to limit it to, say 3.50% then the price quoted will be loaded by 1.5%.



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10	Deviation in respect of the period of warranty/guarantee	4.9.3(e)	@warranty/guarantee extension charge quoted by bidder for 2 years from initial warranty period sought in tender documents, if bidder does not quote for warranty period extension charge then @0.25% per month for period of warranty in deviation on landed cost at sl.6	Sl6*2%*2	4.42	0.00	0.00	say, warranty sought by GRSE 48 month from delivery, but bidder 1 quoted for 24 month, then balance 24 month will be loaded @ warranty extension charge quoted by party(say 2% pa), loading on landed cost for 2 years @ 2% p.a. will be made
11	Income Tax on account of Technical services provided by Foreign Bidder to GRSE	4.9.2.1(f)	At actual	Service portion of Price Bid*10% (Say quoted price of service portion is equivalent to Rs.30 for Bidder 1 and Rs. For Bidder 2)	3.00	4.00	0.00	Say, value of service portion of bidder 1 is Rs. 30 and value of service portion for bidder 2 is Rs. 40 Presently 10% TDS(as per income tax rules) is to be deposited by GRSE to Indian Government if all required documents like TRC, PAN etc. are submitted by bidder. Say Bidder 1 and Bidder 2 submit requisite documents.



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12	Landed Cost at GRSE including loading on account of deviation towards commercial deviations (Total of A.1 & A.2)			Srl no.(6+7+8+9+10+11)	125.83	139.24	135.00	
B Additional Parameter for Ranking of Bids & L-1 Determination								
13	Delivery postponement charges for 2 years from original Delivery Date (as per Tender Terms)	4.9.2.1(b)	@charge quoted by bidder for 2 years on landed cost at sl.6	Sl6*3%*2	6.63	8.11	8.10	Say, all bidder quoted delivery postponement charge@ 3% p.a. for 2 years
14	Warranty extension charges for 2 years from original date of expiry of warranty (as per Tender Terms)	4.9.2.1(c)	@charge quoted by bidder for 2 years on landed cost at sl.6	Sl6*4%*2	8.83	10.82	10.80	Say, all bidder quoted warranty extension charge@ 4% p.a. for 2 years
15	Re-preservation charges for 2 years from expiring of initial preservation period (as per Tender Terms)	4.9.2.1(d)	@charge quoted by bidder for 2 years on landed cost at sl.6	Sl6*2%*2	4.42	5.41	5.40	Say, all bidder quoted Re preservation charge@ 2% p.a. for 2 years
16	Taxes and Duties, which is cost to GRSE and ITC not admissible to GRSE	2.4.11.2 & 4.9.2.1(a)	At Actual		0.00	0.00	0.00	SAY, NIL
17	Net Landed Cost for ranking of Bids (Total of A & B)			Srl no(12+13+14+15+16)	145.71	163.58	159.30	



Note: Sample Calculation Only(a)The tender documents will contain clause on Loading of Bid for deviations sought wrt Tender Terms and additional parameters to be considered for ranking of bid . Loading for deviations from Tender Terms will come into effect if Bidder has not agreed to provide Terms as per Tender. The same shall be brought to notice to bidder during CNC meeting and will be recorded in CNC MoM.(b) As per clause no. 3(b)(xi) of draft amendment proposed for GRSE PM-2018, any deviation sought, which is not accepted by GRSE, is falling under purview of "Liable For Rejection" criteria. Hence GRSE reserves the right to reject any bid, where bidder sought deviation wrt Tender Terms and that deviation is not acceptable to GRSE. Loading for deviations comes into picture provided the bids containing deviations are techno commercially accepted by GRSE.(c) CIF quote of all foreign bidder will be loaded @ 4% Landing charge/Custom Clearance/Port Handling and Transportation to Yard in order to bring to landed cost at GRSE. The tender terms will contain such clause.(d) Purchase Preference as per Indigenastion Policy is to be accorded.



Appendix E
Purchase Check List cum Proposal

Refer: Art. 5.1.3
QS/03/0009A

GARDEN REACH SHIPBUILDERS & ENGINEERS LTD.
PURCHASE CHECK LIST CUM PROPOSAL OF HIGH VALUE

Proposal No, Deptt./Yard No. /Dealing Officer / File No.
Dept.

Date:

PURCHASE REQUISITION	No.	Date	A/C Project No.	Indenter
DESCRIPTI ON			Qty	Specification
Item falling under MSE Reserved List: Yes/No				
Present Procurement from: GENERAL/MSE(SC/ST/Women/General)				
Category of Item: A/B/C*/C /Capital/Other				
Item falling under: Fixed Cost /Variable Cost				
MODE OF PURCHASE	Open Tender Global Tender Limited Tender Single Tender Rpt/Amdt to Order Re procurement	Govt. Rate PAC / Proprietary Branded ~~DGS & D Rate~~ GeM Price List Repair		
Tender	Issued	Received	Regret	No Reply Technically Qualified
Purchase Preference Applicable: Yes/No, If Yes : MSME/Public Procurement(Preference to Make in India)				
Quotation	Ref: Date:	Validity Firm Yes /No	Escl. Yes/No Clause	Negotiated Yes/No
Delivery	Required by Indentor / Project		Delivery Quoted / Agreed with Vendor	
Supplier(s) Proposed	Name:	Performance		
Code No.:		Above Average	Average	Yet to Assess New to Assess
Offer Status:	Lowest	Resultant	Lowest	Other
Reasonability of Price	Est Price by: Navy/GRSE/Customer	Prev. Ref. Price		Present/Negotiated
Terms of Price	F.O.R. GRSE / F.O.R. Vendor / Ex-Works Vendor/Others		Price Validity:	
Pre Despatch Inspection	Yes: By: ABS/IRS/DQA/others		No:	
Guarantee /				



Warranty Period	
Clause on Consequential Loss	Accepted: Yes No:
Liquidation Damage /Penalty	
Risk Purchase	Accepted: Yes No:
Payment Terms	

Proposal No, Deptt./Yard No. /Dealing Officer / File No.
Dept.

Date:

Name of the firms technically qualified after Technical scrutiny / TNC:

Presence of Vigilance Dept. representative during PNC: Yes / No

TEXT FOR THE PROPOSAL:-

Note:

Purchase Proposal should cover following:

1. Brief of Procurement
2. PNC Recommendation
3. Justification for Procurement

Value of Purchase Order:				Amended Order Value:	
Taxes and Duties:					
INITIATER					
TENDER COMMITTEE NO.	Member	Member	Chairman		



Appendix F

Procedure of Payment to Vendors through ECS

1. a) General:

- i) In respect of advance payment, supplier is to submit to SLP Section, the requisite Bank Guarantee in Bank's sealed envelope, which will follow the existing checklist procedure before final acceptance by Corporate Finance.
- ii) SLP Section on receipt of supplier's Invoice (5 copies), relevant Purchase Order and duly accepted confirmed Bank Guarantee, will prepare the payment voucher which will be approved by AGM (F-FC) for release of payment.
- iii) On receipt of payment voucher, Banking Section will prepare the list for payment through ECS on the designated date after duly authenticated by AGM (F - FC)/ M (SLP).
- iv) The payment through ECS should be effected on every Tuesday and Friday. Efforts will be made to release payment within 15 days on receipt of clear bills.
- v) The Banking Section would make the list of the business associates for which the payment authorization has been received and forward the same to SLP Section with a copy to GM (M) for information, mentioning the effective date of payment.
- vi) The vendor copy/ intimation slip issued by SLP Section in respect of each Payment Voucher should also be forwarded by Banking Section to Dak Department for onward collection and/ or necessary dispatch to the business associates for their information.

NOTE: The respective dealing officers may please intimate the business associates to collect this slip from the Dak Department after 2/3 weeks of submission of bill during business hours. Necessary steps should be taken to forward the information slip to Dak Department regularly.

- vii) Business Associates should super scribe the Invoice with Vendor Code and mode of payment ECS.

b) NCM balance payment/ progressive payment

- i) The same procedure as mentioned above should be followed for progressive payment for which necessary documents to be forwarded by the business associated directly to SLP Section.



- ii) Material Dept. Should clearly specify in the Purchase Order the documents to be submitted along with the bills (5 sets) for releasing payment without any hindrance. In case of existing unexecuted orders, the respective dealing officers will intimate the supplier the documents to be submitted for release of payment.
- iii) In case where the payment based on percentage of total value is to be made to the business associates on proof of delivery, the following documents are to be enclosed:
 - 1) Invoice - 5 copies
 - 2) Test and Inspection Certificate of the - 4 copiesContd....2

-2-

- 3) Designated inspection authority
Receipted-copy of the Challan/ ICGRN as - 2
copies
per stipulation of Purchase Order in line
With existing procedure
- 4) B.G., if called for as per Purchase Order
- iv) On receipt of the above documents SLP Section will process the bills for release of payment
- v) In case it is found that the delivery date falls under the Liquidated Damage (LD) clause the same is to be recovered and process the payment unless the amendment has been received from the concerned Department for extension of delivery date specifying with/ without imposition of L.D. The bills should not be returned to the business associates and should not be held up for release of payment for want of extension of the delivery time. On receipt of due extension of time the withheld amount towards LD should be released on receipt of supplementary invoice along with copy of receipted challan.
- vi) In respect of payment of balance amount i.e. the final payment as per the Purchase Order the following documents are to be obtained from the business associates:
 - 1) Invoice - 5 copies
 - 2) ICGRN copy/ original Accounts copy of GRN, as per existing procedure. In case of ICGRN for Ship Construction, GRN No. may be specified.
 - 3) Other documents in original wherever necessary for additional claims as specified in the order viz. freight bill, third party inspection charges, B.G. etc.
- vii) Before releasing final payment to the business associates SLP Section should check through the system – either from EDP list of challans or ERP GRN to confirm the receipt of the material/ valuation of the material and other related information so that it is confirmed that necessary credit has been created for releasing the payment. While passing the voucher the officer concerned should



- inscribe on the face of the voucher the ICGRN (EDP generated) or GRN through SAP.
- viii) The procedure of releasing payment for authentication and approval of the voucher the same procedure should be followed as mentioned above in Para (a).
- c) Payment against Purchase Order for 100%
- i) Normally this payment term should be avoided. In case it is unavoidable the following documents should be made available for making payment:
- 1) Invoice - 5 copies
 - 2) Receipted copy of the challan/ copy of ICGRN as per stipulation of Purchase Order.
 - 3) "Bank Guarantee" if incorporated in the order, in bank sealed envelope.
- These two documents are to be submitted by the business associates to the Corporate Finance directly.
- ii) For verification of ICGRN, SLP Section should cross check with EDP generated list of challans or the GRN generated through SAP.
- d) Payment to the business associates against Purchase Dept's Orders:
- i) The procedures as mentioned above is to be followed for the orders issued by the Purchase Dept. for Ship Construction and for the items which are being received either with third party inspection or GRSE's inspection at party's premises.
- ii) The bills against the P.O. other than related to ship construction are to be submitted to the Corporate Finance Department with the required documents as mentioned below:
- 1) Invoice - 5 copies
 - 2) Packing List
 - 3) Receipted challan copy
 - 4) Copy of clear ICGRN
- iii) It will be essential for the Material Department to specify the documents required for payment through ECS clearly in the P.O. The existing P.O. for which ECS payment is to be made the vendors should be intimated well in advance.
- 2.a) With the above amended procedure it will not be required from the Purchase/ NCM Department to issue the Cheque Request Form for releasing payment.
- b) SLP Section on receipt of the bills will generate the list of the bills which is part of the Bill Register will forward a copy of the same to AGM(N & I)/ AGM(Pur) for their information regarding the bills received during the period.



- c) Initially this list should be submitted once in a week. Depending upon the volume this can be submitted more frequently as required.
- d) Acknowledgement of the receipt of the bill will be forwarded to Dak Department (Central Mailing Section) for collection by the vendor as is now followed.
- e) SLP Section will return the Invoice to the vendor directly if the invoices received by them are not complying with the requirement of P.O. with a note of shortcomings. A copy of the intimation sent to the vendor should be forwarded to AGM(N & I)/ AGM(Pur) for their information.
- f) It will be the responsibility of M(SLP) and in his absence AGM(F-DC) to verify the authenticated documents before releasing instruction to the Bank for payment.
- g) A hard copy of the payment instruction should be authenticated by the authorized signatory for releasing payment.
- h) Existing procedure of receiving bill, its certification will remain unaltered for Contractor's and other direct payment like Transport, Medical, Canteen items, Low Value payment etc. However, payment will be released through ECS on receipt of complete documents.



ECS FORMAT

VENDOR'S NAME :

ADDRESS :

VENDOR'S REGN. CODE NO. WITH GRSE :

DESIGNATED BANK ACCOUNT NAME :

BANK ACCOUNT NO. :

NATURE OF ACCOUNT :
SAVINGS CURRENT

OTHERS *

* give details.

NAME OF BANK :

BANK BRANCH ADDRESS :

BANK CODE NO. :

MICR NO. (9 DIGITS) FOR PAYMENT :

BANK IFSC CODE FOR NEFT :
.....

BANK IFSC CODE FOR RTGS :
.....

E-MAIL ID OF BANK BRANCH :
.....

BANK CONTACT PERSON & TELEPHONE NO. :
.....

DATE OF EFFECT :

**NOTE : (A) ENCLOSE BANK'S VERIFICATION OF A/C. DETAILS AS PER
FORMAT APPENDED BELOW
(B) ENCLOSE ONE COPY OF RELEVANT CHEQUE LEAF.**

I, hereby, declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I would not hold the user institution responsible. I have read the option



invitation letter and agree to discharge the responsibility expected of me as a participant under the scheme.

(.....)

Signature of the Authorised Signatory of the Vendor

Date :

Certified that the particulars furnished above are correct as per our records.

BANK'S STAMP:

(.....)

SIGNATURE OF THE AUTHORISED OFFICIAL OF THE BANK

Date :



Refer: Art. 5.7

Appendix G Format of Purchase Order in SAP



Garden Reach Shipbuilders & Engineers Ltd.

(A GOVT. OF INDIA UNDERTAKING)
43/46, Garden Reach Road / Kolkata)

Purchase order

No:- N06-4700016380

Vendor Address
Vendor code- 50002375
Company
MANTA PRINTERS
8, BRINDABAN MULLICK LANE,
711101 HOWRAH
Vendor Contact: MANTA PRINTERS
Vendor telephone: 2677 2433
Vendor Fax: NIL

Page 1 of 5
Order Date 26.02.2016
Printout Date 27.02.2016 10:52:49
Order Number 4700016380 / N06
Contact Bhupendra Kumar
Telephone 033-24697904/8128
Telefax 2469-2020/8123
E-mail

Delivery Address
GARDEN REACH SHIPBUILDERS & ENGINEERS LTD
Plant Shipbuilding
43/46 Garden Reach Road
Kolkata 700024
INDIA

Send invoice to
GARDEN REACH SHIPBUILDERS & ENGINEERS LTD
Plant Shipbuilding
43/46 Garden Reach Road
Kolkata 700024
INDIA

Currency
INR

Terms of Delivery
FOR - Free on road/GRSE-door delivery basis

Terms of Payment
AS PER PO TERM & CONDITION

NCM/WJFAC/Tank Calibration Plate/

Name of Project WJFAC A/c. 2110
Your Offer No. NIL Dtd. NIL
PR No. 1000020038 Dtd. 13.11.2015.
PP No. NCM/PS/FOUWJFAC/Tank Calibration Plate/PP
Dtd. 22.02.2016 approved by TC VI on 25.02.2016.

Delivery: Within 25.03.2016.

Item	Material/Description	Quantity	UM	Unit Price	Net Amount
10	489520011051 CALIBRATION PLT_F.O STORG TK. FR (19-23) 1) ITEMS ARE TO SUPPLIED AS PER SOTR NO.RN/2109-12/E/062. CALIBRATION PLT_F.O STORG TK. FR (19-23)	1.000	EA	600.00 / EA	600.00
Total Tax:					30.00

MAILING ADDRESS

BST 400 021/6/53375 wef 01/04/99
CST 400 021/6/53375 wef 01/04/99
WCT W/TA 00802 wef 01/04/99

INVOICING ADDRESS

N-14-400021A/7743 wef 06/08/03

REGD. OFFICE
GARDEN REACH SHIPBUILDERS &
ENGINEERS LTD, 43/46,
Garden Reach Road,
Kolkata-700024, INDIA
TEL NO. 033-2469-8100(14 LINES)
FAX: (033)-2469-8150



GRSE LTD. Procurement Manual Fifth Edition



Garden Reach Shipbuilders & Engineers Ltd.

(A GOVT. OF INDIA UNDERTAKING)
43/46, Garden Reach Road / Kolkata)

Purchase order

No:- N06-4700016380

Page Order Date Printout Date Page 2of 5 26.02.2016 27.02.2016 10:52:49

Item	Material/Description	Quantity	UM	Unit Price	Net Amount
20	489520011052 CALIBRATION PLT_F.O STORG TK. FR (23-25)	1.000	EA	600.00 / EA	600.00
Total Tax:					30.00
30	489520011053 CALIBRATION PLT_F.W STORG TK. FR (33-35)	1.000	EA	675.00 / EA	675.00
Total Tax:					33.75
40	489520011055 CALIBRATION PLT_F.O TK. FR (13-16)	1.000	EA	440.00 / EA	440.00
Total Tax:					22.00
50	489520011056 CALIBRATION PLATE_D.W TK. FR (11-12)	1.000	EA	420.00 / EA	420.00
Total Tax:					21.00
60	489520011057 CALIBRATION PLT_WASTE OIL TK. FR(11-12)	1.000	EA	420.00 / EA	420.00
Total Tax:					21.00
Total Actual cost (Inclusive of all taxes):-					INR 3,312.75
Total Amount in Words:-Indian Rupees THREE THOUSAND THREE HUNDRED TWELVE AND SEVENTY FIVE UPON HUNDRED ONLY					
Terms & Conditions:-					
01. Scope of Supply: Will be as per SOR No. RN/2109-12/E/082. The requirement is for GRSE Yard Nos. 2109-2112 (Follow on WJFAC Project), i.e., for 4 ship sets.					
02. Terms of Price: F.O.R Basis (Firm & Fixed till execution of the order). Inclusive of packing & forwarding. Transit Insurance & freight charges. No price escalation is allowed at any stage.					
03. Payment Terms: i) 90% payment including 100% Taxes & Duties, will be made against delivery of the material at GRSE within 45 days through E.C.S. Following documents are to be submitted alongwith your bill for payment:- a) Invoice 4 copies b) GRSE stores Receipted challan 4 copies c) Packing list 4 copies d) Manufacturers Test certificates & Guarantee certificates 4 copies.					
ii) Balance 10% will be made against receipt and acceptance of material within 45 days after Guarantee Period or against					

MAILING ADDRESS

BST 400 0218/5576 wef 01/04/99
CST 400 0218/5576 wef 01/04/99
WCT W /1A 00802 wef 01/04/99

INVOICING ADDRESS

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ENGINEERS LTD. 43/46,
Garden Reach Road,
Kolkata 700024 INDIA
TEL. NO. 033-2469-8100(14 LINES)
FAX: (033)-2469-8150



Garden Reach Shipbuilders & Engineers Ltd.

(A GOVT. OF INDIA UNDERTAKING)
43/48, Garden Reach Road / Kolkata)

Purchase order

No:- N06-4700016380

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submission of PBG for equivalent amount valid till Guarantee Period and submission of following documents:-

- Invoice 4 copies
- Copy of clear ICGRN
- PBG for equivalent 10% order value in GRSE format valid till guarantee period.

04. Taxes & Duties:

- Excise Duty: NIL, against Exemption Certificate to be provided by GRSE on request of firm.
- VAT: will be paid extra as applicable at the time of supply (presently 5 % already included in PO).
- INCOME TAX(TDS):As applicable will be deducted from our bill as per Govt. Rule
- Service Tax,if any: inclusive in PO value for service portion.

05. Submission of Bills by supplier:

The firm shall submit bills complete in all respect as relevant in the check list enclosed. In case bills are submitted with faulty/incomplete enclosure or inappropriate documents:-

- A transaction fee of Rs.500/- will be charged on first return.
- And the said fees will be twice the amount on second return.

Note: All Bills with relevant documents to be submitted directly to GRSE finance Deptt.

06. Guarantee / Warranty:

The equipment/materials are to be guaranteed/warranted for satisfactory performance for the period of 12 months from the date of satisfactory commissioning of the vessel on which the equipment/materials/items are installed OR for the period of 36 months from the date of receipt and acceptance at GRSE, whichever expires earlier, against improper design, defective materials and faulty workmanship. During guarantee/warranty period any equipment or component thereof supplied by the vendor/sub-contractor, suffers due to defective material and or due to improper design and or due to defective drawing or due to faulty workmanship the vendor/sub-contractor will assume full responsibility of rectification of such defective equipment or component thereof including direct expenses related to removal and re-positioning of the replacement/repaired equipment or component thereof and subsequent test & trial, incurred thereon without any financial implication to GRSE. Issues/Defects related to Guarantee/Warranty shall have to be liquidated at the location of vessel and/or as desired by the Purchaser / Owner, at no extra cost.

07. Inspection:

- BASED ON MANUFACTURER'S TEST /GUARANTEE CERTIFICATE.
- RECEIPT INSPECTION BY GRSE(RIC).

08. Progress Report:

Supplier will submit progress report/ bar chart initially within 1 week from the date of receipt of order and thereafter on monthly basis

09. Liquidated Damages:

For delay in delivery of materials alongwith Manuals, Certificates and Documentation beyond contractual delivery, LD will be applicable @ 1/2 % per week or part thereof subject to maximum 5% of the value of the order for the undelivered portion.

10. Risk Purchase:

In case of unsatisfactory progress of supply at any point of time after placement of order GRSE reserve the right to cancel the order without assigning any reason and to procure the ordered material from any alternative source at your complete risk and cost.

GRSE also reserves the right to cancel the order forthwith without any financial implications on either side if upon lapse of 50% of the scheduled delivery time the progress of manufacture is not up to the satisfaction of GRSE/Owner and the failure

MAILING ADDRESS

BSI 400 021/6/5376 wef 01/04/99
CST 400 021/6/5215 wef 01/04/99
WCT W/1A 00602 wef 01/04/99

INVOICING ADDRESS

N-14-400021/A/7743 wef 06/08/03

REGD. OFFICE
GARDEN REACH SHIPBUILDERS &
ENGINEERS LTD.43/48,
Garden Reach Road,
Kolkata 700024 INDIA
TEL NO. 033-2469-8100(14 LINES)
FAX: (033)-2469-8150



Garden Reach Shipbuilders & Engineers Ltd.

Purchase order

(A GOVT. OF INDIA UNDERTAKING)
43/46, Garden Reach Road / Kolkata)

No:- N06-4700016380

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Order Date 26.02.2016
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on the part of the sub-contractor/supplier/vendor to conform to the delivery schedule is inevitable.

11. Force Majeure:

Will be applicable as per CVC Guide Line as vetted by Ministry of Law.

12. Arbitration:

If, at any time, before, during or after the contract period, any unsettled claim, question, dispute or difference arises between the parties, upon or in relation to or in connection with or in any way touching or concerning this tender / agreement/order, the same shall be referred to the Chairman & Managing Director ('CMD' in short) or the Managing Director ('MD' in short) as the case may be of Garden Reach Shipbuilders & Engineers Ltd. ('GRSE' in short) for adjudication of the said disputes or differences as Sole Arbitrator, in accordance with the provisions of the Arbitration & Conciliation Act, 1996.

The CMD (or MD), GRSE, if he so desires, may nominate/appoint another officer of GRSE or a person whom he thinks fit and competent, for adjudication of the disputes or differences, referred to him as the Sole Arbitrator.

Such arbitration shall, in all respects, be conducted in accordance with the provisions of the Arbitration & Conciliation Act, 1996 and the rules framed thereunder or any statutory modification or enactment thereof for the time being in force.

The Award of the Sole Arbitrator shall be final, conclusive and binding upon the parties.

In the event of the death or resignation for any reason whatsoever of the said Sole Arbitrator, appointed by the said CMD or MD of GRSE Ltd., CMD or MD of GRSE Ltd. on an application from either of the parties in this behalf, shall act himself as the Sole Arbitrator or nominate / appoint, in place of the outgoing Arbitrator, another officer of GRSE Ltd., or a person whom he thinks fit and competent to adjudicate the said disputes and differences in accordance with law. Also in the event of an arbitration award is set aside by a competent court on an application from either party and unless otherwise ordered by the said court, the CMD or MD of GRSE Ltd., on an application from either party, shall himself act as Sole Arbitrator or nominate/appoint another officer of GRSE Ltd. or a person whom he thinks fit and competent to adjudicate the disputes and differences in accordance with law.

The cost of arbitration, fees of the Arbitrator, remuneration of the stenographer and clerk, stamp paper etc. as shall be decided by the Sole Arbitrator, shall be shared equally by the parties. The venue of arbitration, unless otherwise decided by the parties or by the Sole Arbitrator himself, shall be the premises of Garden Reach Shipbuilders & Engineers Ltd., 43/46 Garden Reach Road, Kolkata - 700 024.

13. Product improvement:

The supplier agreed to incorporate any improvement in the equipment either during the period of manufacturing or until commissioning of the ship on which equipments are fitted and such improvement shall be incorporated in this supply, free of cost.

14. Identification of Deliverables:

While dispatching the firm shall identify each item with GRSE code no. and the firm's part no. Packing list should indicate all deliverable items specifically mentioning/mounted on main equipment or loose items. Each item should be identified with metallic or plastic tag indicating both GRSE code no and firm's part no. In case of deviation, GRSE shall not be in any way responsible for delay in issue of receipt inspection report and / or payment.

15. Packing & Forwarding :

Shall be arranged by Supplier at their cost. However, Supplier to ensure that all materials are properly packed (Spares in PIP in a separate box) to withstand transit damage / pilferage during transit.

Packing List of Supplier shall compulsorily indicate the GRSE item codes and respective Supplier Item codes for each of the supplied items.

16. Transportation & Way Bill:

Materials are to be dispatched by road. Ink-signed invoice and copy of consignment note are to be submitted through courier

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BST 400 021/6/3378 wef 01/04/99
CST 400 021/C/3215 wef 01/04/99
WCT W/1A 00802 wef 01/04/99

INVOICING ADDRESS

N-14-400021A/7743 wef 06/08/03

REGD. OFFICE
GARDEN REACH SHIPBUILDERS &
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Garden Reach Road,
Kolkata-700024 INDIA
TEL NO. (033)-2469-8100(14 LINES)
FAX (033)-2469-8150



Garden Reach Shipbuilders & Engineers Ltd.

(A GOVT. OF INDIA UNDERTAKING)
43/46, Garden Reach Road / Kolkata)

Purchase order

No:- N06-4700016380

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immediately within 3 days after dispatch for arranging "Way Bill" without delay. Invoice must incorporate value of goods, amount of sales tax separately as well as both CST and State Sales Tax Registration Nos. Consignment note must incorporate relevant Invoice no./date. Transport charges will be borne by the firm.

17. Transit Insurance:

Transit insurance will be arranged by supplier at their cost.

18. Rejection Replacement:

Any equipment found defective/rejected, Supplier will collect the same from GRSE Stores, all incidental charges to be borne by them, within 30 days from the date of intimation to Supplier of such rejection. GRSE reserves the right to dispose of the rejected items at the end of a total period of 90 days in any manner to the best advantage to GRSE & recover storage charges and any consequence damage from sale proceeds of such disposal.

19. Individuality of Contract:

This order shall be treated as an individual contract, shall not allow any general lien to the portions and shall not get any prejudice in execution due to situation arising out of some other contract that supplier may have entered into with GRSE.

20. Governing Jurisdiction:

All contracts shall be deemed to have been wholly made in Kolkata and all claims there under are payable in Kolkata City and it is the distinct condition of the order that no suit or action for the purpose of enforcing any claim in respect of the order shall be instituted in any Court other than that situated in Kolkata City, West Bengal State, India.

21. Parts Identification List (PIL) / Manuals if any of the equipment as applicable should be submitted along with the delivery.

22. Order Acknowledgement: The supplier will acknowledge the Order within 7 days of its receipt by them. If no contrary advice is received within that period it will be deemed to have been accepted by you.

23. All other terms & conditions will be as per latest GRSE STACS (Indigenous equipment / machinery), SOTR, TNC and CNC.

Yours faithfully,
For Garden Reach Shipbuilders & Engineers Ltd.

A M(NCM)

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BST 400 021/6/9376 wef 01/04/99
CST 400 021/C/9215 wef 01/04/99
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Kolkata-700024, INDIA
TEL NO. 033-2469-8100(14 LINES)
FAX: (033)-2469-8150



Appendix-H
List of Orders Placed (Single Vendor Nomination)

Sl No.	SAP P.O. No. & Date	Vendor Name	Nature of order - i.e. supply of materials / service / Sub- contracting / Rate contract	Tender Type (single or RSVS - Ltd / Open / Global	Tender Description	Order Value (in Rs.)	MSE's VENDOR (YES/NO)



Refer: Art. 5.12.2

Appendix-I
MIS Report of PO above Rs. 2.0 Cr for Vigilance Dept.

1	2	3	4	5	6	7	8	9
Tender No.	Item/ Nature of work	Mode of Tender Enquiry	Date of Publication of NIT	Type of Bidding (Single/ Two Bid System)	Last date of receipt of tender	Nos. of Tenders recd.	Nos. and names of parties qualified after technical evaluation	Nos. and names of parties not qualified after technical evaluation

Continuation of Table at Appendix-N:

10	11	12	13	14	15	16	17	18
Whether contract awarded to Lowest Tenderer/ Evaluted L1	Contract No. & Date	Name of Contractor	Value of Contract (Rs.)	ESTIMATED VALUE	COST SAVINGS	Scheduled date of completion of Supplies	Tender Type (E- Tender/ Manual Tender	MSE's VENDOR (YES/NO).



Refer: Art.7.2

Appendix J

Procedure for Weighing in case of vehicle carrying scrap and other weighable construction materials.

1. To ascertain proper and accurate weighing of Scrap and other construction material, the following procedures are required to be strictly adhered to by concerned Departments.
2. Only Security Department is authorised to take weight of scrap or other weighable Construction materials as per the procedure promulgated below.
3. DGM(ES) Main Yard and Works Manager of other units will be responsible for regular maintenance to ensure smooth operation and functioning of weigh Bridge. Annual calibration and breakdown related calibration of scale are to be arranged and supervised by the Maintenance group under DGM(ES) in Main Yard and by Works Manager in other units as per the prevailing practice.
4. DGM(ES) Main & Works Manager of other units shall be responsible for arranging timely / correct calibration of Weighing machine in Main Yard and other units as applicable. They will also be the custodian of valid calibration certificates of weighing machine.
5. Weighment will be taken by following nominated personnel –
 - (i) **For Scrap and Stores:** Jointly by one Manager from Material Deptt. and one from Security Deptt.
 - (ii) **For Other Weighable & Construction Materials:** Jointly by One Manager from Main Yard / Unit and one from Security Deptt.
6. Above personnel should be rotated every week from a panel of names. GM(Com.) and GM(Unit) shall create a panel of managers and assign weekly duty on rotational basis. The name of the officer is to be preferably selected at random and intimated at the beginning of the week. Similarly, CSO shall nominate a security officer from Main / Units on random selection basis and assign weekly duty. No one is to be given fixed duty for prolong period.
7. Above personnel will be responsible to take Tare and Gross weight before and after loading of material or vice versa as the case may be from the same weigh Bridge and record be maintained meticulously. Net weight of material recorded and certified jointly by rep. of Matl. deptt./ other units and Security deptt. is to be taken as authentic.



Receiving / issuing Department / Stores will take this recorded weight as the actual weight of material for the purpose of receipt / issue / documentation and all payment / collection are to be determined accordingly.

8. If the weight of loaded vehicle exceeds permissible capacity of Weigh Bridge, the above personnel shall escort the loaded vehicle for taking weight from outside Weigh Bridge having valid calibration certificate from accredited authority.

9. Security deptt. will issue weighment certificate in a suitable desired format duly signed by above authorized personnel.



Appendix – K

(Refer: Art.2.5.1(b))

Single Vendor Nomination

1. Indent No. & date :
2. Item Description & Estimate Cost :
3. Estimated Cost :
4. Name & Address of the nominated Vendor:
5. Reason/justification for Single Vendor Nomination:

Proposed by designation
Indenting Dept.

Recommended by

Approved By



Appendix-L

(a) Checklist Prior to issue of the Tender

DOCUMENT NO. NCM/IMP/CHK/01/PRETENDER/Rev0(DEC17)

Project and Yard :

Equipment / Item :

SVN Approval Ref.(If applicable):

PR Ref. with Release Date :

1. PR Released Yes/No.
2. Correct GL Code Yes/No
3. Confirmation obtained from CDO regarding compliance to following
Yes/No
(As per clause No. 2.1.3, page no. 16 of 175 of GRSE purchase manual Project Indents must additionally have:
a) Department's financial sanction number, if applicable
b) Total sanctioned value, if applicable
c) Value already used & earlier indent ref. if any against same financial sanction , if applicable
d) Value catered for the items in estimates, if applicable
e) Sale/Project/WBS number, if any
f) Last date and quantity purchased, if any, for the same item (order reference)
g) Whether the indent has been approved/Released in SAP
h) End use of material, if found necessary
i) Scope of inspection and various tests to be carried out
j) Approximate weight/dimension of components/equipment to be procured.
(If any point mentioned above is not applicable, please indicate NA))
4. No of Nominated Vendor Received from CDO/IHQ(if applicable) ---Nos
5. No of selected vendor as per PSG ---Nos
6. Approved TSP/Drawing Received from CDO Yes/No
7. Delivery Schedule, Warranty, Preservation clause Received from CDO/PLG
Yes/No
8. Ballpark Estimate prepared based on LPP and Present market condition Yes/No
9. Type of Tender Press/WebOpen/Limited/SVN
10. Mode of Tender Manual/ E Tender
11. Reason for selection of Type and Mode of Tender Recorded Yes/No
12. Tender Documents prepared for floating tender &
TC identified
(Pls indicate whether TC-I, TC-II, TC-III, TC-IV, TC-V,TC-VI) Yes/No
13. Approval from Competent Authority obtained(if applicable)
Yes/No
14. Commercial Terms specified as per Appendix IX of PM2016



is incorporated	Yes/No
15. In case of Limited Tender Enquiry, confirm all vendor codes are available in SAP	Yes/No
16. GRSE Indigenisation clause Applicable	Yes/No
If applicable, Indigenisation clause incorporated	Yes/No

Signature of Dealing officer of Commercial

Dept.
Date & Time

(b) Checklist Prior to Techno Commercial (1st) Bid Opening

DOCUMENT NO. NCM/IMP/CHK/02/PRETBO/Rev0(DEC17)

Project and Yard :

Equipment / Item :

Tender No and Date :

- The Contract under Purview of IP ith threshold value above Rs. 2 Cr.intimated to IEM (As per Cl. No. 2.2(a)(iii), page no. 17 of GRSE Procurement Manual-2016) Yes/No
- No of Nominated Vendor received from CDO/IHQ(if applicable) ---Nos
(If not applicable please put NA)
- No of Nominated vendor as per PSG ----Nos
- No of Bid Received ---Nos
- Check for 70% Responses(offers and regret letters) received for Limited Tender if applicable (Ref. cl. No. 2.5.2.7, page no. 23 of 175 of Purchase Manual 2016) Yes/No
- Intimated to all Vendors Yes/No



7.	Intimated to IA/Finance/IEM(as applicable)	Yes/No
8.	All Vendor's rep present(For manual tender only)	
	(If all vendor's rep not present, pls record the same)	Yes/No
9.	Rep of IA/Finance present	Yes/No
10.	Confirm EMD Received(if applicable)	Yes/No
11.	Whether all envelopes have been signed at the time of opening of technical bid and envelopes are properly retained by commercial deptt.(in case of Manual Tender)	Yes/No
12.	Certificate in compliance with para 4.7.1(a)(ii) Appendix XI of PM 2016 issued	Yes/No

Signature of Dealing officer of Commercial

Dept.

(c) Checklist Prior to Price Bid Opening

Equipment / item :

Tender Reference :

a.	Number of vendors to whom T/E sent	 Nos
b.	Response received from vendors	 Nos
c.	Any adverse comment by IA and compliance thereof Yes/No Regarding T Fees/EMD/MSME/NSIC Cert	
d.	Number of Technically accepted offers	 Nos
e.	Number of Technically & commercially accepted offers	 Nos
f.	IA/Finance Rep and customer rep (where applicable) present	Yes/No
g.	CVO informed well in time regarding event (for TC II and above)	Yes/No
h.	Estimated price received from Design /Indenter available	Yes/No



- i. Sanctioned Job no obtained in case of Capital /Revenue items Yes/No
- j. Approval of TC chairman obtained in case of revised bid acceptance Yes/No
- k. Name of the firm technically and commercially cleared for price bid opening
 - i.
 - ii.
 - iii.
 - iv.
 - v.

TC member of Comm.

Dept
Time :
Date :

(d) Checklist during Comparative Statement(CS) Preparation

DOCUMENT NO. NCM/IMP/CHK/05/CST/REV0(DEC17)

Project and Yard :
Equipment / Item :
Tender No and Date:

1. Supplier has quoted all line items
(If any supplier has not quoted, same has to be brought to notice of supplier during TNC/CNC) Yes/No
2. Indigenisation aspect has been considered/loaded as per tender terms Yes/No
3. Deviation in Payment, if any, has been loaded as per tender Yes/No
4. Warranty Extension Charge considered for ranking(if applicable) Yes/No
5. B&D Escalation Charge considered for ranking(if applicable) Yes/No
6. Delivery Postponement Charge considered for ranking(if applicable) Yes/No
7. Re preservation Charge considered for ranking(if applicable) Yes/No



8. In case of Foreign Bidder not submitted TRC and PAN, enhanced Income Tax and Service Tax thereon considered for ranking (if applicable) Yes/No

9. In case if bidders decline to accept exemption certificates towards Taxes as mentioned in the tender and the same being applicable, then all these taxes & duties shall be loaded on the price for ranking(if applicable) Same has been loaded Yes/No

10. If bids are exclusive of transport and Insurance, the same will be loaded as per tender(If applicable) Same has been loaded Yes/No

11. For additional delivery period sought by the bidder over stipulated date of delivery as per tender, appropriate loading as per tender done (if applicable) Yes/No

12. Deviation sought if any,in respect of Liquidated Damage clauses has been loadedappropriately as per tender Yes/No

13. All taxes and Duties (Which is cost to GRSE) has been considered for price calculation Yes/No

Signature of Dealing Officer of Commercial

Dept.

Date:

Time:

(With Name and Designation)

(e) Checklist during Purchase Proposal Preparation

DOCUMENT NO. NCM/IMP/CHK/06/PP/REV0 (DEC17)

Project and Yard :

Equipment / Item :

Tender No and Date :

1. The Purchase Proposal to follow with standard format at Appendix IX of PM 2016 Yes/No

2. Purchase Proposal to be issued for following purpose as per Cl. 5.1 (a) and (c) PM2016

- i.For issue of Fresh Purchase
- ii.For all amendments involving financial implications
- iii.For all Repeat orders



iv. In case of change of supplier

v. In case of amendment of payment terms
(please put tick mark for selection)

3. As per cl. No. 5.1 (d) of PM-2016, all important information is to be furnished in the purchase proposal Yes/No
4. As per cl. No. 5.1(e) of PM 2016, following points to be checked
- a) Previous Rate vs. present Rate Yes/No
 - b) Delivery Required by Indentor vs. Delivery quoted Yes/No
 - c) Whether lowest offer, if not, justification Yes/No
 - d) Present stock position vs. annual consumption(if applicable For stock items) Yes/No
 - e) Vendor(s) recommended, if registered with GRSE, and SAP code number Yes/No
 - f) Present order(s) status with recommended vendor(s)(if not A new vendor) Yes/No/NA
 - g) Approximate order value and TC level Yes/No
 - h) Status of surplus stock to be checked with due care for procuring Further quantity Yes/No
 - i) Estimated value, wherever necessary & comparison thereof Yes/No/NA
 - j) Mode of dispatch and inspection Yes/No
5. Confirm Tender has been corrected by CDO as and when required Yes/No
6. Confirm Vendor code has been allocated Yes/No
7. Delivery extension charge, delivery advancement charge, Warranty extension charge, extra manday rate after warranty period incorporated where applicable Yes/No
8. Total Value of Purchase Proposal----- &TC-----
(Put the information)
9. In text of proposal following to be included:-
- a) TNC Clearance Date
 - b) TNC Clearance Date
 - c) Vendor Registered or not
 - d) Price Bid opening Date
 - e) PNC Date and MoM reference



Signature of Dealing officer of Commercial Dept.
(With Name and Designation)

Date:

Time:

(f) Checklist For LC Opening

DOCUMENT NO. NCM/IMP/CHK/07/LC OPENING/REV0 (DEC17)

PO No. and Date:

Item Description:

CDD:

1. Proforma Invoice is provided	Yes/No
2. Check whether Proforma Invoice is as per PO line items	Yes/No
3. Check Whether LD will be applicable	Yes/No
4. Requisite Information for Proforma Invoice	
a) Value of LOC as per PI (90% or as applicable)	Yes/No
b) Currency is correctly indicated	Yes/No
c) Description of materials	Yes/No
d) Our order no:	Yes/No
e) Supplier's address	Yes/No
f) Name/address of nominated banker if any	Yes/No
g) Mode of Port of Despatch/ Cargo Weight	Yes/No
h) Country of Origin:	Yes/No

Signature of Dealing officer of Commercial

Dept.

Date:

Time:

(With Name and Designation)

(Note: This checklist is to be put up along with the 'Request for LC Opening' forwarded to Finance Dept.)

(g) Checklist For Despatch Documents



DOCUMENT NO. NCM/IMP/CHK/08/DESPATCH DOCUMENT/REV0 (DEC17)

PO No. and Date:

Item Description:

CDD:

Delivery Terms(Ex Works/FOB/CIF/FCA etc.):

Actual Delivery Date:

1. Confirm Receipt of following Documents Required(as per PO):

a) Invoice	Yes/No
b) Packing List	Yes/No
c) Bill of Lading/Air Waybill	Yes/No
d) Insurance Document, if applicable	Yes/No
e) Manufacturer's TC	Yes/No
f) ABS/LRS Inspection Report, if applicable	Yes/No
g) Certificate of Origin:	Yes/No
h) Manufacturer's Warranty/Guarantee Certificate	Yes/No

2. All Documents forwarded to Store RIC

Yes/No

(Date:)

Signature of Dealing officer of Commercial

Dept.

Date:

(With Name and Designation)

Time:

(**Note:** This checklist is to be used on receipt of shipment information from freight forwarded.)

(h) Checklist For Payment Release

DOCUMENT NO. NCM/IMP/CHK/09/PAYMENT RELEASE/REV0 (MAY18)

PO No. and Date:

Item Description:

CDD:

Delivery Terms(Ex Works/FOB/CIF/FCA etc.):

Actual Delivery Date:

Invoice No. and Date:

LC No.



1. All Despatch Documents(as per PO) Received	Yes/No
2. Packing List having GRSE's Material code	Yes/No
3. Invoice in line with PO line items	Yes/No
4. All other Documents in line with PO terms	Yes/No
5. PBG Received	Yes/No
6. LD Applicable	Yes/No
7. Applicability of LD informed to Seller	Yes/No
8. Receipt of SWIFT message of OEM's Banker's demand Claiming less LD(if applicable)	Yes/No
9. PO line item wise total invoiced quantity not exceeded PO qty	Yes/No
10. ICGRN Made	Yes/No
11. PO Amendment required(if applicable)	Yes/No

Dept.
Date:
Time:

Signature of Dealing officer of Commercial

(With Name and Designation)



Refer: Art. 11.11.1

Appendix—M

INCOTERMS 2020

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1. Incoterms

1.1. What are the Incoterms rules?

- (a) The Incoterms or International Commercial Terms, are a series of pre-defined commercial terms published by the International Chamber of Commerce (ICC) relating to international commercial law. They are widely used in international commercial transaction or procurement processes and their use is encouraged by trade councils, courts and international lawyers. A series of three-letter trade terms related to common contractual sales practices, the Incoterms rules are intended primarily to clearly communicate the tasks, costs, and risks associated with the global or international transportation and delivery of goods. Incoterms inform sales contracts defining respective obligations, costs, and risks involved in the delivery of goods from the seller to the buyer, but they do not themselves conclude a contract, determine the price payable, currency or credit terms, govern contract law, or define where title to goods transfers will occur.



- (b) The Incoterms rules are accepted by governments, legal authorities, and practitioners worldwide for the interpretation of most commonly used terms in international trade. They are intended to reduce or remove altogether uncertainties arising from differing interpretations of the rules in different countries. As such, they are regularly incorporated into sales contracts worldwide.

2. Incoterms 2020

2.1. What the Incoterms rules do

- (a) The Incoterms rules explain a set of eleven of the most commonly used three-letter trade terms, e.g., CIF, DAP, etc., reflecting business-to-business practice in contracts for the sale and purchase of goods.
- (b) The Incoterms rules describe:
- Obligations: Who does what as between seller and buyer, e.g., who organizes carriage or insurance of the goods or who obtains shipping documents and export or import licenses;
 - Risk: Where and when the seller “delivers” the goods; in other words, where risk transfers from seller to buyer;
 - Costs: Which party is responsible for which cost, for example, transport, packaging, loading or unloading costs, and checking or security-related costs.

2.2. What the Incoterms rules do not do

- (a) The Incoterms rules are not in themselves – and are therefore no substitute for – a contract of sale. They are devised to reflect trade practice for no particular type of goods – and for any. They can be used as much for the trading of a bulk cargo of iron or as for five containers of electronic equipment or ten pallets of airfreighted fresh flowers.
- (b) The Incoterms rules do not deal with the following matters:
- whether there is a contract of sale at all;
 - the specifications of the goods sold;
 - the time, place, method, or currency of payment of the price;
 - the remedies which can be sought for breach of the contract of sale;
 - most consequences of delay and other breaches in the performance of contractual obligations;
 - the effect of sanctions;
 - the imposition of tariffs;
 - export or import prohibitions;
 - force majeure or hardship;



- intellectual property rights;
 - the method, venue, or law of dispute resolution in case of such breach.
- (c) Most importantly, it must be stressed that the Incoterms rules do not deal with the transfer of property/title/ownership of the goods sold.
- (d) These are matters for which the parties need to make specific provisions in their contract of sale. Failure to do so is likely to cause problems later if disputes arise about performance and breach. In essence, the Incoterms 2020 rules are not themselves a contract of sale: they only become part of that contract when they are incorporated into a contract which already exists. Neither do the Incoterms rules provide the law applicable to the contract. There may be legal regimes which apply to the contract, whether international, like the Convention on the International Sale of Goods (CISG); or domestic mandatory law relating, for example, to health and safety or the environment.

2.3. How best to incorporate the Incoterms rules

- (a) If parties want the Incoterms 2020 rules to apply to their contract, the safest way to ensure this is to make that intention clear in their contract, through words such as: “[the chosen Incoterms rules] [named port, place or point] Incoterms 2020”
for example:
CIF Shanghai Incoterms 2020
or
DAP No 123, ABC Street, Importland Incoterms 2020.
Leaving the year out could cause problems that may be difficult to resolve. The parties, a judge, or an arbitrator need to be able to determine which version of the Incoterms rules applies to the contract.
- (b) The place named next to the chosen Incoterms rule is even more important:
- in all Incoterms rules except the C rules, the named place indicates where the goods are “delivered”, i.e., where risk transfers from seller to buyer;
 - in the D rules, the named place is the place of delivery and also the place of destination and the seller must organize carriage to that point;
 - in the C rules, the named place indicates the destination to which the seller must organize and pay for the carriage of the goods, which is not, however, the place or port of delivery.
- (c) Thus, an FOB sale raising doubt about the port of shipment leaves both parties uncertain as to where the buyer must present the ship to the seller for the shipment and the transport of the goods – and as to where the seller must deliver the goods on board so as to transfer risk in the goods from seller to buyer. Again, a CPT



contract with an unclearly named destination will leave both parties in doubt as to the point to which the seller must contract and pay for the transport of the goods. It is best to avoid these types of issues by being as geographically specific as possible in naming the port, place, or point, as the case may be, in the chosen Incoterms rule.

2.4. Differences between Incoterms 2010 and Incoterms 2020

- (a) The most important initiative behind the Incoterms 2020 rules has been focus on how the presentation could be enhanced to steer users towards the right Incoterms rule for their sale contract. Thus:
- a greater emphasis in the Introduction on making the right choice;
 - a clearer explanation of the demarcation and connection between the sale contract and its ancillary contracts;
 - upgraded Guidance Notes presented now as Explanatory Notes to each Incoterms rule;
 - a re-ordering within the Incoterms rules giving delivery and risk more prominence.
- (b) All these changes, though cosmetic in appearance, are in reality substantial attempts on the part of ICC to assist the international trading community towards smoother export/import transactions.
- (c) Apart from these general changes, there are more substantive changes in the Incoterms 2020 rules when compared with Incoterms 2010. Before looking at those changes, mention must be made of a particular development in trade practice which has occurred since 2010 and which ICC has decided should not lead to a change in the Incoterms 2020 rules, namely Verified Gross Mass (VGM).
- (d) The significant differences between Incoterms 2010 and Incoterms 2020 include primarily:
- bills of lading with an on-board notation and the FCA Incoterms rule;
 - costs, where they are listed;
 - different levels of insurance coverage in CIF and CIP;
 - arranging for carriage with seller's or buyer's own means of transport in FCA, DAP, DPU, and DDP;
 - change in the three-letter initials for DAT to DPU;
 - inclusion of security-related requirements within carriage obligations and costs;
 - Explanatory Notes for users;

3. Division of Incoterms



- (a) Incoterms 2020 are divided into four groups (C, D, E, F). The rules are classified according to the fees, risk, responsibility for formalities, as well as issues related to import and export.
- (b) In group C (Main Carriage Paid), the seller concludes a transport contract with the forwarder and takes the costs. In this case, the seller is responsible for conducting export clearance. The risk is transferred at the time of posting the goods to the buyer. All matters arising after loading costs related to transporting and other events are the buyer's responsibility. Group C includes the following Incoterms rules: CFR, CIF, CPT, and CIP.
- (c) Group D (Arrival) assumes that the seller is obliged to deliver the goods to a specific place or the port of destination. This group includes such Incoterms as DAP, DPU, and DDP.
- (d) In group E (Departure), the seller makes the goods available to the buyer at the delivery point indicated by the seller. The seller is not obliged either to customs or export clearance and does not bear the risk and costs of loading. In group E, there is only Incoterms EXW.
- (e) Group F (Main Carriage Unpaid) obliges the seller to perform export customs clearance. The seller does not pay transport and insurance costs. FCA, FAS, and FOB belong to this group.

3.1. EXW – Ex Works (insert named place of delivery)

- (a) Ex Works means that the seller delivers the goods to the buyer:
 - when it places the goods at the disposal of the buyer at a named place (like a factory or warehouse), and
 - that named place may or may not be the seller's premises.
- (b) For delivery to occur, the seller does not need to load the goods on any collecting vehicle, nor does it need to clear the goods for export, where such clearance is applicable.
- (c) This rule may be used irrespective of the mode or modes of transport, if any, selected.
- (d) The parties need only name the place of delivery. However, the parties are well-advised also to specify as clearly as possible the precise point within the named place of delivery. A named precise point of delivery makes it clear to both parties when the goods are delivered and when risk transfers to the buyer; such precision also marks the point at which costs are for the buyer's account. If the parties do not name the point of delivery, then they are taken to have left it to the seller to select



the point “that best suits its purpose.” This means that the buyer may incur the risk that the seller may choose a point just before the point at which goods are lost or damaged. It is best for the buyer therefore to select the precise point within a place where delivery will occur.

- (e) EXW is the Incoterms rule which imposes the least set of obligations on the seller. From the buyer’s perspective, therefore, the rule should be used with care for different reasons as set out below.
- (f) In Incoterms 2020 EXW delivery happens and risk transfers when the goods are placed, not loaded, at the buyer’s disposal. However, risk of loss or of damage to the goods occurring while the loading operation is carried out by the seller, as it may well be, might arguably lie with the buyer, who has not physically participated in the loading. Given this possibility, it would be advisable, where the seller is to load the goods, for the parties to agree in advance who is to bear the risk of any loss of or damage to the goods during loading. This is a common situation simply because the seller is more likely to have the necessary loading equipment at its own premises or because applicable safety or security rules prevent access to the seller’s premises by unauthorized personnel. Where the buyer is keen to avoid any risk during loading at the seller’s premises, then the buyer ought to consider choosing the FCA rule (under which, if the goods are delivered at the seller’s premises, the seller owes the buyer an obligation to load, with operation remaining with the seller).
- (g) Seller has no obligation to organize export clearance of clearance within third countries through which the goods pass in transit. Indeed, EXW may be suitable for domestic trades, where there is no intention at all to export the goods. The seller’s participation in export clearance is limited to providing assistance in obtaining such documents and information as the buyer may require for the purpose of exporting the goods. Where the buyer intends to export the goods and where it anticipates difficulty in obtaining export clearance, the buyer would be better advised to choose the FCA rule, under which the obligation and cost of obtaining export clearance lies with the seller.
- (h) The seller bears the costs:
 - of checking operations (checking quality, measuring, weighing, counting the goods);
 - additional, related to the damage to the goods before delivery;
 - of packaging and labeling, unless they are not required by the chosen type of transport.
 - The seller’s obligations are presented below:
 - The seller delivers the goods to the place specified by the buyer, on the agreed date or within the agreed period.



- The seller delivers the goods together with the commercial invoice in accordance with the contract of sale and any other evidence of conformity with the documents, which were mentioned in the contract (in paper or electronic form).
 - At the buyer's request, provides the risk and cost of assistance in obtaining the authorization necessary for the export of goods.
 - Notifies the buyer of the date the goods are left at the buyer's disposal.
 - Provides the buyer with all assistance in obtaining any documents necessary for completing export, import, or transit clearance formalities.
 - The seller provides the buyer with any information necessary for obtaining insurance (at this expense and request).
- (i) The buyer bears costs:
- related to import, export, and transit clearance formalities;
 - related to the goods from the moment of its delivery following the contract by the seller;
 - customs duties, taxes, and other charges;
 - additional, incurred by failing to take delivery of the goods;
 - in addition, the buyer reimburses the seller for the costs incurred by providing to the buyer assistance with documentation for export, import or transit formalities.
- (j) The buyer's obligations are described below:
- The buyer, at his own risk and cost, obtains documentation authorizing him to export and carry out all for export, import, or transit clearance formalities.
 - Carriers out all import, export, and transit clearance formalities.
 - Organizes the transport of goods from the place of delivery.
 - Takes the delivery of the goods and provides the seller with evidence of having taken delivery.
 - From the moment the goods are delivered in accordance with the contract, he bears all the costs and risks of the goods.
 - Unloads and loads the goods in the export and import port.

3.2. FCA – Free Carrier (insert named place of delivery)

- (a) Free Carrier (named place) means that the seller delivers the goods to the buyer in one or other of two ways.
1. First:
 - ☐ when the named place is the seller's premises, the goods are delivered;
 - ☐ when they are loaded on the means of transport arranged by the buyer.
 2. Second:
 - ☐ when the named place is another place, the goods are delivered;
 - ☐ when, having been loaded on the seller's mean of transport;
 - ☐ they reach the named other place;
 - ☐ they are ready for unloading from that seller's mean of transport;
 - ☐ at the disposal of the carrier or of another person nominated by the buyer.



- (b) Whichever of the two is chosen as the place of delivery, that place identifies where risk transfers to the buyer and the time from which costs are for the buyer's account. This rule may be used irrespective of the mode of transport selected and may also be used where more than one mode of transport is employed.
- (c) A sale under Incoterms 2020 FCA can be concluded naming only the place of delivery, either at the seller's premises or elsewhere, without specifying the precise point of delivery within that named place. However, the parties are well-advised also to specify as clearly as possible the precise point within the named place of delivery. A named precise point of delivery makes it clear to both parties when the goods are delivered and when risk transfers to the buyer; such precision also marks the point at which costs are for the buyer's account. Where the precise point is not identified, however, this may cause problems for the buyer. The seller in this cause has the right to select the point "that best suits its purpose": that point becomes the point of delivery, from which risk and costs transfer to the buyer. If the precise point of delivery is not identified by naming it in the contract, then the parties are taken to have left it to the seller to select the point "that best suits its purpose." This means that the buyer may incur the risk that the seller may choose a point just before the point at which goods are lost or damaged. It is best for the buyer therefore to select the precise point within a place where delivery will occur.
- (d) Incoterms 2020 FCA requires the seller to clear the goods for export, where applicable. However, the seller has no obligation to clear the goods for import or for transit through third countries, to pay any import duty, or to carry out any import customs formalities. In Incoterms 2020 FCA, now if goods are being picked up by the buyer's road-haulier in Las Vegas, it would be rather uncommon to expect a bill of lading with an on-board notation to be issued by the carrier from Las Vegas, which is not a port and which a vessel cannot reach for goods to be placed on board. Nonetheless, sellers selling FCA Las Vegas do sometimes find themselves in a situation where they need a bill of lading with an on-board notation (typically because of a bank collection or a letter of credit requirement), albeit necessarily stating that the goods have been placed on board in Los Angeles as well as stating that they were received for carriage in Las Vegas. To cater to this possibility of an FCA seller needing a bill of lading with an on-board notation, FCA Incoterms 2020 has, for the first time, provided the following optional mechanism. If the parties have so agreed in the contract, the buyer must instruct its carrier to issue a bill of lading with an on-board notation to the seller. The carrier may or may not, of course, accede to the buyer's request, given that the carrier is only bound and entitled to issue such a bill of lading once the goods are on board in Los Angeles. However, if and when the bill of lading is issued to the seller by the carrier at the buyer's cost and risk, the seller must provide that same document to the buyer, who will need the bill of lading in order to obtain discharge of the goods from the carrier. This optional mechanism becomes unnecessary, of course, if the parties have agreed



that the seller will present to the buyer a bill of lading stating simply that the seller will present to the buyer a bill of lading stating simply that the goods have been received for shipment rather than that they have been shipped on board. Moreover, it should be emphasized that even where this optional mechanism is adopted, the seller is under no obligation to the buyer as to the terms of the contract of carriage. Finally, when this optional mechanism is adopted, the dates of delivery inland and loading on board will necessarily be different, which inland and loading on board will necessarily be different, which may well create difficulties for the seller under a letter of credit.

(e) Using Incoterms 2020 FCA, the seller takes the costs:

- ☐ of export clearance;
- ☐ of delivering and entrusting the goods to a carrier;
- ☐ of obtaining an export license or other authorization, taxes, duties, and additional official export charges;
- ☐ of a ban on the export of the products or costs if there are special taxes on its export;
- ☐ of providing the document proving the delivery of the goods or equivalent electronic version;
- ☐ preparing and sending the commercial invoice or equivalent electronic version;
- ☐ of informing the buyer that the goods have been delivered and entrusted to the carrier or have not been accepted by the carrier at the agreed time;
- ☐ of packaging and marking required for transport, unless the goods are generally transported without packaging;
- ☐ of quality control, measurement, weighing, and counting.

The main obligations of the seller are presented below:

- ☐ The seller has to provide the goods, the commercial invoice, and other evidence of conformity as may be required and specified in the contract.
- ☐ Upon request and at the buyer's expense, the seller enables and assists in obtaining a shipping document.
- ☐ Appoints a person responsible for loading the goods to the vehicle of the purchaser of the products.
- ☐ The seller is responsible for preparing the goods for loading (measurement and packing of the goods).
- ☐ He adjusts the goods for export and bears the risks and costs involved.
- ☐ At the request of the buyer, he may conclude a contract of carriage on normal terms and conditions at the cost and risk of the buyer.

On the other hand, the buyer takes the costs:

- ☐ related to import issues and transport of goods from the moment of delivery to the courier by the seller;
- ☐ additional, related to non-compliance with the obligation to take delivery of the goods at the place and time agreed in the contract;
- ☐ of obtaining documents or equivalent in electronic form (other than usual delivery notes) issued in the country of consignment and/or origin which are necessary for the buyer to import or transit the goods;



- ☐ of informing the seller about the date and place where the goods will be delivered to the carrier;
- ☐ related to the transport of the products;
- ☐ of unloading the delivered goods from the means of transportation in the terminal of the carrier designated by the buyer;
- ☐ relating to the products from the time they are put at the disposal of the carrier designated by the buyer (including customs duties and taxes and other official charges);
- ☐ additional, resulting from not designating a carrier or notifying the seller of the name of the carrier and the designated date when the goods are to be delivered to the carrier;
- ☐ of pre-shipment inspection of the goods, unless the authorities compulsorily require this of the exporting country;

(f) The buyer's obligations are presented below:

- ☐ The buyer completes the formalities related to the import of goods and their transport from the moment of delivery by the seller to the courier.
- ☐ He bears the risk of losing or damaging the products from the moment of delivery to the courier.
- ☐ It concludes transport contracts, although the seller may (as an additional service) arrange transport at the expense and risk of the buyer.
- ☐ He takes care of all necessary transit formalities and preparing the goods to import.
- ☐ The buyer orders transport.
- ☐ He takes delivery of the goods at the place agreed upon in the contract in advance.

3.3. CPT – Carriage Paid To (insert named place of destination)

- (a) Carriage Paid To means that the seller delivers the goods – and transfers the risk – to the buyer:
- by handing them over to the carrier;
 - contracted by the seller;
 - or by procuring the goods so delivered.
 - The seller may do so by giving the carrier physical possession of the goods in the manner and at the place appropriate to the means of transport used.
- (b) Once the goods have been delivered to the buyer in this way, the seller does not guarantee that the goods will reach the place of destination in sound condition, in the stated quantity, or indeed at all. This is because risk transfers from seller to buyer when the goods are delivered to the buyer by handing them over to the carrier; the seller must nonetheless contract for the carriage of the goods from delivery to the agreed destination. Thus, for example, goods are handed over to a carrier in Las Vegas (which is not a port) for carriage to Southampton (a port) or to Winchester (which is not a port). In either case, delivery transferring risk to the buyer happens in Las Vegas, and the seller must make a contract of carriage to either Southampton or Winchester.



- (c) This rule may be used irrespective of the mode of transport selected and may also be used where more than one mode of transport is employed.
- (d)
- (e) In Incoterms 2020 CPT, two locations are important: the place or point (if any) at which the goods are delivered (for the transfer of risk) and the place or point agreed as the destination of the goods (as the point to which the seller promises to contract for carriage).
- (f)
- (g) The parties are well-advised to identify both places, or indeed points within those places, as precisely as possible in the contract of sale. Identifying the place or point (if any) of delivery as precisely as possible is important to cater to the common situation where several carries are engaged, each for different legs of the transit from delivery to destination. Where this happens and the parties do not agree on a specific place or point of delivery, the default position is that risk transfer when the goods have been delivered to the first carrier at a point entirely of the seller's choosing and over which the buyer has no control. Should the parties wish the risk to transfer at a later stage (e.g., at a sea or river port or at an airport), or indeed an earlier one (e.g. an inland point some way away from a sea or river port), they need to specify this in their contract of sale and to carefully think through the consequences of so doing in case the goods are lost or damaged.
- (h) The parties are also well-advised to identify as precisely as possible in the contract of sale the point within the agreed place of destination, as this is the point to which the seller must contract for carriage and this is the point to which the costs of carriage fall on the seller.
- (i) If the seller incurs costs under its contract of carriage related to unloading at the named place of destination, the seller is not entitled to recover such costs separately from the buyer unless otherwise agreed between the parties.
- (j) Incoterms 2020 CPT requires the seller to clear the goods for export, where applicable. However, the seller has no obligation to clear the goods for import or for transit through third countries, or to pay any import duty or to carry out any import customs formalities.
- (k) Using Incoterms 2020 CPT Seller takes:
 - ☐ all costs relating to the goods and their transport until delivery to the carrier;
 - ☐ loading costs (at the carrier) and possible unloading costs;
 - ☐ transit costs for the buyer's account and the costs of export clearance;
 - ☐ costs incurred by the buyer related to export formalities.Main obligations of the seller are presented below:
 - ☐ Seller provides a commercial invoice and other required documents in paper or electronic form.



- ☐ Seller is responsible of delivery of goods to the carrier at the place of delivery on the agreed date or within the agreed period.
 - ☐ Seller is responsible for damage or loss of goods until they are handed over to the carrier at the named point and within the specified time.
 - ☐ Seller has to contract or organize the transport of goods to the named place of destination. If such a place does not exist, the seller can choose the point that best suits this purpose.
 - ☐ One of the seller obligations is operating according to all transport-related security requirements for transport to the destination.
 - ☐ Seller has to carry out and pay for export clearance, as well as assist the buyer with import clearance.
 - ☐ Seller counts and weigh goods and, if required, packs the goods at its own expense.
 - ☐ Seller informs the buyer about the delivery of goods to the carrier and provides the buyer with documents authorizing the buyer to take over the goods.
- The seller is not obliged to make a contract of insurance but must provide information for this purpose at the buyer's request.

(I) The buyer takes:

- ☐ all costs relating to the goods and their transport from the moment they were handed over to the carrier (excluding the seller's obligations);
- ☐ transit costs excluding the seller's obligations stated in the contract of carriage;
- ☐ unloading costs, unless it is the seller's obligation stated in the contract of carriage;
- ☐ import clearance and transit costs;
- ☐ possible costs incurred by the seller related to import formalities.

Obligations of buyer are presented below:

- ☐ Buyer takes up the delivery of the goods.
- ☐ He takes responsibility for damage or loss of goods from the time they have been handed over to the carrier.
- ☐ Buyer accepts documents provided by the seller.
- ☐ Buyer has to carry out and pay for import clearance, as well as assist the seller with export clearance.
- ☐ He informs the seller about the place and date of delivery.

But it's good to remember that the buyer is not obliged to make a contract of carriage. He is also not obliged to make a contract of insurance.

3.4. CIP – Carriage and Insurance Paid To (insert named place of destination)

(a) Carriage and Insurance Paid To means that the seller delivers the goods – and transfers the risk – to the buyer:

- ☐ by handing them over to the carrier;
- ☐ contracted by the seller;
- ☐ or by procuring the goods so delivered.
- ☐ The seller may do so by giving the carrier physical possession of the goods in the manner and at the place appropriate to the means of transport used.



- (b) Once the goods have been delivered to the buyer in this way, the seller does not guarantee that the goods will reach the place of destination in sound condition, in the stated quantity or indeed at all. This is because risk transfers from seller to buyer when the goods are delivered to the buyer by handing them over to the carrier; the seller must nonetheless contract for the carriage of the goods from delivery to the agreed destination. Thus, for example, goods are handed over to a carrier in Las Vegas (which is not a port) for carriage to Southampton (a port) or to Winchester (which is not a port). In either case, delivery transferring risk to the buyer happens in Las Vegas, and the seller must make a contract of carriage to either Southampton or Winchester.
- (c) This rule may be used irrespective of the mode of transport selected and may also be used where more than one mode of transport is employed.
- (d) In Incoterms 2020 CIP two locations are important: the place or point at which the goods are delivered (for the transfer of risk) and the place or point agreed as the destination of the goods (as the point to which the seller promises to contract for carriage).
- (e) The seller must also contract for insurance cover against the buyer's risk of loss of or damage to the goods from the point of delivery to at least the point of destination. This may cause difficulty where the destination country requires insurance cover to be purchased locally: in this case the parties should consider selling and buying under CPT Incoterms 2020 rule the seller is required to obtain extensive insurance cover complying with Institute Cargo Clauses or similar clause, rather than with the more limited cover under Institute Cargo Clauses. It is, however, still open to the parties to agree on a lower level of cover.
- (f) The parties are well advised to identify both places, or indeed point within those places, as precisely as possible in the contract of sale. Identifying the place or point (if any) of delivery as precisely as possible is important to cater for the common situation where several carriers are engaged, each for different legs of the transit from delivery to destination. Where this happens and the parties do not agree on a specific place or point of delivery, the default position is that risk transfers when the goods have been delivered to the first carrier at a point entirely of the seller's choosing and over which the buyer has no control. Should the parties wish the risk to transfer at a later stage (e.g. at a sea or river port or at an airport), or indeed an earlier one (e.g. an inland point some way away from a sea or river port), they need to specify this in their contract of sale and to carefully think through the consequences of so doing in case the goods are lost or damaged.
- (g) The parties are also well advised to identify as precisely as possible in the contract of sale the point within the agreed place of destination, as this is the point to which



the seller must contract for carriage and insurance and this is the point to which the costs of carriage and insurance fall on the seller.

- (h) If the seller incurs costs under its contract of carriage related to unloading at the named place of destination, the seller is not entitled to recover such costs separately from the buyer unless otherwise agreed between the parties.
- (i) Incoterms 2020 CIP requires the seller to clear the goods for export, where applicable. However, the seller has no obligation to clear the goods for import or for transit through third countries, or to pay any import duty or to carry out any import customs formalities.
- (j) Using CIP Incoterms the seller bears:

- ☐ export and transit costs (outside the importing country): customs, taxes, export and transit permits, export security clearance and the cost of obtaining all official permits;
- ☐ the costs of control activities, such as quality control, measurement, weighing, counting, delivery of appropriately labeled packaging;
- ☐ the costs related to the shipment and transport of goods until they are delivered to the buyer;
- ☐ the costs of issuing and sending a commercial invoice;
- ☐ the costs related to concluding the contract of carriage as well as packaging and labeling costs enabling the carriage of goods;
- ☐ the costs of transport insurance and informing the buyer about the delivery and handing over of goods to the carrier;
- ☐ unloading costs at the destination, if stated in the contract of carriage.

The seller's obligations are presented below:

- ☐ Seller has to carry out all the duties under the terms of delivery specified in the contract.
- ☐ He hands over the goods to the carrier on the agreed date stated in the contract.
- ☐ He contracts or organizes the carriage of the goods from the agreed point of delivery to the named place of destination.
- ☐ Seller operates according to all transport-related security requirements for transport to the destination.
- ☐ He packs and marks the goods.
- ☐ He has to assist the buyer in obtaining any documents necessary for transit and import clearance formalities.

- (k) On the other hand, the buyer bears:

- ☐ the costs of import formalities: customs, taxes, import and transit permits, import security clearance and costs obtaining all official permits;
- ☐ the costs obtaining any official authorizations;
- ☐ the costs of obtaining documents or their equivalent electronic forms that the buyer needs when importing or transiting goods;



- ☐ the costs related to the goods from the moment they are delivered on board the vessel;
- ☐ any additional costs if the buyer fails to notify the seller of the time of shipment or place of destination;
- ☐ the costs of pre-shipment inspection of goods (except when such inspections are required by the authorities of the exporting country);
- ☐ the costs of unloading goods, unless the contract of carriage indicates otherwise.

(I) Obligations of the buyers are presented below:

- ☐ Buyer takes delivery of the goods.
- ☐ He has to carry out and pay for import clearance.
- ☐ He obtains documents necessary for import and transit.
- ☐ Buyer assists the seller, at his request, risk, and costs in obtaining any documents necessary for the export formalities.
- ☐ He informs the seller about the place and date of delivery.

3.5. DAP – Delivered at Place (insert named place of destination)

(a) Delivered at Place means that the seller delivers the goods – and transfer risk – to the buyer:

- ☐ when the goods are placed at the disposal of the buyer;
- ☐ on the arriving means of transport ready for unloading;
- ☐ at the named place of destination;
- ☐ at the agreed point within that place, if any such point is agreed.

(b) The seller bears all risks involved in bringing the goods to the named place of destination or to the agreed point within that place. In this Incoterms rule, therefore, delivery and arrival at destination are the same.

(c) This rule may be used irrespective of the mode of transport selected and may also be used where more than one mode of transport is employed.

(d) The parties are well advised to specify the destination place or point as clearly as possible and this for several reasons. First, risk of loss or damage to the goods transfers to the buyer at that point of delivery/destination – and it is best for the seller and the buyer to clear about the point at which that critical transfer happens. Secondly, the costs before that place or point of delivery/destination are for the account of the seller and the costs after that place or point are for the account of the buyer. Thirdly, the seller must contract or arrange for the carriage of the goods to the agreed place or point of delivery/destination. If it fails to do so, the seller is in breach of its obligations under the Incoterms DAP rule and will be liable to the buyer for any ensuing loss. Thus, for example, the seller would be responsible for any additional costs levied by the carrier to the buyer for any additional on-carriage.

(e)



- (f) The seller is not required to unload the goods from the arriving means of transportation. However, if the seller incurs costs under its contract of carriage related to unloading at the place of delivery/destination, the seller is not entitled to recover such costs separately from the buyer unless otherwise agreed between the parties.
- (g) Incoterms 2020 DAP requires the seller to clear the goods for export, where applicable. However, the seller has no obligation to clear the goods for import or for post-delivery transit to clear the goods for import or for post-delivery transit through third countries, to pay any import duty or to carry out any import customs formalities. As a result, if the buyer fails to organize import clearance, the goods will be held up at a port or inland terminal in the destination country. Who bears the risk of any loss that might occur while the goods are thus held up at the port of entry in the destination country? The answer is the buyer, delivery will not have occurred yet, ensuring that the risk of loss of or damage to the goods is with the buyer until transit to a named inland point can be resumed. If, in order to avoid this scenario, the parties intend the seller to clear the goods for import, pay any import duty or tax and carry out any import customs formalities, the parties might consider using DDP.
- (h) Using DAP Incoterms 2020, the seller takes:
- ☐ all costs relating to the goods and their transport until delivery (except for the costs incurred by the buyer);
 - ☐ possible unloading costs;
 - ☐ export clearance costs;
 - ☐ costs of delivery of documents regarding transport.
- Obligations of the seller are presented below:
- ☐ Seller provides commercial invoice and other required documents in paper or electronic form.
 - ☐ He delivers goods ready for unloading at a named place and within the specified period.
 - ☐ He takes responsibility for damage or loss of goods until they are delivered at the agreed point and time.
 - ☐ The seller's obligation is contracting or organizing the transport of goods at the indicated destination at his own costs. If such a place is not specified, the seller can choose the point the best suits this purpose.
 - ☐ Seller operates according to all transport-related security requirements for transport to the destination.
 - ☐ The seller has to carry out and pay for all export and transit clearance, as well as assist the buyer with import clearance.
 - ☐ He has to count and weigh goods and, if required, pack the goods.
 - ☐ He provides the buyer with documents authorizing the buyer to take over the goods.
 - ☐ The seller is not obliged to make a contract of insurance.

- (i) The buyers takes:



- ☐ costs related to the conclusion of the contract of carriage;
- ☐ any costs related to the goods from the moment of their delivery, and possible unloading costs;
- ☐ import clearance costs;
- ☐ possible costs incurred by the seller related to import formalities.

(j) Obligations of the buyer are presented below:

- ☐ Buyer pays the price of the goods as provided in the contract of sale.
- ☐ He takes up the delivery of the goods.
- ☐ Buyer has to accept documents provided by the seller for being enabled to take up the goods.
- ☐ He takes responsibility for damage or loss of goods from the time they have been delivered.
- ☐ Buyer has to carry out and pay for import clearance, as well as assist the seller with export clearance.
- ☐ Buyer informs the seller about the designated port/place of delivery, types of means of transport and date of delivery.
- ☐ The buyer is not obliged to make a contract of insurance but must provide information for this purpose at the seller's request.

3.6. DPU – Delivered at Place Unloaded (insert named place of destination)

(a) Delivered at Place Unloaded means that the seller delivers the goods – and transfers risk – to the buyer:

- ☐ when the goods, once unloaded from the arriving means of transport, are placed at the disposal of the buyer at a named place of destination;
- ☐ when the goods, once unloaded from the arriving means of transport, are placed at the disposal of the buyer at the agreed point within that place, if any such point is agreed.

(b) The seller bears all risks involved in bringing the goods to and unloading them at the named place of destination. In this Incoterms rule, therefore, the delivery and arrival at destination are the same. DPU is the only Incoterms rule that requires the seller to unload goods at destination. The seller should therefore ensure that it is in a position to organize unloading at the named place. Should the parties intend the seller not to bear the risk and cost of unloading, the DPU rule should be avoided and DAP should be used instead.

(c) This rule may be used irrespective of the mode of transport selected and may also be used where more than one mode of transport is employed.

(d) The parties are well advised to specify to the destination place or point as clearly as possible and this for several reasons. First, risk of loss of or damage to the goods transfers to the buyer at the point of delivery/destination – and it is best for the seller and the buyer to be clear about the point at which that critical transfer happens.



Secondly, the costs before that place or point of delivery/destination are for the account of the seller and the costs after that place or point are for the account of the buyer. Thirdly, the seller must contract or arrange for the carriage of the goods to the agreed place or point of delivery/destination. If it fails to do so, the seller is in breach of its obligations under this rule and will be liable to the buyer for any ensuing loss. The seller would, for example, be responsible for any additional costs levied by the carrier to the buyer for any additional on-carriage.

(e) Incoterms 2020 DPU requires the seller to clear the goods for export, where applicable. However, the seller has no obligation to clear the goods for import or for post-delivery transit through third countries, to pay any import duty or to carry out any import customs formalities. As a result, if the buyer fails to organize import clearance, the goods will be held up at a port or inland terminal in the destination country. Who bears the risk of any loss that might occur while the goods are thus held up at the port of entry in the destination country? The answer is the buyer: delivery will not have occurred yet, ensuring that the risk of loss of or damage to the goods is with the buyer until transit to a named inland point can be resumed. If, in order to avoid this scenario, the parties intend the seller to clear the goods for import, pay any import duty or tax and carry out any import customs formalities, the parties might consider using DDP.

(f) Using Incoterms 2020 DPU, the seller bears:

- ☐ export and transit costs (outside the importing country): customs, taxes, export and transit permits, export security clearance and the cost of obtaining all official permits;
- ☐ the costs of control activities, such as quality control, measurement, weighing, counting, delivery of appropriately labeled packaging;
- ☐ the costs related to shipping and transport of the goods until they are unloaded and delivered to the buyer;
- ☐ the costs needed to obtain documents and information related to export and transit clearance;
- ☐ the costs related to concluding the contract of carriage.

(g) Main obligations of the seller are presented below:

- ☐ The seller has to carry out all the duties under the terms of delivery specified in the contract. This means delivery of the goods along with a commercial invoice in conformity with the contract of sale and other related documents.
- ☐ The seller is responsible for unloading goods from arriving means of transport, and then delivering by placing them at the disposal of the buyer at the point agreed in the contract.
- ☐ He connects the carriage of the goods.
- ☐ He provides the buyer, at his own expense, with all documents necessary to enable the buyer to take over the goods.
- ☐ He assists the buyer at the buyer request, risk and cost in obtaining any documents necessary for transit and import clearance formalities.



- ☐ The seller packs and marks the goods.
- ☐ He informs the buyer about matters related to receiving the goods.
- ☐ He unloads goods at the place of delivery.

(h) The buyer bears:

- ☐ the costs of import formalities: customs, taxes, import permits, import security clearance and costs of obtaining all official permits;
- ☐ any additional costs if the buyer fails to fulfill its obligations stated in the contract;
- ☐ the costs needed to obtain documents related to import clearance.

Obligations of the buyer are presented below:

- ☐ The buyer assists the seller, at his request, risk and cost, in obtaining any documents necessary for the export and transit clearance formalities.
- ☐ He has to carry out and pay for import clearance.
- ☐ He informs the seller in advance of all safety requirements related to transport, ship name, loading point and possible delivery date within the period agreed in the contract.

3.7. DDP – Delivered Duty Paid (insert named place of destination)

(a) Delivered Duty Paid means that the seller delivers the goods to the buyer:

- ☐ when the goods are placed at the disposal of the buyer, cleared for import, on the arriving means of transport, ready for unloading, at the named place of destination or at the agreed point within that place, if any such point is agreed.

(b) The seller bears all risk involved in bringing the goods to the named place of destination or to the agreed point within that place. In this Incoterms rule, therefore, delivery and arrival at destination are the same.

(c) This rule may be used irrespective of the mode of transport selected and may also be used where more than one mode of transport is employed.

(d) Incoterms 2020 DDP, with delivery happening at destination and with the seller being responsible for the payment of import duty and applicable taxes is the Incoterms rule imposing on the seller the maximum level of obligation of all eleven Incoterms rules.

(e) The parties are well advised to specify the destination place or point as clearly as possible and this for several reasons. First, risk of loss of or damage to the goods transfers to the buyer at that point of delivery/destination – and it is best for the seller and the buyer to be clear about the point at which that critical transfer happens. Secondly, the costs before that place or point of delivery/destination are for the account of the seller, including the costs of import clearance, and the costs after that place or point, other than the costs of import, are for the account of the buyer. Thirdly, the seller must contract or arrange for the carriage of the goods to the agreed place or point of delivery/destination. If it fails to do so, the seller is in



breach of its obligations under the Incoterms rule DDP and will be liable to the buyer for any ensuing loss. Thus, for example, the seller would be responsible for any additional costs levied by the carrier to the buyer for any additional on-carriage.

(f) If the seller incurs costs under its contract of carriage related to unloading at the place of delivery/destination, the seller is not entitled to recover such costs separately from the buyer unless otherwise agreed between the parties.

(g) DDP requires the seller to clear the goods for export, where applicable, as well as for import and to pay any import duty or to carry out any customs formalities. Thus if the seller is unable to obtain import clearance and would rather leave that side of things in the buyer's hands in the country of import clearance being left to the buyer. There may be tax implications and this tax may not be recoverable from the buyer.

(h) Using Incoterms 2020 DDP, the seller takes:

- ☐ all costs of control activities (quality control, measurement, weighing of goods);
- ☐ costs for all formalities related to customs clearance, export, import, and transit. If he is unable to pay for import clearance and would prefer to leave it in the hands of the buyer, then the seller should consider Incoterms DAP or DPU;
- ☐ costs for unloading at the destination, if it was included in the contract of carriage (the seller is not entitled to recover these charges unless otherwise was agreed by the parties);
- ☐ cost of delivery;
- ☐ charges paid by the buyer in connection with the assistance in the provision of documents relating to the transport.

(i) Main obligations of the seller are presented below:

- ☐ The seller is obliged to deliver the goods and all necessary documents to a destination agreed upon by both parties and at a specified date (the documents may be in paper or electronic form).
- ☐ He must properly pack and label the goods so that they can be transported (unless the parties have agreed otherwise in advance).
- ☐ The seller must provide the buyer with all the information/documents required to enable the buyer to take delivery of the goods.

(j) The buyer takes:

- ☐ costs of the products according to the contract of sale;
- ☐ charges relating to goods after the delivery;
- ☐ unloading costs (unless these costs have been taken into account by the seller under the contract of carriage);
- ☐ any additional costs incurred by the seller if the buyer does not comply with the obligation to assist in obtaining the necessary documents or if he does not inform the exporter of the time and place of delivery.

Obligations of the buyer are presented below:



- ☐ He is obliged to collect the goods.
- ☐ The buyer is obliged to assist the seller (at his request) in obtaining all documentation related to import, export and transit.
- ☐ If both parties agreed that the buyer is obliged to determine the time and place of delivery, he must also notify the seller in advance.

But:

- ☐ The buyer is not obliged to conclude the insurance contract, but must provide the seller (at his request) the information he needs to obtain insurance.

3.8. FAS – Free Alongside Ship (insert named port of shipment)

(a) Free Alongside Ship means that the seller delivers the goods to the buyer:

- ☐ when the goods are placed alongside the ship (e.g. on a quay or a barge), nominated by the buyer, at the named port of shipment or when the seller procures goods already so delivered.

(b) The risk of loss or damage to the goods transfers when the goods are alongside the ship, and the buyer bears all costs from that moment onwards.

(c) This rule is to be used only for sea or inland waterway transport where the parties intend to deliver the goods by placing the goods alongside a vessel. Thus, the FAS rule is not appropriate where goods are handed over to the carrier before they are alongside the vessel, for example where goods are handed over to a carrier at a container terminal. Where this is the case, parties should consider using the FCA rule rather than the FAS rule.

(d) The parties are well advised to specify as clearly as possible the loading point at the named port of shipment where the goods are to be transferred from the quay or barge to the ship, as the costs and risk to that point are for the account of the seller and these costs and associated handling charges may vary according to the practice of the port.

(e) Incoterms 2020 FAS requires the seller to clear the goods for export, where applicable. However, the seller has no obligations to clear the goods for import or for transit through third countries, to pay any import duty or to carry out any import customs formalities.

(f) Using FAS, the seller bears:

- ☐ the costs of export formalities: customs, taxes, export authorization, export security clearance and the cost of obtaining all official permits;
- ☐ the costs of providing the buyer with proof that the goods have been delivered under the contract;
- ☐ the costs related to the shipment of goods until they are delivered;



☐ the costs of control activities, such as quality control, measurement, weighing, counting, delivery of appropriately labeled packaging.

Obligations of the seller are presented below:

- ☐ The seller has to carry out all the duties under the terms of delivery specified in the contract. This means delivery of the goods along with a commercial invoice in conformity with the contract of sale and other related documents.
- ☐ He delivers goods by placing them alongside the ship within the prior specified period and at the named port indicated by the buyer.
- ☐ He informs the buyer in advance of the delivery of the goods.
- ☐ He provides at his own expense a document confirming delivery of the goods to the buyer. If such proof is a transport document, the seller must assist the buyer, at his request, risk, and cost, in obtaining it.
- ☐ The seller assists the buyer at the buyers request, risk and cost in obtaining any documents necessary for transit and import clearance formalities.
- ☐ He packs and marks the goods.
- ☐ He operates according to all transport-related requirements until delivery of the goods to the buyer.

(g) On the other hand, the buyer bears:

- ☐ the costs of import and transit formalities: customs, taxes, import permit, import security clearance and costs of obtaining all official permits;
- ☐ the costs of obtaining the contract of carriage;
- ☐ any additional costs if the buyer to fulfill its obligations;
- ☐ the costs related to the conclusion of the contract of carriage.

The buyer's obligations are presented below:

- ☐ He concludes the contract of carriage from the named port of shipment, except where the contract of carriage is made by the seller (at the buyer's expense and risk).
- ☐ He assists the seller, at his request, risk and cost, in obtaining any documents necessary for the export clearance formalities.
- ☐ The buyer must notify the seller in advance of any safety requirements related to transport, ship name, loading point and the delivery date within the period agreed in the contract.

3.9. FOB – Free On Board (insert named port of shipment)

(a) Free on Board means that the seller delivers the goods to the buyer:

- ☐ on board the vessel, nominated by the buyer, at the named port of shipment or procures the goods already so delivered.

(b) The risk of loss or damage to the goods transfers when the goods are on board the vessel, and the buyer bears all costs from that moment onwards.

(c) This rule is to be used only for sea or inland waterway transport where the parties intend to deliver the goods by placing the goods on board a vessel. Thus, the FOB rule is not appropriate where goods are handed over to the carrier before they are on board the vessel, for example where goods are handed over to a carrier at a



container terminal. Where this is the case, parties should consider using the FCA rule rather than the FOB rule.

(d) FOB requires the seller to clear the goods for export, where applicable. However, the seller has no obligation to clear the goods for import or for transit through third countries, to pay any import duty or to carry out any import formalities.

(e) Using Incoterms 2020 FOB, the seller takes the cost:

- ☐ of export clearance;
- ☐ of delivering the goods to the ship;
- ☐ associated with damage to the goods before loading them to the vessel.

(f) Main obligations of the seller are presented below:

- ☐ The seller has to deliver the goods to the vessel at the place designated by the buyer. He also has to bear the costs involved.
- ☐ He obtains permission to export products.
- ☐ The seller shall be fully liable for any damage to the goods before loading to the vessel.
- ☐ He informs the buyer that the goods have been delivered to the ship.
- ☐ He delivers sales notes.
- ☐ The seller is responsible for the export clearance and related costs.

On the other hand, buyer takes the cost:

- ☐ connected with the conclusion of a transport contract;
- ☐ related to import issues;
- ☐ of import clearance;
- ☐ related to damage or theft of the goods after loading the products onboard.

(g) Main obligations of the buyer are presented below:

- ☐ The buyers is responsible for any damage to the goods and theft after the goods have been loaded into the ship.
- ☐ He bears the costs related to the conclusion of the transport contract and import issues.
- ☐ He shall inform the seller about designated port, the name of the vessel and the delivery date.
- ☐ He organizes import clearance and bears the associated costs.

3.10. CFR – Cost and Freight (insert named port of destination)

(a) Cost and Freight means that the seller delivers the goods to the buyer

- ☐ on board the vessel
- ☐ or procures the goods already so delivered.

(b) The risk of loss of or damage to the goods transfers when the goods are on board the vessel, such that the seller is taken to have performed its obligation to



- deliver the goods whether or not the goods actually arrive at their destination in sound condition, in the stated quantity or, indeed, at all. In CFR, the seller owes no obligation to the buyer to purchase insurance cover: the buyer would be well-advised therefore to purchase some cover for itself.
- (c) The Incoterms 2020 CFR rule is to be used only for sea or inland waterway transport. Where more than one mode of transport is to be used, which will commonly be the case where goods are handed over to a carrier at a container terminal, the appropriate rule to use is CPT rather than CFR.
- (d) In CFR, two ports are important: the port where the goods are delivered on board the vessel and the port agreed as the destination of the goods. Risk transfers from seller to buyer when the goods are delivered to the buyer by placing them on board the vessel at the shipment port or by procuring the goods already so delivered. However, the seller must contract for the carriage of the goods from delivery to the agreed destination. Thus, for example, goods are placed on board a vessel in Shanghai (which is a port) for carriage to Southampton (also a port). Delivery here happens when the goods are on board in Shanghai, with risk transferring to the buyer at that time; and the seller must make a contract of carriage from Shanghai to Southampton.
- (e) While the contract will always specify a destination port, it might not specify the port of shipment, which is where risk transfers to the buyer. If the shipment port is of particular interest to the buyer, as it may be, for example, where the buyer wishes to ascertain that the freight element of the price is reasonable, the parties are well advised to identify it as precisely as possible in the contract.
- (f) The parties are well advised to identify as precisely as possible the point at the named port of destination, as the costs to that point are for the account of the seller. The seller must make a contract or contracts of carriage that cover the transit of the goods from delivery to the named port or to the agreed point within that port where such a point has been agreed in the contract of sale.
- (g) It is possible that carriage is effected through several carriers for different legs of the sea transport, for example, first by a carrier operating a feeder vessel from Hong Kong to Shanghai, and then onto an ocean vessel from Shanghai to Southampton. The question which arises here is whether risk transfers from seller to buyer at Hong Kong or at Shanghai: where does delivery take place? The parties may well have agreed this in the sale contract itself. Where, however, there is no such agreement, the default position is that risk transfers when the goods have been delivered to the first carrier, i.e. Hong Kong, thus increasing the period during which the buyer incurs the risk of loss or damage. Should the parties wish the risk to transfer at a later stage (here, Shanghai) they need to specify this in their contract of sale.



(h) If the seller incurs costs under its contract of carriage related to unloading at the specified point at the port of destination, the seller is not entitled to recover such costs separately from the buyer unless otherwise agreed between the parties.

(i) CFR requires the seller to clear the goods for export, where applicable. However, the seller has no obligation to clear the goods for import or for transit through third countries, to pay any import duty or to carry out any import customs formalities.

(j) Using Incoterms 2020 CFR the seller bears:

- ☐ tax costs in the country where the goods were manufactured;
- ☐ port charges at the port of departure;
- ☐ costs of transporting goods to the port;
- ☐ costs of obtaining an export license;
- ☐ customs duties and taxes in the country of departure;
- ☐ costs of goods quality control, weighing, measuring and counting the goods, which is necessary before loading the goods onto the vessel;
- ☐ costs of providing the transport documents issued to the port of destination and its electronic copy;
- ☐ transit costs that were on the seller's account under the contract of carriage;
- ☐ costs of security clearance for export, as well as safe and appropriately labeled packaging of the goods.

(k) Main obligations of the seller are presented below:

- ☐ Seller is responsible of loading at the starting point of transport.
- ☐ He has to make a contract for carriage.
- ☐ Seller delivers the goods on board the vessel along with a commercial invoice in the place indicated by the buyer, as well as bears the costs related to it.
- ☐ Seller controls the quality of goods, weighs, measures and counts the goods – necessary before loading the goods onto the ship.
- ☐ He is responsible of safe packaging of goods necessary for transport to avoid unnecessary risk.
- ☐ Seller operates according to all transport-related security requirements for transport to the destination.
- ☐ He provides a transport document issued to the destination port of the goods and its copy in electronic form.
- ☐ He provides information to the buyer at his expense and risk needed to obtain insurance.

(l) The buyer bears:

- ☐ tax costs in the destination country;
- ☐ insurance costs during transport;
- ☐ transport costs from the home port to the main office;



- ☐ the costs of obtaining the import license necessary for the transaction and the costs related to import clearance;
- ☐ customs charges in transit countries and in the destination country;
- ☐ charges resulting from a pre-shipment inspection of goods, unless this is required in the country from which the goods are shipped;
- ☐ the cost of notifying the seller of the required shipping date and port of destination;
- ☐ all charges related to transit, unless stated otherwise in the contract of carriage;
- ☐ unloading costs, unless stated otherwise in the contract of carriage.

(m) Main obligations of the buyer are presented below:

- ☐ The buyer takes up the delivery at the time and place specified in the contract.
- ☐ He transports the goods from the named port of destination to the main office and unloading at the port.
- ☐ The buyer informs the seller about the port of destination and date of delivery.
- ☐ The buyer obtains the import license necessary for the transaction and bears the costs of carrying out customs clearance.
- ☐ He has to carry out pre-shipment controls of the goods (if it is required in the country from which the goods are shipped).

3.11. CIF – Cost Insurance and Freight (insert named port of destination)

- (a) Cost Insurance and Freight means that the seller delivers the goods to the buyer on board the vessel or procures the goods already so delivered. The risk of loss of or damage to the goods transfers when the goods are on board the vessel, such that the seller is taken to have performed its obligation to deliver the goods whether or not the goods actually arrive at their destination in sound condition, in the stated quantity or, indeed, at all.
- (b) This rule is to be used only for sea or inland waterway transport. Where more than one mode of transport is to be used, which will commonly be the case where goods are handed over to a carrier at a container terminal, the appropriate rule to use is CIP rather than CIF.
- (c) In Incoterms 2020 CIF, two ports are important: the port where the goods are delivered on board the vessel and the port agreed as the destination of the goods. Risk transfers from seller to buyer when the goods are delivered to the buyer by placing them on board the vessel at the shipment port or by procuring the goods already so delivered. However, the seller must contract for the carriage of the goods from delivery to the agreed destination. Thus, for example, goods are placed on board a vessel in Shanghai (which is a port) for carriage to Southampton (also a port). Delivery here happens when the goods are on board in Shanghai, with risk transferring to the buyer at that time: and the seller must make a contract of carriage from Shanghai to Southampton.



- (d) While the contract will always specify a destination port, it might not specify the port of shipment, which is where risk transfers to the buyer. If the shipment port is of particular interest to the buyer, as it may be, for example, where the buyer wishes to ascertain that the freight or the insurance element of the price is reasonable, the parties are well advised to identify it as precisely as possible in the contract.
- (e) The parties are well advised to identify as precisely as possible the point at the named port of destination, as the costs to that point are for the account of the seller. The seller must make a contract or contracts of carriage that cover the transit of the goods from delivery to the named port or to the agreed point within that port where such a point has been agreed in the contract of sale.
- (f) It is possible that carriage is effected through several carries for different legs of the sea transport, for example, first by a carrier operating a feeder vessel from Hong Kong to Shanghai, and then onto an ocean vessel from Shanghai to Southampton. The question which arises here is whether risk transfers from seller to buyer at Hong Kong or at Shanghai: where does delivery take place? The parties may well have agreed this in the sale contract itself. Where, however, there is no such agreement, the default position is that risk transfers when the goods have been delivered to the first carrier, i.e. Hong Kong, thus increasing the period during which the buyer incurs the risk of loss or damage. Should the parties wish the risk to transfer at a later stage (here, Shanghai) they need to specify this in their contract of sale.
- (g) The seller must also contract for insurance cover against the buyer's risk of loss of or damage to the goods from the port of shipment to at least the port of destination. This may cause difficulty where the destination country requires insurance cover to be purchased locally: in this case the parties should consider selling and buying under CFR. The buyer should also note that under the Incoterms 2020 CIF rule the seller is required to obtain limited insurance cover complying with Institute Cargo Clauses or similar clauses, rather than with the more extensive cover under Institute Cargo Clauses. It is, however, still open to the parties to agree on a higher level of cover.
- (h) If the seller incurs costs under its contract of carriage related to unloading at the specified point at the port of destination, the seller is not entitled to recover such costs separately from the buyer unless otherwise agreed between the parties.
- (i) CIF requires the seller to clear the goods for export, where applicable. However, the seller has no obligation to clear the goods for import or for transit through third countries, to pay any import duty or to carry out any import customs formalities.
- (j) Using Incoterms 2020 CIF, seller takes the costs:



- ☐ of export clearance;
- ☐ of delivering the goods to the ship;
- ☐ of issuing and sending the commercial invoice;
- ☐ of obtaining an export license or other authorizations;
- ☐ of concluding the contract of carriage;
- ☐ of insurance;
- ☐ of packaging and marking the products;
- ☐ of giving information to the buyer (e.g., the goods have been delivered to the ship);
- ☐ of quality control (measurement, weighing, counting).

(k) The seller's obligations are presented below:

- ☐ The seller is obliged to conclude a contract of carriage to a designated port of shipment at his own expense.
- ☐ He concludes and pays the freight contract costs.
- ☐ The seller is responsible for the loading the goods on the vessel.
- ☐ The seller is obliged to conclude an insurance agreement (with minimum coverage) and deliver it to the buyer.
- ☐ He is responsible for the export clearance and related costs.

(l) On the other hand, buyer takes the costs:

- ☐ of informing the seller of the date of dispatch of the goods and the port of destination;
- ☐ of import license and others authorizations;
- ☐ of import clearance;
- ☐ of obtaining documents (or equivalent electronic documents) which are necessary for the buyer to import or transit the goods;
- ☐ not covered by the contract or not being freight but relating to the goods during transport from the port of loading;
- ☐ additional, if the buyer won't notify the seller of the time of dispatch or destination.

The obligations of the buyer are presented below:

- ☐ The buyer is responsible for any damage or theft of the goods after the goods have been loaded to the vessel.
- ☐ He is obliged to bear all the costs required to obtain the certificate of origin, consular documents and import rates of duty.
- ☐ He has to inform the seller of the designated port, the name of the vessel and the delivery date.
- ☐ He organizes the import clearance and bears all related costs.
- ☐ The buyer has to obtain all documents necessary for import or transit.

Summary

When analyzing the Incoterms 2020 rules described above, it may seem that the changes that have occurred are minimal. Nevertheless, Incoterms 2020 will be easier for exporters and importers to understand than Incoterms 2010. The Commission setting new rules wanted to avoid misinterpreting the Incoterms rules.



Incoterms 2020 rules have been established by the International Chamber of Commerce (ICC). This year, representatives of countries such as France, Great Britain, Germany, Turkey, the United States, Australia, and China took part in the meeting during which changes were made to the rules.



Refer: Art. 2.4.2

Appendix-N

INTEGRITY PACT

ANNEXURE-XXIII

REF TENDER NO. NCM(Imp)/RKS/ASW-SWC/LT/Waterjet/N.ET- Dt.

**INTEGRITY PACT TO BE EXECUTED FOR
HIGH VALUE ORDERS**

1. **IN FORMAT ENCLOSED.**
2. **IN NON – JUDICIAL STAMP PAPER OF VALUE RS. 110/-.**
3. **TO BE EXECUTED BY PERSON WITH APPROPRIATE AUTHORITY.**

INTEGRITY PACT

This Integrity Pact is made on day of (month & year) between M/s. Garden Reach Shipbuilders & Engineers Limited (GRSE) having its Registered & Corporate office at GRSE Bhavan, 61, Garden Reach Road, Kolkata, West Bengal – 700024, India, hereinafter referred to as “The Principal”

and

M/s, a company/ firm/ individual (status of the company), PSU/Partnership/Joint Venture and having its registered office at, hereinafter referred to as “ the Bidder / Contractor”

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

In order to achieve these goals, the Principal has appointed Independent External Monitors (IEMs) in consultation with Central Vigilance Commission, who will monitor the tender process and the execution of the contract for compliance with the principals mentioned above.

Section 1 – Commitments of the Principal



- (1) The Principal commits itself to take all measures necessary to prevent corruption and to observe the following principles:-
 - a) No employee of the Principal, personally or through family members, will in connection with the tender for, or the execution of a contract, demand, take a promise for or accept for self or third person, any material or immaterial benefit which the person is not legally entitled to.
 - b) The Principal will during the tender process treat all Bidder(s) with equity and reason. The Principal will in particular, before and during the tender process, provide to all Bidder(s) the same information and will not provide to any Bidder(s) confidential / additional information through which the Bidder(s) could obtain an advantage in relation to the tender process or the contract execution.
 - c) The principal will exclude from the process all known prejudiced persons
- (2) If the Principal obtains information on the conduct of any of its employees which is a criminal offence under the IPC/PC Act, or if there be a substantive suspicion in this regard, the Principal will inform the Chief Vigilance Officer and in addition can initiate disciplinary actions.

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

- (1) The Bidder(s) /Contractor(s) commit himself to take all measures necessary to prevent corruption. He commits himself to observe the following principles during his participation in the tender process and during the contract execution.
 - a) The Bidder(s) / Contractor(s) will not, directly or through any other person or firm, offer, promise or give to any of the Principal's employees involved in the tender process or the execution of the contract or to any third person any material or other benefit which he/she is not legally entitled to, in order to obtain in exchange any advantage of any kind whatsoever during the tender process or during the execution of the contract.
 - b) The Bidder(s)/Contractor(s) will not enter with other Bidders into any undisclosed agreement or understanding, whether formal or informal. This applies in particular to prices, specifications, certifications, subsidiary contracts, submission or non-submission of bids or any other actions to restrict competitiveness or to introduce cartelization in the bidding process.
 - c) The Bidder(s)/Contractor(s) will not commit any offence under the relevant



IPC/PC Act. Further, the Bidder(s)/Contractor(s) will not use improperly, for purpose of competition or personal gain, or pass on to others, any information or document provided by the Principal as part of the business relationship, regarding plans, technical proposals and business details, including information contained or transmitted electronically.

- d) The Bidder(s)/Contractor(s) of foreign origin shall disclose the name and address of the Agents/representatives in India, if any. Similarly, the Bidder(s) /Contractor(s) of Indian Nationality shall furnish the name and address of the foreign principals, if any. Further, details as mentioned in the “Guidelines on Indian Agents of Foreign Suppliers” shall be disclosed by the Bidder(s) /Contractor(s). Further, as mentioned in the Guidelines all the payments made to the Indian agent/representative have to be in Indian Rupees only, copy of the “Guidelines on Indian agent of foreign Supplier” is annexed and marked as annex.
 - e) The Bidder(s)/Contractor(s) will, when presenting his bid, disclose any and all payments he has made, is committed to or intends to make to agents, brokers or any other intermediaries in connection with the award of the contract.
- (2) The Bidder(s)/ Contractor(s) will not instigate third persons to commit offences outlined above or be an accessory to such offences.
 - (3) In case the Bidder(s) / Contractor(s) is a Joint Venture, then all the Partners of the Joint Venture should sign this Integrity Pact. The Bidder(s) / Contractor(s) shall ensure the compliance of the provisions of this Integrity Pact by all its Joint Venture Partners. Further, the Bidder(s) / Contractor(s) shall be held responsible for any violation/breach of the provisions of IP by any one or more of its Partners.
 - (4) The Bidder(s)/ Contractor(s) shall ensure compliance of the provisions of this Integrity Pact by sub-contractor(s), if any. In this regard, Bidder(s)/ Contractor(s) shall ensure for entering into a similar Integrity pact arrangement with their respective sub-contractor(s) before entering into any specific sub contractual arrangement, in connection with execution of main contract with Principal. The Integrity Pact shall be generally executed in all such cases where the value of sub contract works is Rs. 2 Crore and above, the content of IP can be decided by Bidder(s)/ Contractor(s), which shall be in similar lines of this main Integrity Pact. The signed Integrity Pact needs to be retained by the Bidder(s)/Seller(s) and shall be submitted to Principal, upon seeking such information. Further, the Bidder(s)/Seller(s) shall be held responsible for any violation/breach of the provisions by its sub-contractor(s).



- (5) The Bidder(s)/ Contractor(s) signing Integrity Pact shall not approach the any Court of Law while representing the matters to IEMs and until IEMs delivers their decision in the matter.

Section 3 - Previous Transgression

- (1) The Bidder(s)/ Contractor(s) declares that no previous transgressions have occurred in the last 3 years from the date of signing of this Integrity Pact with any other company in any country conforming to the anti corruption approach or with any other Public Sector Enterprise in India that could justify his exclusion from the tender process.
- (2) If the Bidder makes incorrect statement on this subject, he can be disqualified from the tender process or action can be taken as per the Company's procedure.

Section 4 – Disqualification from tender process and exclusion from future contracts

If the Bidder(s)/Contractor(s) before award or during execution has committed a transgression through a violation of Section 2 or 3 above or in any other form such as to put his reliability or credibility in question, the Principal is entitled to disqualify the Bidder(s) /Contractor(s) from the tender process or take action as per the extant procedure of the company.

Section 5 – Compensation for Damages

- (1) If the Principal has disqualified the Bidder(s) from the tender process prior to the award according to Section 4, the Principal is entitled to demand and recover the damages equivalent to earnest Money Deposit /Bid Security.
- (2) If the principal has terminated the contract according to Section 4, or if the Principal is entitled to terminate the contract according to Section 4, the Principal shall be entitled to demand and recover from the Contractor liquidated damages of the Contract value or the amount equivalent to Performance Bank Guarantee.

Section 6 - Equal treatment of all Bidders / Contractors / Sub-contractors

- (1) The Bidder(s) /Contractor(s) undertake(s) to demand from all sub-contractors a commitment in conformity with this Integrity Pact, and to submit it to the Principal before contract signing.
- (2) The Principal will enter into agreements with identical conditions as this one with all Bidders, Contractors and Sub-contractors.



- (3) The Principal will disqualify from the tender process all bidders who do not sign this Pact or violate its provisions.

Section 7 – Criminal charges against violating Bidder(s) / Contractor(s) / Sub-contractor(s)

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

Section 8 – Independent External Monitors (IEMs)

- (1) The Principal has appointed competent and credible Independent External Monitors (IEMs) for this Integrity Pact in consultation with the Central Vigilance Commission. The task of the IEMs is to review independently and objectively, whether and to what extent the parties comply with the obligations under this Integrity Pact.
- (2) The IEMs are not subject to instructions by the representative of the parties and perform their functions neutrally and independently. IEMs reports to the Chairman and Managing Director (CMD) of the GRSE.
- (3) The Bidder(s) /Contractor(s) accepts that the IEMs have the right to access without restriction to all Project documentation of the Principal including that provided by the Contractor. The Contractor will also grant the IEMs, upon their request and demonstration of a valid interest, unrestricted and unconditional access to his project documentation. The same is applicable to Sub-contractors. The IEMs are under contractual obligation to treat the information and documents of the Bidder(s) /Contractor(s) /Subcontractor(s) with confidentiality.
- (4) The Principal will provide to the IEMs sufficient information about all meetings among the parties related to the Project provided such meetings could have an impact on the contractual relations between the Principal and the Contractor. The parties offer to the IEMs the option to participate in such meetings.
- (5) As soon as the IEMs notices, or believes to notice, a violation of this Integrity Pact, they will so inform the Management of the Principal and request the Management to discontinue or take corrective action, or to take other relevant action. The IEMs can in this submit recommendations, these recommendations would be in the



nature of advice would not be legally binding. Beyond this, the IEMs has no right to demand from the parties that they act in a specific manner, refrain from action or tolerate action.

- (6) The IEMs will submit a written report to the Chairman and Managing Director of the GRSE within 8 to 10 weeks from the date of reference or intimation to them by the Principal and, should the occasion arise, submit proposals for correcting problematic situations.
- (7) IEMs shall be entitled to compensation on the same terms as being extended to / provided to Independent Directors on the Board of the GRSE.
- (8) If the IEMs have reported to the Chairman and Managing Director of the GRSE a substantiated suspicion of an offence under relevant IPC/PC Act, and the Chairman and Managing Director of the GRSE has not, within the reasonable time taken visible action to proceed against such offence or reported it to the Chief Vigilance Officer, the IEMs may also transmit this information directly to the Central Vigilance Commissioner.

Section 9 – Integrity Pact Duration

- (1) The validity of this Integrity Pact shall be from date of its signing and extend up to the complete execution of the contract to the satisfaction of both the BUYER and the BIDDER/SELLER, including warranty period, whichever is later. In case BIDDER is unsuccessful, this INTEGRITY Pact shall expire after six months from the date of the signing of the contract.
- (2) If any claim is made / lodged during this time, the same shall be binding and continue to be valid despite the lapse of this Integrity Pact as specified above, unless it is discharged / determined by CMD of GRSE.

Section 10 – Law and Place of Jurisdiction

This Integrity Pact is subject to Indian Laws. Place of performance and jurisdiction is the Registered and Corporate Office of the Principal i.e. Kolkata, India

Section 11 – Other Legal Actions

The actions stipulated in this Integrity Pact are without prejudice to any other legal action that may follow in accordance with the provisions of the extant law in force relating to any civil or criminal proceedings.



Section 12 – Other provisions

- (1) Changes and supplements as well as termination notices need to be made in writing. Side agreements have not been made.
- (2) If the Contractor is a partnership or a consortium or a joint venture, this pact must be signed by all partners or consortium/joint venture.
- (3) Should one or several provisions of this Pact turn out to be invalid, the remainder of this Integrity Pact remains valid. In this case, the parties will strive to come to an agreement to their original intentions.

Section 13 – FALL CLAUSE: The BIDDER undertakes that it has not supplied/ is not supplying similar product/systems or subsystems at a price lower than that offered in the present bid in respect of any other Ministry/Department of the Government of India or PSU and if it is found at any stage that similar product/systems or sub systems was supplied by the BIDDER to any other Ministry/ Department of the Government of India or a PSU at a lower price, then that very price, with due allowance for elapsed time, will be applicable to the present case and the difference in the cost would be refunded by the BIDDER to the BUYER, if the contract has already been concluded.

The Parties hereby sign this Integrity Pact, is deemed as part of the Contract, at on and parties concerned are bound by it provisions.

(For & On behalf of the Principal)
(Office Seal)

(For & On behalf of Bidder/ Contractor)
(Office Seal)

Date:

Place:

Witness - 1:

Name & Address

Date:

Place:

Witness - 1:

Name & Address



Witness - 2:
Name & Address

Witness - 2:
Name & Address



Refer: Art. 2.1.1

Appendix-O

Technical Parameters for Consideration in Case of Technical Bid

Technical specification and requirement in form of SOTR / SOR shall contain complete scope of supply of equipment, all materials (including O.B. Spares and B & D Spares), services and documentations etc.

- a.) Scope of supply consisting of main equipment, on-board and B&D Spares and documentation.
- b.) Services of Engineers for testing, tuning and setting to work for CST, FMT and for HATs and SATs. Time frame for services required/number of days/number of trips.
- c.) Inspection of equipment by GRSE / Third Party Inspection Agency / DQA (WP) / DQA (N) / Classification Society.
- d.) Minimum Order quantity, if any.
- e.) System responsibility for satisfactory performance of the system on-board as per technical specifications which are to be undertaken by the supplier.
- f.) Special instructions, if any, such as preservation during storage, method of supplying items in dismantled condition/assembled condition, separate units etc.
- g.) Deviations/concessions required from the Naval specifications to be specified, if the supplier is not in a position to meet the required/all the parameters of the specifications
- h.) Provision for training for operation/maintenance of special type tools/test equipment; reliability/maintainability has to be indicated.
- i.) Any other parameters that may require to be included at the time of technical evaluation.
- j.) Design Dept. or the concerned TNC shall evaluate the Technical Bids and shall make a Summary Report with acceptance of the offers with details of deviations from the tendered technical requirements / SOTR.



Refer: Art.2.1.1

Appendix-P

Commercial Terms & Conditions Required to be Specified in the Commercial Bid

All Commercial Terms & Conditions viz. Payment Terms, Liquidated Damages, Guarantee, Terms of Price, Taxes & Duties etc should generally conform to GRSE Standard Terms & Conditions (STACS).

- a.) Terms of payment for main equipment, OBS, documentation and service of Engineers.
- b.) Liquidated Damages as per Shipyard's terms and conditions.
- c.) Risk Purchase
- d.) Guarantee of equipment
- e.) Furnishing Test Certificate/Guarantee Certificate etc.
- f.) Force Majeure
- g.) Essentiality certificate required under import of components
- h.) When it is not possible to quote firm and fixed price, Price Variation/Escalation Clause, Base Rate of Foreign Exchange (FE Content is to be mentioned in Price Bid only), cut-off date and documents to be furnished in support of claim of F.E. variation (Chartered Accountants Certificate/copy of P.O.(s) on foreign vendor(s), invoice(s), Bank certificate for F.E. conversion rate for foreign remittance as and when effected and as on the cut-off date etc.) for claim of Foreign Exchange variation will be the subject for consideration.
- i.) Payment of F.E. variation (only after supply of equipment and acceptance) will be the subject for consideration. If otherwise, separate terms of payment for F.E. variation will also be the subject for consideration.
- j.) Price advantage if orders are placed for more than one ship at a time or option for placing further orders within the specified period.
- k.) Validity of the offer
- l.) Taxes, Duties, Octroi/Excise Duty exemption certificate that may be required to be furnished.
- m.) Arbitration
- n.) Place of delivery
- o.) Delivery schedule of main equipment, on-board spares, documentation and binding data/manufacturing drawings
- p.) Terms of price – Ex-works / FOR destination / FOR Kolkata etc.
- q.) Transit insurance
- r.) Way bill / documents required to be submitted for issuing Way bill



s.) Bank guarantee for – earnest money / security deposit / contract performance / PBG



Appendix-Q (CNC Template)

Refer: Art.4.7.1

	Record of Discussion on <u>Commercial issues</u> held during <u>Commercial Negotiation Committee meeting on-----</u>(Date) with M/s-----<u>(Name of Bidder)</u>	
	Project, Yard Nos	:
Indent No	:	
Name of Equipment/Item	:	
GRSE Tender No	:	
Bidder's name	:	
Bidder's offer Ref	:	
TNC meeting held on	:	
TNC Outstanding Issues, if any:		
The Following were present:-		
Garden Reach Shipbuilders & Engineers Ltd., Kolkata	Name of Bidder & Designation	
The representative of bidder has confirmed that they are empowered and authorised to attend the meeting. The following commercial issues were discussed. Acceptance of any or all issues by GRSE is subject to approval of competent authority of GRSE.		



Sl. No.	Tender Clause No	Tender/STAC/GTAC Clause	Deviation/Comment by Bidder (put the name of Bidder)	Concluding Remarks by CNC & Bidder
1		The Bidder to confirm that they have quoted for all line items, escalation/extension, extra man-day rate etc. with no field left blank in BOQ.	NA	Bidder confirmed that they have quoted for all line items, escalations, extensions, mandays etc as sought in NIT
2		Validity Period of Bid (a) Main Equipment, OBS & Services- (b) B&D Spares-		
2A		Weight of material consignment wise		ASK weight of consignment of material from OEM
2B		Name of Airport		Ask name of airport from OEM
3		Pricing (a) Ex-Works/FOR GRSE Stores, Kolkata/FOB (Name of Port)/CIF(Name of Port) (i) Main Equipment (ii) OBS (iii) B&D Spares (b) Price quoted shall remain firm & fixed during currency of the order/contract		
4		Quoted Currency:		



Sl. No.	Tender Clause No	Tender/STAC/GTAC Clause	Deviation/Comment by Bidder (put the name of Bidder)	Concluding Remarks by CNC & Bidder
5		(a) Contractual Delivery Date: For Main Equipment- For OBS- For B&D Spares- For Installation- For STW- For HATs- For SATs- (b) Delivery Schedule – Delivery shall be effected on or before CDD as follows:- (i) No of Lots for supply items- (ii) Approx Delivery Date for each lot- (iii) Applicability of part payment for part delivery <i>(Foll to be discussed as case to case basis)</i> (c) Advancement of Delivery period: Maximum period- Notice Period- (d) Postponement of Delivery: Maximum period- Notice Period-		
6		Warranty: (a) Main Equipment & OBS- (b) B&D Spares-		
7		Taxes & Duties:		



Sl. No.	Tender Clause No	Tender/STAC/GTAC Clause	Deviation/Comment by Bidder (put the name of Bidder)	Concluding Remarks by CNC & Bidder
8		(a) Payment Terms: (i) Main Equipment (ii) OBS (iii) Service (iv) Training (v) B&D Spares (vi) Part Supply/Part Payment (b) Payment Mode(LC/NEFT/RTGS/ECS) (i) Main Equipment (ii) OBS (iii) Service (iv) Training (v) B&D Spares		
9		Reporting Hierarchy , contact details, company's exact name and address as on date (contact details of minimum 03 persons: dealing officer, Project Manager, Head of Organisation)		
10		CIN/DIN, Excise Registration, TIN/TAN, VAT registration no, Financial statement to be submitted by bidder		
11		PAN, TRC Unique Tax Identification No. Of their Country is to be submitted by foreign bidder		
12		Service Engineers: The firm is to confirm whether Indian or foreign service representatives shall be deputed and currency of payment for services		
13		Vendor Registration in GRSE:		
		Loading Factors due to deviations if any		



Sl. No.	Tender Clause No	Tender/STAC/GTAC Clause	Deviation/Comment by Bidder (put the name of Bidder)	Concluding Remarks by CNC & Bidder
		(Last point) Bidder to confirm that in addition to the issues discussed & recorded above in this MOM, all other tender terms and conditions are acceptable to them as stipulated in NIT, tender documents, Special Terms & Conditions and GRSE STACS.		



Appendix-R

PNC MOM TEMPLATE

DOCUMENT NO.NCM/IMP/TEMPLATE/02/PNC/Rev0(DEC17)

	Minutes of Price Negotiation Committee(PNC) Meeting held on _____ (Date) at _____(Name of Place) with M/s----- (Name of Bidder)

- Format of Price justification may be as under:

Sl. No.	Description of items	Qty	Last Purchase		Current Purchase			% Incr .	No. of Year between Last and current Purchase	% in cr . P er Y r.
			PO dt.	Year of Execution	Price before neg.	Price after neg.	Year of Delivery			

Note: In case previous order is not available & item is being procured for the first time, comparison to be made with estimates.

- PNC Recommendation Format as under:

Sl. No.	Project / Non-project : Type of Item	
1	Item Description	
2	Approval ref. of PNC and members	
3	Analysis of quoted price	
4	Progress of negotiations	



5	Final offer after negotiations			
6	Observation on final offer / reasons for acceptance of proposal			
7	Savings of negotiations			
8	Recommendation of PNC			
Signature				
Designation				
PNC	Member-1	Member-2	Member-3	Chairman



Appendix-S

Ty Order on procedure in GRSE for procurement through GeM Portal

Refer: Art.2.6

C&MD's Ty Order No. 37/18 Date 18Sep2018

1. The procurement of Goods and Services by Ministries or Departments is mandatory for Goods or Services available on GeM as per the directive of the Government of India.
2. To facilitate procurement through the GeM portal, the steps to be taken by the respective units/departments in this regard are given below :-
 - i. Receipt of Indent/Requisition from the respective units/departments.
 - ii. Buyer to check if item available on GeM portal (note : Buyer can be from Indenting/User dept., Production units or Purchase/NCM depts.)
 - iii. If no, present procurement procedure to be adopted.
 - iv. If yes, Buyer to intimate Indentor of availability of item on GeM portal.
 - v. Indentor has to evaluate technical specifications of item as given on the GeM Portal and approve the item. This will be treated as technical clearance.
 - vi. Based on the value and approved specifications of the item, Buyer will initiate procurement action on the GeM Portal viz.
 - a) Direct Purchase (for values upto Rs. 0.50 lakhs) : enables Buyers to buy products without comparison, through any of the available suppliers on GeM, meeting the requisite quality, specification and delivery period.
 - b) L-1 Purchase (for values above Rs. 0.50 lakhs and upto Rs. 30.00 lakhs) : enables Buyers to purchase products through GeM Sellers quoting the lowest price amongst the available Sellers. Allows Buyers to compare at least three different manufacturers on GeM, meeting the requisite quality, specification and delivery period and procure the required products.
 - c) Bid Purchase (for values above Rs. 30.00 lakhs) : through the Supplier having lowest price, meeting the requisite quality, specification and delivery period and after mandatorily obtaining bids, using on-line Bidding or Reverse Auction tool provided on GeM.



- vii. In the meantime, Purchase Proposal should be raised for approval from competent authority for placement of purchase order through GeM. The value of the purchase proposal should preferably have a +10% tolerance to cater to any increase in rates for failure to finalise the contract within 10 days of placement of item(s) in the GeM cart.
- viii. Representative of F-FC cell is to be present at the time of finalization of the bid / contract with regard to price justification. This will be treated as financial negotiation/clearance and all observations are to be recorded by the procurement point member and F-FC member for maintaining audit trail.
- ix. Financial Sanction in '.pdf' file, from appropriate authority [with designation], to be uploaded at the time of placement of purchase order.
- x. Purchase Order is generated automatically on-line on the GeM portal.
- xi. Invoice raised on-line on the GeM portal by the vendor.
- xii. Material received physically at GRSE Stores by designated Consignee (officer of Stores dept.).
- xiii. Provisional Receipt Certificate (PRC) generated on-line in the GeM portal by Consignee within 48 hours of receipt of material at GRSE Stores.
- xiv. Consignee Receipt & Acceptance Certificate (CRAC) generated on-line in the GeM portal by Consignee within 10 days (including holidays) of receipt of material at GRSE Stores.
- xv. Payment made on-line in the GeM portal by designated Payee (officer of Finance dept.) within 10 days (including holidays) of generation of CRAC.
- xvi. Integration of GeM procurement with GRSE SAP system will be taken up by ERP dept. in line with extant procedure available on GeM portal. This is required for keeping track of expenditure, especially against indents raised by CDO for various ship related projects and which have been procured through the GeM portal.

For purchase orders placed under category vi. b) & c) i.e. above Rs. 0.50 lakhs, it is essential that all GeM purchase orders be replicated/regularized in the SAP MM system followed by GRN and subsequent Invoice processing in SAP, so as to ensure compliance to ERP system and record corporate MIS.



- xvii. The Secondary Users (Buyer / Consignee / Payee) have to approach General Manager (Materials), being the Primary User, for approval for registration in the GeM portal.
 - xviii. Documents related to procurement through GeM portal are available in the folder "Public(P)/GeM".
3. This is to be strictly complied with and endeavour made to procure all standard / COTs (Common Off the Shelf) items through the GeM portal.



Appendix-T

Service Bill Processing Procedure

GM(M)'s Office, GRSE

Ref.: Matl/Services Payment/2018-19
Date: 16/08/2018

CIRCULAR NO. 04/18-19

1. Refer GM(F) Circular 26(i)/887/18 dated 02 April 2018 and Para 6.3 of GRSE Sub-Contract Manual (2013) regarding Bill Payments / Clearance.
2. The bill processing procedure for Service (Rendered by OEMs / Equipment Suppliers) such as installation, STW, HATS, SATS, deputation of Services Engineer, etc for Main Equipment, shall be as follows:-
 - a) The end user / Berth / Production Unit shall the 'Work Done Certificate' (WDC) as hitherto, clearly stipulating the 'Work Done' along with Date of Completion and relevant conditions (if any) mentioned in Purchase Order. A standard format of WDC is placed at Enclosure for use by all concerned.
 - b) The signatory to the Work Done Certificate must indicate his/her name, Designation, Contact Tel Number and official GRSE Correspondence Address on WDC. HR department Circular IR/GEN/13 dated 13 Apr 2013 also relevant.
 - c) The OEM / Supplier shall raise the Invoice / Bill against service provided and submit the same (along with all relevant documents and WDC) to concerned "**BTS Counter**" i.e. Counter at GRSE Unit where the Service was rendered. Sealed Envelope should be endorsed with GRSE PO No & Firm's Invoice No and shall be addresses to:
'Project Leader' of relevant Ship,
BTS Counter FOJ / MW/RBD (name of unit), GRSE address as applicable.
 - d) On receipt of the Invoice/Bill, the concerned BTS Counter shall issue a Bill Tracking No (BTS). Thereafter, PL is to coordinate updating of Service Entry Sheet (SES) in SAP.
 - e) The duty certified invoice along with relevant documents and SES reference is to be forwarded to finance department. The BTS is also to be updated through SAP by concerned PL/PCO.
3. The above procedure is promulgated with approval of Competent Authority. Para 2(c) is to be included in relevant Purchase Orders.

Enclosure:- As above.



Work Done Certificate

WDC Ref. No. :

Date :

Work Title :

P.O. Ref. No. & Dated :

Work Done By :

Job Location / Yard No. :

Schedule Date of Starting:

Schedule Completion:

Actual Date of Starting :

Actual Date of Completion :

Total delay in job Completion (if applicable) :

Inspection Note Ref. No. (if applicable):

<u>Sl. No</u>	<u>Item Description</u>	<u>Unit</u>	<u>Measurement</u>	<u>Quantity</u>
Total Quantity				

(Signature of authorised Rep. of Vendor)

(Signature of GRSE Rep.)

Name of Rep.

: _____

Name

: _____

Designation

: _____

Shop No :



Refer: Art.4.6.3

Appendix: U

Proprietary Article Certificate

(Refer Para 4.6.3)

File Number and Date Reference		
1	Description of article	
2	Forecast of quantity/annual requirement	
3	Approximate estimated value for above quantity	
4	Maker's name and address	
5	Name(s) of authorised dealers/ stockists	
6	I approve the above purchase on PAC basis and certify that: -- Note- Tick to retain only one out of (b), (c-1) or (c-2) whichever is applicable and cross out others. Please do confirm (a) by ticking it – without which PAC certificate will be invalid.	
6(a)	This is the only firm who is manufacturing/stocking this item. AND	☐
6(b)	A similar article is not manufactured/sold by any other firm, which could be used in lieu OR	☐
6(c-1)	No other make/brand will be suitable for following tangible reasons (like OEM/ warranty spares): OR	☐
6(c)	No other make/brand will be suitable for following intangible reasons (if PAC was also given in the last procurement cycle, please also bring out efforts made since then to locate more sources): OR	☐
7	Reference of concurrence of finance wing to the proposal:	

History of PAC purchases of this item for past threeyears may be given below	
Name of the Supplier	



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Order/ Tender Reference& Date	Quantity Ordered	Basic Rate on Order (Rs.)	Adverse Performance Reported if Any

Signature of Approving Authority-----

Date ----- Designation of Officer -----



Refer: Art.2.5.12.1

Appendix-V

Purchase without Quotation Format

(Refer Para 2.5.12.1)

Ref No:

Place:

Date:

“I, _____, am personally satisfied that the goods (described below) purchased are of the requisite quality and specification and have been purchased from a reliable supplier/ contractor at a reasonable price.”

Item:	
Quantity:	
Indenter:	
Unit Rate:	
Taxes/Duties:	
Other Charges:	
Total Unit Price:	
Total Price:	
Purchased from: M/S	
Vide Bill No.:	
Justification:	



Cheque may be drawn in favour of	
Name:	
Designation:	
Signature:	



Appendix-W

Purchase Committee Certificate Format

Ref No:

Place:

Date:

“Certified that we the undersigned, members of the purchase committee are jointly and individually satisfied that the goods recommended for purchase are of the requisite specification and quality, priced at the prevailing market rate and the supplier/contractor recommended is reliable and competent to supply the goods in question, and it is not debarred by Department of Commerce or Ministry/Department concerned.” The details of recommended purchase are:

Item:						
Quantity:						
Indenter:						
Details of Prices Ascertained						
Bidder	Unit Rate :	Taxes/Duties :	Other Charges:	Total Unit Price :	Total Price :	Recommendations & Comments
Selected Quotation						
Bidder						
Unit Rate, Taxes/ Duties/ Other Charges						
Total Unit Rate						
Total Value of Purchase						
Cheque may be drawn in favour of						



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Signature:	Signature:	Signature:
Name 1:	Name 2:	Name 3:
Designation:	Designation:	Designation:



Refer: Art.2.4.1

Appendix-X

Sample Prequalification Criteria

Criteria 1 - Experience and Past Performance:

- i) The bidder (*manufacturer or principal of authorised representative – hereinafter referred simply as ‘The Bidder’*) should have regularly for at ~~least~~ the last **[three⁸⁶]** years, ending 31st March (or any other year ending followed in relevant country) of the previous financial year (*hereinafter called ‘The relevant Date’*), manufactured and supplied (**/ erected/ commissioned**)⁸⁷ **[Name of Requirement]**, with the same or higher specifications **[having/with – parameters⁸⁸]** (*hereinafter called ‘The Product’*), and
- ii) The bidder should have manufactured and supplied (**/ erected/ commissioned**)⁸⁷ at least **[_____⁸⁹]** numbers (*herein after referred as ‘The Qualifying Quantity’*) of ‘The Product’ in at least one of the last five years ending on ‘The relevant Date’, and out of which
- iii) (*At least [one⁹⁰] numbers of offered version/ model of ‘The product’ should be in successful operation for at least [two⁹⁰] years on the date of bid opening.*)⁸⁷

Criteria 2 - Capability- Equipment & manufacturing Facilities:

‘The bidder’ must have an annual capacity to manufacture and supply (**/ erected/ commissioned**)⁸⁷ at least ‘The Qualifying Quantity’.

Note: In case of multiple products in a tender, this criterion shall be applicable product wise. For example, in case of Printing Paper of different specifications/ sizes, it shall be applicable to quantity of paper manufactured and supplied specification/ size wise.

Criteria 3 - Financial Standing – under all conditions

- a) The average annual financial turnover of ‘The bidder’ during the last three years, ending on ‘The relevant Date’, should be at **Rs. [-----] millions⁹¹** (or equivalent in foreign currency at exchange rate prevalent on ‘The Relevant Date’) as per the annual report
-

- b) (Deleted)⁹²



The net worth of the Bidder firm (manufacturer or principal of authorised representative) should not be negative on 'The Relevant Date' and also ii) should have not eroded by more than **30%**(thirty percent) in the last three years, ending on 'The Relevant Date'.

Note: In case of Indian Bidders/ companies (manufacturer or principal of authorised representative) who have been restructured by Banks in India, under the statutory guidelines, they would be deemed to have qualified the Financial standing criteria considering the institutional financial backing available to them.

Applicability in Special Cases:

a) Applicability to 'Make in India' :Bidders (manufacturer or principal of authorised representative) who have a valid/ approved ongoing 'Make in India' agreement/ program and who while meeting all other criteria above, except for any or more of sub-criteria in Experience and Past Performance above, would also be considered to be qualified provided:

- 1) their foreign 'Make-in-India' associates meets all the criteria above without exemption, and
- 2) the Bidder submits appropriate documentary proof for a valid/ approved ongoing 'Make in India' agreement/ program.
- 3) the bidder (manufacturer or principal of authorised representative) furnishes along with the bid a legally enforceable undertaking jointly executed by himself and such foreign Manufacturer for satisfactory manufacture, Supply (and erection, commissioning if applicable) and performance of 'The Product' offered including all warranty obligations as per the general and special conditions of contract.

b) Authorized Representatives: Bids of bidders quoting as authorised representative of a principal manufacturer would also be considered to be qualified, provided:

- 1) their principal manufacturer meets all the criteria above without exemption, and
- 2) the principal manufacturer furnishes a legally enforceable tender-specific authorisation in the prescribed form assuring full guarantee and warranty obligations as per the general and special conditions of contract; and



3) the bidder himself should have been associated, as authorised representative of the same or other Principal Manufacturer for same set of services as in present bid (supply, installation, satisfactorily commissioning, after sales service as the case may be) for same or similar 'Product' for past three years ending on 'The Relevant Date'.

c) For Existing successful Past Suppliers: In case the bidder (manufacturer or principal of authorised representative) who is a successful past supplier of 'The Product' in at least one of the recent past [three]⁸⁶ procurements, who do not meet any or more of requirements above, would also be considered to be qualified in view of their proven credentials, for the maximum quantity supplied by him in such recent past.

d) Joint Ventures and Holding Companies: Credentials of the partners of Joint ventures cannot (repeat cannot) be clubbed for the purpose of compliance of PQC in supply of Goods/ Equipment, and each partner must comply with all the PQC criteria independently. However for the purpose of qualifying the Financial Standing Criteria, the Financial Standing credentials of a Holding Company can be clubbed with only one of the fully owned subsidiary bidding company, with appropriate legal documents proving such ownership.

NOTE FOR BIDDERS:

a) ***Doctrine of Substantial Compliance'***: *The Pre-Qualification Bidding (PQB) and Pre-Qualification Criteria (PQC) are for shortlisting of sources who are competent to perform this contract to ensure best value for money from expenditure of Public Money. This process is neither intended to bestow any entitlement upon nor to create any rights or privileges for the Bidders, by way of overly hair-splitting or viciously legalistic interpretations of these criteria, disregarding the very rationale of the PQB and PQC. Keeping this caveat in view, interpretation by Procuring Entity would be based on common usage of terminologies and phrases in public procurement in accordance with the 'Doctrine of Substantial Compliance' and would be final.*

b) *Along with all the necessary documents/ certificates required as per the tender conditions, the bidder should furnish a brief write-up, backed with adequate data, explaining his available capacity (both technical and financial), for manufacture and supply of the required goods/equipment, within the specified time of completion, after meeting all their current commitments.*

c) *Supporting documents submitted by the bidder must be certified as follows:*

i) *All copy of supply/work order; respective completion certificate and contact details of clients; documents issued by the relevant Industries Department/ National*



Small Industries Corporation (NSIC)/ manufacturing licence; annual report, etc., in support of experience, past performance and capacity/capability should be authenticated by the by the person authorised to sign the tender on behalf of the bidder. Original Documents must be submitted for inspection, if so demanded.

ii) *All financial standing data should be certified by certified accountants, for example, Chartered Accountants/ Cost Accountants or equivalent in relevant countries; and*

Indian bidder or Indian counterparts of foreign bidders should furnish their Permanent Account Number.

Note for Purchaser

Portions in italics are for your decision/ guidance; these are not to be printed in the bid documents. Portion within [] brackets are to be filled without brackets. Footnotes are for internal guidance and should not be part of the bid documents.

⁸⁶ Change number of years if needed

⁸⁷ Add text within bracket in case of Plant and Machinery only and delete for others

⁸⁸ Insert the defining parameters like Speed or defining technology here

⁸⁹ Fix the quantity as 40 – 80 % or any other % of the quantity in the Bid Documents rounded upto next whole number. In case of uncommonly large quantity procurements, a lower percentage would ensure that otherwise capable suppliers do not get ruled out. In case of smaller procurements, a higher percentage would ensure that low capability vendors do not vitiate competition.

⁹⁰ Fill up a reasonable number. In a new technology product, the Manufacturer is not likely to meet the requirements number of products or of number of years' operating successfully; hence these can be reduced in such cases.

⁹¹ Fix the value as 40 – 80 % or any other % of the estimated cost of the quantity in the Bid Document. Please note that Rs 1 Cr = Rs 10 million.

(audited balance sheet and profit & loss account) of the relevant period, duly authenticated by a Chartered Accountant/ Cost Accountant in India or equivalent in relevant countries.

⁹² Notified vide OM No.F.1/16/2020-PPD issued by Department of Expenditure dated 11.02.2021



Refer: Art.13.1.6

Appendix-Y

List of Medicines Reserved for procurement from Pharma CPSEs

SI No.	CAPSULES
1.	AMOXYCILLIN IP
2.	AMOXYCILLIN IP + CLOXACILLIN IP
3.	AMPICILIN IP
4.	B-COMPLEX + VIT.- C & ZINC
5.	CEPHALEXIN IP
6.	DOXYCYCLINE IP
7.	FLUCONAZOL
8.	OMEPRazole IP
9.	OMEPRazole+DOMPERIDONE
10.	CEFADROXIL
11.	TETRACYCLINE
	TABLETS
12.	ACECLOFENAC + PARACETAMOL
13.	ACECLOFENAC 100 MG
14.	ALBENDAZOLE
15.	AMLODEPIN
16.	AMOXYCILLIN+CLAVULANIC ACID
17.	ASCORBIC ACID IP
18.	ATENOLO
19.	ATROVASTATIN
20.	AZITHROMYCIN
21.	CALCIUM+VITAMIN D3
22.	CEFIXIME TABS/CAPS
23.	CEFPODOXIME PROXETIL
24.	CEFUROXIME AXETIL
25.	CETRIZINE HCL BP
26.	CETRIZINE+PARACETAMOL+PHENYL EPHERIN
27.	CHLOROQUINE PHOSPHATE IP
28.	CIPROFLOXACIN+TINIDAZOLE
29.	CIPROLOXACIN IP
30.	CO-TRIMOXAZOLE IP
31.	DICLOFENAC SODIUM
32.	DICYLOMINE+PARACETAMOL
33.	DOMPERIDONE
34.	ERYTHROMYCIN STERATE IP
35.	IBUPROFEN IP
36.	LEVOCETRIZINE
37.	LEVOFLOXAACIN
38.	LOSARTAN
39.	METRONIDAZOLE IP
40.	NIMESULIDE
41.	NORFLOXACIN+TINIDAZOLE
42.	NORFLOXACIN IP
43.	OFLOXACIN



	TABLETS
44.	OFLOXACIN+ORNIDAZOLE
45.	ORAL CONTRACEPTIVE PILLS
46.	PANTOPRAZOLE
47.	PARACETAMOL
48.	PARACETAMOL IP+DICLOFENAC SODIUM
49.	PARACETAMOL+IBUPROFEN
50.	PENICILLIN V
51.	POLY VITAMIN PROPHYLACTIC (NFI)
52.	RANITIDINE HCL IP
53.	ROXITHROMYCIN
54.	METFORMIN
55.	SPARFLOXACIN
56.	TINIDAZOLE
57.	VITAMINE B-COMPLEX
	SUSPENSIONS/SYRUPS
58.	ALBENDAZOLE SUSP.
59.	AMOXYCILLIN DRY SYP.
60.	CETRIZINE SYRUP
61.	COTRIMOXAZOLE SUSP.
62.	COUGH SYP. EACH 5 ML CONTAINS-CPM IP : 3MG+AMMONIUM CHLORIDE IP: 110MG+SODIUM CITRATE IP : 4SMG+MENTHOL IP: 9MG
63.	COUGH SYP. EACH 5ML CONTAINS- DYPHENHYDRAMINE HCL:14MG+AMMONIUM CHLORIDE IP: 135MG+SODIUM CITRATE IP: 57MG+MENTHOL IP: 9MG
64.	DOMPERIDONE SUSP.
65.	PRACETAMOL SYP.
66.	VITAMIN A SOLUTION IP
	ORAL POWDERS
67.	ORAL REHYDRATION SALT (WHO FORMULA)
	EXTERNAL LOTIONS/SOLUTIONS
68.	GLUTARALDEHYDE
69.	CHLORHEXIDINE GLUCONATE SOLUTION
	OINTMENTS
70.	CLOTRIMAZOLE OINTMENT
71.	DICLOFENACO GEL
72.	POVIDONE IODINE SOLUTION/OINTMENT
73.	SILVER SULPHADIAZINE
	I.V. FLUIDS (INFUSION)
74.	CIPROFLOXACIN
75.	LEVOFLOXACIN IV
76.	MANNITOL
77.	METRONIDAZOLE
78.	PLAZMA VOLUME EXPENDER
79.	RINGER LACTATE I.V.
	DRY POWDERS/LIQUID INJECTIONS



80.	AMIKACIN
81.	AMOXICILLIN SODIUM+CLAVULANATE POTASSIUM
82.	AMPICILLIN IP
83.	AVS LIQUID (LYFOLYSED)
84.	BENZATHENE PENICILLIN IP
85.	BENZYLE PENICILLIN IP

	DRY POWDERS/LIQUID INJECTIONS
86.	CEFEPIME
87.	CEFOPERAZONE
88.	CEFOPERAZONE+SULBACTAM
89.	CEFOTAXIME SODIUM USP
90.	CEFOTAXIME SODIUM+SULBACTAM
91.	CEFTAZADIME
92.	CEFTRIAZONE
93.	CEFTRAXONE+SULBACTAM
94.	DICLOFENAC SODIUM
95.	ETO-THEOPHYLLINE
96.	ATROPIN INJ.
97.	FRUSEMIDE
98.	GENTAMYCIN IP
99.	MEROPENEM INJ.
100.	PENTAZOCIN
101.	PIPERACILLIN+TAZOBACTAM
102.	RANITIDINE IP
	TABLETS
103.	GLIMEPIRIDE (1MG/2MG)



Refer: Art.2.5.5.2

Appendix Z

Model Clause/ Certificate to be inserted in tenders etc. w.r.t Order (Public Procurement)

(While adhering to the substance of the Order, procuring entities and GeM are free to appropriately modify the wording of the clause/ certificate based on their past experience, local needs etc.)

Model Clauses for Tenders

I. Any bidder from a country which shares a land border with India will be eligible to bid in this tender only if the bidder is registered with the Competent Authority.

II. "Bidder" (including the term 'tenderer', 'consultant' or 'service provider' in certain contexts) means any person or firm or company, including any member of a consortium or joint venture (that is an association of several persons, or firms or

companies), every artificial juridical person not falling in any of the descriptions of bidders stated hereinbefore, including any agency branch or office controlled by such person, participating in a procurement process.

III. "Bidder from a country which shares a land border with India" for the purpose of this Order means: -

- a. An entity incorporated, established or registered in such a country; or
- b. A subsidiary of an entity incorporated, established or registered in such a country; or
- c. An entity substantially controlled through entities incorporated, established or registered in such a country; or
- d. An entity whose beneficial owner is situated in such a country; or
- e. An Indian (or other) agent of such an entity; or
- f. A natural person who is a citizen of such a country; or



g. A consortium or joint venture where any member of the consortium or joint venture falls under any of the above

IV. The beneficial owner for the purpose of (iii) above will be as under:

1. In case of a company or Limited Liability Partnership, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who

exercises control through other

means. Explanation—

a. “Controlling ownership interest” means ownership of or entitlement to more than twenty-five per cent, of shares or capital or profits of the company;

b. “Control” shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements;

2. In case of a partnership firm, the beneficial owner is the natural person(s) who, whether acting alone or together, or through one or more juridical person, has ownership of entitlement to more than fifteen percent of capital or profits of the partnership;

3. In case of an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than fifteen percent of the property or capital or profits of such association or body of individuals;

4. Where no natural person is identified under (1) or (2) or (3) above, the beneficial owner is the relevant natural person who holds the position of senior managing official;

5. In case of a trust, the identification of beneficial owner(s) shall include



identification of the author of the trust, the trustee, the beneficiaries with fifteenpercent or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

V. An Agent is a person employed to do any act for another, or to represent another in dealings with third person.

VI. [To be inserted in tenders for Works contracts, including Turnkey contracts] The successful bidder shall not be allowed to sub-contract works to any contractor from a country which shares a land border with India unless such contractor is registered with the Competent Authority. Model Certificate for Tenders (for transitional cases as stated in para 3 of this Order)

"I have read the clause regarding restrictions on procurement from a bidder of a country which shares a land border with India; I hereby certify that this bidder is not from such a country and is eligible to be considered."

Model Certificate for Tenders

"I have read the clause regarding restrictions on procurement from a bidder of a country which shares a land border with India; I certify that this bidder is not from such a country or, if from such a country, has been registered with the Competent Authority. I hereby certify that this bidder fulfills all requirements in this regard and is eligible to be considered. [Where applicable, evidence of valid registration by the Competent Authority shall be attached.]"

Model Certificate for Tenders for Works involving possibility of sub-contracting

"I have read the clause regarding restrictions on procurement from a bidder of a country which shares a land border with India and on sub-contracting to contractors from such countries; I certify that this bidder is not from such a country or, if from such a country, has been registered with the Competent Authority and will not sub- contract any work to a contractor from such countries unless such contractor is registered with the Competent Authority. I hereby certify that this



bidder fulfills all requirements in this regard and is eligible to be considered. [Where applicable, evidence of valid registration by the Competent Authority shall be attached.]"

Model Certificate for GeM:

"I have read the clause regarding restrictions on procurement from a bidder of a country which shares a land border with India; I certify that this vendor/ bidder is not from such a country or, is not from such a country, has been registered with the Competent Authority. I hereby certify that this vendor/ bidder fulfills all requirements in this regard and is eligible to be considered for procurement on GeM. [Where applicable, evidence of valid registration by the Competent Authority shall be attached.





Refer: Art.4.9.8.3

Appendix AA

Format of Revised Offer in Negotiations

(Refer Para 5.5.7)

Revised Offer in Negotiations

(On company letterhead)

From.....

Full address.....

To

Sir,

Sub: Tender No ----- opened on -----for the supply of -----

Ref: Your invitation for negotiations no: dated:

1. On further discussions with your representatives on in response to your letter no dated We are not prepared to reduce the rates already quoted in the original tender, which will remain valid up to.....

Or

1. I / we reduce my/our rates as shown in the enclosed schedule of items.

2. I / we am/are aware that the provisions of the original bidding document remain valid and binding on me.

3. I/we undertake to execute the contract as per following Schedule.....

4. I/we agree to abide by this tender on the revised rate quoted by me/us, it is open for acceptance for a period of 120/180 (one hundred twenty to one hundred eighty) days from this date, i. e., up to and in default of my/our doing so, I/we will forfeit the earnest money deposited with the original tender/ attached herewith.

Eligibility as valid tenderers shall be deemed to be the consideration for the said forfeiture.

Yours faithfully,

Signatures of bidder or officer

Authorised to sign the bid documents on behalf of the bidder



Appendix-AB

Refer: Art.2.4.12

Collaboration Agreement

THIS COLLABORATION AGREEMENT ("Agreement") made this ____ day of _____, ... between amongst the following PARTIES: -

- 1) [*Insert name of the Principal Bidder*], incorporated under the Laws of [●] with its registered office at [●] (hereinafter referred to as "Principal Bidder", which expression shall, unless repugnant to the context or meaning thereof, be deemed to mean and include its successors and permitted *Principal* assigns; AND
- 2) [*Insert name of the Consortium Partner/Member*], incorporated under the Laws of [●] with its registered office at [●] (hereinafter referred to as "Consortium Member", which expression shall, unless repugnant to the context or meaning thereof, be deemed to mean and include its successors and permitted assigns; The Principal Bidder and Consortium Partner/Member are individually referred to as "Party" and collectively referred to as "Parties".

WHEREAS

- (1) Garden Reach Shipbuilders and Engineers Limited ("GRSE") has floated a tender dated [●] ("Tender") for [●] ["Supply of Equipment/Service/Works to be constructed at Garden Reach Shipbuilders & Engineers Limited ("GRSE"), Kolkata"] (hereinafter referred to as the "Project") and GRSE shall process the Tender and award the Contract/Purchase Order to an experienced, qualified and selected Bidder/Contractor with proper technical experience.
- (2) The Principal Bidder is engaged in the business of [●]. The Consortium Member is engaged in the business of [●].
- (3) The Parties desire to forge a strategic business alliance to combine their skills and work under the leadership of Principal Bidder who will, on being awarded contract(s) / purchase orders for the Equipment/Works, assume the responsibility for itself and vicariously for the Consortium Member and the Parties shall work with each other in the performance of the contract(s) /purchase orders that may be entered into with the GRSE in pursuance of the Tender.
- (4) One of the conditions of the **Tender** is that the Parties should enter into a binding agreement amongst themselves such that they would work jointly and Principal Bidder shall be responsible for the completion of the Project in all respects and hold single point responsibility.

Now, therefore, the Parties hereto agree to work together and bind themselves, as follows:



1. The terms and conditions contained in this Agreement constitute a full statement of the contractual rights and obligations of the Parties in relation to the Project and supersede all prior negotiations, agreements and documents.
2. This Agreement defines and fixes the responsibilities governing the relations between the Principal Bidder and the Consortium Member in preparation of the bid and subsequent execution of the contract(s) / purchase orders for the Project.
3. It is hereby clearly defined, stated and agreed by the Parties that the Principal Bidder shall be responsible for itself and vicariously responsible for the Consortium Member and shall hold single point responsibility.
4. The Principal Bidder shall be responsible for:
 - (a) Preparation of bid to be submitted;
 - (b) Making the final decision on all strategies for the Project, including the roadmap for performance of the Project;
 - (c) All negotiations and communications with GRSE, as applicable;
 - (d) Vetting and confirming all invoices raised by the Consortium Member;
 - (e) Executing such contracts and undertakings that may be required by GRSE for the purposes of undertaking the Project;
 - (f) **[Drafting Note: Please insert other clauses as applicable.]**
5. All costs incurred with regard to the bid shall be borne by the Principal Bidder and the Consortium Member. The Principal Bidder agrees to provide complete assistance for providing sufficient data/information required for preparation of the bid in its entirety.
6. At the time of submission of the bid, the Parties shall have jointly agreed to all schedules, timelines, terms and conditions, and all other matters whatsoever necessary for the submission of bid for each Party's scope of work.
7. Upon award of the contract(s) / purchase orders, the Parties shall perform their respective scope of work in accordance with the scope indicated in the technical bid and subsequently finalised during meetings with the technical negotiation committee and commercial negotiation committee of GRSE. The Principal Bidder may provide know-how and other technical assistance to the Consortium Member for performance of the Project by the Consortium Member. The Principal Bidder shall further put in place adequate quality control measures and ensure that the Project performed by the Consortium Member adhere to the highest standards of quality.
8. The Parties shall work to achieve local content, that is, items are to be manufactured in India, of a minimum of [●]% of the scope of supply for the first ship, with subsequent ship sets rising in local content, with a target to meet [●]% by ship no. N (put number of ships). The proposed indigenization plan is given below:

Ship set	1 st	2 nd	3 rd	4 th	5 th	6 th		N th



Indigenization %								
Proposed item being indigenized								

9. It shall be the Principal Bidder's responsibility to GRSE (as applicable) in fulfilling all obligations as are required under the contract(s) / purchase orders at no extra cost and expense to GRSE. However, the Consortium Member along with the Principal Bidder shall be jointly and severally liable to GRSE for any breach of the conditions of the contract(s) / purchase orders entered into between GRSE and the Parties on award of the contract(s) / purchase orders.

10. The Parties shall, even though the Principal Bidder is solely and vicariously liable, fully discharge their obligations and co-operate with one another with respect to the Project during the term of this agreement and act at all times in such a way to further the common interest of the Parties. Without limit to the foregoing, the Parties reaffirm not to bid for the Project separately or in combination with any third party, without the mutual consent of the Parties.

11. Any changes or amendments to this Agreement shall be made in consultation with GRSE and are valid only when these are set out in writing as such amendments and signed by the Parties.

12. The Parties agree that, if GRSE selects the Principal Bidder and issues a Letter of Acceptance("LOA") / purchase orders to undertake the Project, the Principal Bidder shall ensure that the Parties, in good faith, use their best efforts to expeditiously agree on the terms and conditions of definitive agreement(s) based on the principles outlined in this Agreement and the terms and condition mutually agreed between the Parties prior to award of the Project.

13. Notwithstanding anything contained hereinabove, in the event of, the failure of the Parties to agree on definite agreement(s) as stated in Clause [12] above or in the event the Parties refuse to take up the Supply/Service/Works for the Project, the Principal Bidder and the Consortium Member shall jointly and severally compensate GRSE for all costs and damages incurred by GRSE from the stage of inviting of [prequalification bid] till the issue of LOA to the Principal Bidder.

14. This Agreement shall become valid upon execution by the Parties and shall continue till the Parties complete all the Supply/Service/Works (as applicable), to the satisfaction of GRSE, under the contract(s)/purchase orders awarded to them. However, this Agreement shall come to end on the occurrences of any of the following events:

- (i) Cancellation of the Project by GRSE; or
- (ii) Award of the Project by GRSE to a third party; or
- (iii) The Parties being unable to agree on a mutually acceptable bid proposal to GRSE.



15. The Parties agree to keep confidential all information and data obtained from each other during the course of this Agreement for a period of [●] years from the effective date of this Agreement.

16. No Party shall have the right to assign or, in any way, transfer any of its rights or obligations under this agreement to any other company, firm or person(s) without prior consent in writing of the other Party and GRSE.

17. The Parties agree that as and when called upon by GRSE, the Parties shall execute all further deeds, documents and agreements as may be required by laws of India.

18. This agreement shall in all respects be construed and interpreted in accordance with the applicable laws of India.

19. Any dispute or difference arising under or out of this agreement which cannot be settled amicably between the Parties within sixty days, shall be finally decided by arbitration in accordance with the Arbitration Clause of this tender document.

IN WITNESS THEREOF, the Parties have entered into this agreement effective from the date as mentioned herein above.

For and on Behalf of

[Insert name of the Principal Bidder]

(Principal Bidder)

[Insert name of the Consortium Partner/Member]

(Consortium Partner/Member)

Note: Appropriate information to be filled by bidder at [●].



Refer: Art.2.5.4.4

Appendix-AC

**List of Medical Devices and IVDs, where local manufacturers are not available,
as on 17.12.2021 (as verified with the Medical Devices Manufacturing
Associations)**

S.No	Name of Medical Device/ Equipment
1	Intra-aortic balloon Pump (IABP)
2	Video Assisted Thoracic Surgery (VATS) and Minimally Invasive Cardiac Surgery instrument set
3	Flow Track Cardiac Output Monitoring (EV1000)
4	Sander's Jet Ventilator for Emergency Airway
5	ENT Coblator system with standard set of wands
6	Automated Identification and antibiotic susceptibility system
7	Automated Semen Analyzer
8	Histopathology fully automated H& E slide Stainer
9	Fully Automated IHC Stainer
10	Auto PAP cervical cancer screening system with HPV
11	Automatic components preparation machine
12	Visual Field Analyzer
13	Cystoscope paediatric cystoscope
14	Flow Cytometer
15	Flexible cysto-nephroscopy
16	T Piece Resuscitator
17	CO2 Fraction Laser
18	Diode Laser
19	Q-Switched ND YAG Laser
20	Video Bronchoscope set Adult, Paediatric, and Neonatal
21	Surgical Opera
22	Cavitation /Cavitron - Ultrasonic Surgical Aspirator (CUSA)
23	Endobronchial Ultrasound System
24	Rotary Microtome
25	Magnifying surgical loupes
26	Endoscopic Saphenous Vein Harvesting (EVH) System
27	Intra operative Imaging and TTFM for CT Surgery
28	DEXA Scan
29	Radio surgery equipment
30	Near Infrared Spectroscopy
31	Fluid therapy
32	Near Infrared Spectrometer (NIRS)
33	Electro Physiology (EP) System
34	TOF Monitor/Watch for Neuro Muscular block
35	Transcranial Doppler
36	Low Temperature Hydrogen Peroxide Gas Steriliser
37	Mannequins (Laerdal) for training of CPR for COVID Preparedness a) Intubation



S.No	Name of Medical Device/ Equipment
	b) Cardio Pulmonary Resuscitation (CPR)
	c) Peripheral, Central and Arterial Cannulation
	d) Front of neck Access (Cricothyroidotomy and tracheostomy)
38	Image Analysis Tools/Trinocular Compound Phase Contrast Microscope for Andrology Lab
39	Gas Analysis Apparatus Halden's Student Type
40	Gas Analyzer Automatic for CO ₂ , O ₂ and N ₂
41	High end Operating Microscope
42	Plasma Coblation System
43	Stroboscope
44	ENT Skull Base Navigation System
45	Automated Microbial Identification and Sensitivity System
46	NAT Analyzer
47	Cryostat
48	Vitek2-Automated Microbiology Susceptibility Testing Analyser
49	FFR Machine (Fractional Flow Reserve)
50	VIDAS
51	Kingfisher Flex
52	ACL Elite
53	Cytobrep Centrifuge with Vortex Mixer
54	Antigen Retrieval System
55	Trans Oesophageal Echo Cardiograph
56	IVUS -Volcano
57	STERRAD-100 NX All Clear
58	Minimally Invasive Cardiac Instruments
59	Impella
60	Endourology set
61	Cystoscope Karl Storz
62	Video Endoscopy Systems
63	Floppy wire with extra support 0 Coronary Angioplasty
64	Fully Automated Non-Contact Tonometer
65	Optical Biometer
66	Phaco Machine with Posterior and Anterior Vitrectomy
67	Portable Ultrasound Machine for Anaesthesia and Vascular Access
68	Activated Clotting Time Machine
69	Thromboelastogram (TEG)/ Thromboelastometer/ ROTEM
70	Bone Anchored Hearing Aid (BAHA) Sound Processor with Soft Band.
71	CI Speech Processor for Cochlear Implant
72	Bi-Ventricular Pacemaker with Quadripolar LV Lead
73	DDDR with Matching Electrodes Pacemaker
74	MRI Conditional Automatic Implantable Cardioverter Defibrillator (AICD)
75	MR1 Conditional Cardiac Resynchronisation Therapy - Pacing (CRT- P)
76	Single Chamber (SSI) MRI Compatible Pacemaker
77	Single Chamber Temporary Pacemaker
78	Non-complain /semi complain /CTO coronary balloon.
79	Vacuum Heart Stabilizer System for off Pump CABG
80	Expandable Corpectomy device



81	Biomimetic Synthetic Absorbable Dural substitute of sizes
82	AO TRS Modular Drive for Drill/Reamer
83	AO TRS Modular Sagittal saw system
84	Battery Oscillator
85	Arthroscopy Systems
S.No	Name of Medical Device/ Equipment
86	Navigation System for Neurosurgery & Orthopaedic Surgery
87	Time Lapse Embryo Imaging System
88	Portable Mobile Endoscopy Unit
89	Cryoprobe
90	Isothermal Calorimeter (ITC)
91	Electrical Impedance Tomography
92	FNIRS (Functional Near Infra-Red Spectroscopy) System
93	Automated Hand-Held Analyzer
94	Automated High Throughput Liquid Based Cytology (LBC) System
95	Automated IHC (Immuno Histochemistry Stainer)
96	Automated Slide Stainer for Histopathology
97	3T Digital PET/MR
98	Dual Particle Cyclotron on buyback basis
99	Sweat Collection and Chloride Estimation
100	Automated Bronchoscope Cleaning Equipment
101	Electronics and console for the existing 700 MHz NMR Spectrometer
102	Video bronchoscope with mobility of tip in four directions
103	Freeze Fracture System
104	Cryo Plunge Freezing Unit
105	Biological High- Resolution Atomic Force Microscopy
106	Carbon Coater (Evaporator) for grids
107	Hemostasis Analyzer System
108	Auricular Reconstruction Set
109	Thin Layer Chromatography Liner Analyser for lipid analysis
110	Digital Slide Scanner System
111	Full Endoscopic lumbar IT & ED set
112	Rapid Blood/Fluid Flow warmer
113	Fully Automated Computerized Archival System for Histopathology & Cytology Slides
114	Vacuum Assist Drainage Controller Device
115	VAP Care System
116	Cryoablation Unit
117	3D Printer Hardware with SLA (LFSJ TM Technology and Machine interface software
118	Transcutaneous Oxygen Monitor
119	Non-Invasive Jugular Oximetry Monitor
120	Dedicated Solid-state cardiac SPECT Camera
121	Hemodynamic Recorded for Cardio Vascular Lab
122	Gel Documentation System
123	Automatic Colony Counter
124	Droplet Digital Polymerase Chain Reaction System (PCR)
125	Multi-block PCR Machine
126	Integrated Automated Charting System upgradable for ICU Monitoring System



GRSE LTD. *Procurement Manual Fifth Edition*

127	Viscoelastic Global coagulation Testing Device
128	Robotic Surgery System with accessories





Refer: Art.2.1.2

Appendix-AD

Purchase Requisition Register for Indenters

.....(Name of Indenting Office)
 Purchase Requisition (PR) Register for Indenters
 (To be prepared and maintained by the intending divisions)
 Name of Procuring Entity to whom PRs sent

Sr. No.	Description	Qty.	PR No. And date	Date of submissio n	Ascertained from Procuring Entity					Date of Receip t of Materia l	Rem ark s
					Tender No: and openin g date	Contrac t Ref & Date	Qty.	Name of the Supplier	Deliver y Date		
1	2	3	4	5		6		7	8	9	10

Office Superintendent

Indenting Officer



Refer: Art.2.1.2

Appendix-AE

Purchase Requisition Register for Procuring Entity

.....Name of the Procuring Entity

Purchase Requisition (PR) Register for Procuring Entity

(To be prepared and maintained by the Procuring Entity)

Tender File No.	PR No. and Date	Description	Qty.	Date of Receipt of PR	Indent er	Tender Type/ Date of Floating	Date of Tender Opening	Contract Number and Date	Supplier	Qty .	Delivery Date	Sr. No. of Contract Progress Register	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13	14

Office Superintendent

Procuring Officer





Refer: Art. 5.1.5

Appendix-AF

Letter (Notification) of Award (LoA) of Contract

Name of the procuring entity

Letter of Award of Contract

Confidential

Contract No: [Insert date] Contract Title:

To,

M/s. [Insert name & address]

Sub: Award of contract for contract no: [insert contract number] and contract title: [insert contract title]

REF. Your offer no. [insert offer number] against our tender no. [insert tender no] opened on [insert date of opening of tender]

Dear Sir/ Madam

I am directed to inform you that after evaluating the bid documents submitted by you on ---- [enter date] [Enter Name of Procuring Entity] is pleased to inform you that you have been selected as the successful bidder for the supply of [enter description]. The total purchase price shall be [enter amount] as indicated in your financial bid submitted on [enter date], in accordance with the procedures intimated in the relevant bid documents.

You/your authorised representative(s) are requested to be personally present at [insert address] for the signing of the contract by [enter date].

In this respect, we also request you to submit the performance security of [insert amount of Rupees in words] by [insert date]. Security deposit being 5% (five percent) of the total cost
= Rs._____.

Please apply for refund of EMD deposited over and above the SD of if any. You are requested to execute necessary agreement within seven days from the date of issue of this letter in the enclosed agreement form. Special adhesive stamp of Rs.10 (Rupees Ten) and revenue stamp of Rupee one shall be affixed on the enclosed agreement form. Treasury receipts of EMD and SD



shall be deposited in office within the stipulated time limit as above.
This notification concludes the legally binding contract between you and GRSE, till issue of a formal contract.

Yours truly, [Authorised Officer]

Enclosure: Agreement Form along with the schedule of delivery



Refer: Art. 7.18

Appendix-AG

Format for Extension of Delivery Period/Performance Notice

Name of the Procuring Entity
Extension of Delivery Period/Performance Notice

To M/s (name and address of form)

Sub: Contract No ----- dated -----for the supply of -----

Ref: Your letter no. ----- dated: -----

Dear Sir,

You have failed to deliver {the (fill in qty.) of Stores/ the entire quantity of Stores} within the contract delivery period [as last extended up to] (fill in date). In your letter under reply you have asked for [further] extension of time for delivery. In view of the circumstances stated in your said letter, the time for delivery is extended from (fill in date) to (fill in date)

1. Please note that notwithstanding the grant of this extension in terms of Clause (fill in clause number) of the subject contract an amount equivalent to.....% (.....per cent) of the delivered price of the delayed goods for each week of delay or part thereof (subject to the ceiling as provided in the aforesaid clause) beyond the original contract delivery date/the last unconditionally re-fixed delivery date (as & if applicable), viz., (fill in date) will be recovered from you as liquidated damages. You may now tender the Stores for inspection [balance of the Stores] in terms of this letter. Stores if any already tendered by you for inspection but not inspected will be now inspected accordingly.
2. You are also required to extend the validity period of the performance guarantee for the subject contract from (fill in present validity date) to (fill in required extended date) within 15 (fifteen) days of issue of this amendment letter.
3. The above extension of delivery date will also be subject to the following Denial Clause.
 - 1) That no increases in price on account of any statutory increase in or fresh Imposition of customs duty, excise duty, Sales Tax, CST, VAT or on account of any other taxes/duty, including custom duty), leviable in respect of the Stores



specified in the said contract which takes place after (insert the original delivery date) shall be admissible on such of the said Stores, as are delivered after the said date; and.

- 2) That notwithstanding any stipulation in the contract for increase in price on any other ground including foreign exchange rate variation, no such increase which takes place after (insert the original delivery date) shall be admissible on such of the said Stores as are delivered after the said date.
- 3) But nevertheless, the purchaser shall be entitled to the benefit of any decrease in price on account of reduction in or remission of customs duty, excise duty, Sales Tax, VAT/ CST or on account of any other Tax or duty or on any other ground as stipulated in the price variation clause or foreign exchange rate variation which takes place after the expiry of the above mentioned date namely (insert the original delivery date)
4. All other terms and conditions of the contract remain unaltered. This is without any prejudice to purchasers' rights under the terms and conditions of the subject contract.
5. Please intimate your unconditional acceptance of this amendment letter within 10 (ten) days of the issue of this letter failing which the contract will be cancelled at your risk and expense without any further reference to you.

Yours faithfully, (Authorised Officer)

Duly authorised, for and on behalf of
GRSE

Note: Select one option within { } brackets; delete portion within [] brackets, if not applicable; fill in () brackets. Brackets and this note are not to be typed.

Substitute following first para instead of first para in format above, for issuing a performance notice.

1. You have failed to deliver {the (fill in qty.) of Stores/ the entire quantity of Stores} within the contract delivery period [as last extended up to] (fill in date). In spite of the fact that the time of delivery of the goods stipulated in the contract is deemed to be of the essence of the contract, it appears that (fill in the outstanding quantity) are still outstanding even though the date of delivery has expired. Although not bound to do so, the time for delivery is extended from (fill in date) to (fill in date) and you are requested to note that in the event of your failure to deliver the goods within the delivery period as hereby



extended, the contract shall be cancelled for the outstanding goods at your risk and cost.



Refer: Art.7.22

Appendix-AH

Model Format for Correspondence with Supplier after Expiry of Delivery Date

To

M/s

Sub : Contract No..... dated
for supply of

Dear Sirs,

The date of delivery of the subject contract expired on . As supplies against the same have not yet been completed, there is a breach of the contract on your part. As information is required regarding past supplies against this contract, you are requested to send the particulars regarding the quantity supplied so far and, also, the quantity inspected so far, but not yet dispatched and the quantity ready but so far not tendered for inspection before the expiry of the date of delivery.

The above information is required for the purpose of verification of our records and is not intended to keep the contract alive and does not waive the breach. This is without prejudice to the rights and remedies available to the purchaser in terms of the contract and law applicable in this behalf.

Yours faithfully,

()

for.....



Refer: Art. 3.9

Appendix-AI

Department.

Date:

**Approval for procurement of fresh
items or Repair against losses / defective**

(Authority as per C & MD's Ty Order No. 11/10 dated March, 2010)

1. Ship :

2. Item Description :

3. Order :

4. Name of the Firm :

5. Reasons for Losses / Damage :

Section In-Charge,

Deptt. Head

6. Recommended / not recommended for procurement

Initiating Department

7. Estimated value of the item

Rs approx _____
Procuring Department

8. Concurred / Not concurred (Financial)

Finance (F-FC)

9. Approved / Not approved for procurement against losses

Competent Authority

Encl:

Copy to:

GM(S)(Design) – For indenting action. CGM(Planning)



Refer: Art. 4.7.2

Appendix-AJ
Initiating Commercial Negotiation

Ref :

Date :

M/s.

.....

.....

Sub : **Initiating Commercial Negotiation**

Equipment/Item

Ref: i) GRSE TE/RFQ No..... Dated

ii) Your Quotation No..... Dated.....

1. This is for your kind information that initiation of commercial negotiation in the subject case is without prejudice to the outcome of Technical Negotiation.
2. In the event your offer is not technically cleared by TNC and/or non-acceptance of revised price bid, desired if any, arising out of Technical Negotiation; Commercial Negotiation entered into herein will stand void.
3. GRSE reserves the right to ignore this Commercial Negotiation in the event of non finalization of Minutes of Meeting by TNC.

Thanking you,

Yours faithfully,
Garden Reach Shipbuilders & Engineers Ltd.,

Acknowledgement

We agree with the above.

Signature of Vendor

Date :

Place:



Appendix-AK
Invitation and Declaration for Negotiations

(Refer Para 4.9.7.2)

Invitation for Negotiations

(On letterhead of the procuring entity)

No:

Dt:

To M/s

Registered A/D

Sub: Tender No ----- opened on -----for the supply of -----

Dear Sir,

The rates quoted in your tender are considered high. You are therefore, requested to come for negotiations of rates, on..... (date) at..... (time) at (venue).

You should, however, come for negotiations only in case you are prepared to furnish before such date the declaration appended herewith.

A copy of the form in which you may submit your revised offer after negotiations is enclosed.

Yours faithfully,

(Authorised Officer)

Enclosure:

- i) Form of Declaration
- ii) Form of Revised Offer

FORM OF DECLARATION

(To be signed and submitted before start of negotiations) (On company letterhead)

No:

Dt:

To

Sub: Tender No ----- Opened on -----for the supply of -----

Ref: Your invitation for negotiations No: dated:

Dear Sir,



I duly authorised on behalf of M/s. do declare that in the event of failure of the contemplated negotiations relating to Tender No. opened on my original tender shall remain open for acceptance on its original terms and conditions.

Yours faithfully,

Place:

Date:

Signatures of bidder, or officer authorised to sign the bid documents
on behalf of the bidder



Appendix-AL

No Claim Certificate

(Refer Para 5.6.6) (On company letterhead)

To,

(Contract Executing Officer)

Procuring Entity

NO CLAIM CERTIFICATE

Sub: Contract Agreement no. ----- dated -----for the supply of ---

We have received the sum of Rs. (Rupees/Foreign Currency only) in full and final settlement of all the payments due to us for the supply of under the abovementioned contract agreement, between us and Government of India. We here by unconditionally and without any reservation whatsoever, certify that with this payment, we shall have no claim whatsoever, of any description, on any account, against Procuring Entity, against aforesaid contract agreement executed by us. We further declare unequivocally, that with this payment, we have received all the amounts payable to us, and have no dispute of any description whatsoever, regarding the amounts worked out as payable to us and received by us, and that we shall continue to be bound by the terms and conditions of the contract agreement, as regards performance of the contract.

Yours faithfully,

Signatures of contractor or officer authorised to sign the contract documents
on behalf of the contractor

(company stamp)

Date: Place:



Appendix-AM
Example of Formula for Price Variation Clause

(Refer clause 5.14)

(The formula for price variation should ordinarily include a fixed element, a material element and a labour element. The figures representing the material element and the labour element should reflect the corresponding proportion of input costs, while the fixed element may be considered as 15% (fifteen percent). That portion of the price represented by the fixed element and profits and is not subject to variation. The portions of the price represented by the material element and labour element along will attract price variation.)

The formula for price variation will thus be:-

$$Pa = P_o \left[\frac{\left(F + a \left(\frac{M_1}{M_o} \right) + b \left(\frac{L_1}{L_o} \right) \right)}{100} \right] - P_o$$

Where: -

Pa is then adjustment amount payable to the supplier (a minus figure will indicate a reduction in the contract price) on the date of supply.

Po is the contract price on the base date (which is taken as the date on which tender is due to open).

F is the fixed element (as the percentage of the total price) not subject to price variation. It is 15% (F=15%)

a is the assigned percentage to the material element in the contract price, which is 70% (a=70%)

b is the assigned percentage to the labour element in the contract price, which is 15% (b=15%) (F, a and b being percentages should total 100)

Lo and L1 are the average wage indices for the quarter before the quarter in which base month falls and for the quarter before the quarter in which date of supply falls; respectively. For example for a tender opening on March 17, 2016 (base date), Lo would be average wage index for the quarter of Oct-Dec 2015.



Mo and M1 are the material prices/indices as average of the month, two month prior to the month in which base month falls and average of the month, two month prior to the month in which date of supply falls, respectively. For example, for a tender opening on March 17, 2016 (base date), Mo would be prices/index as average of the month of January 2016. All material prices/indices will be basic prices without excise duty and without any other central, state, local taxes and duties and Octroi.

If more than one major item of material is involved, the material element can be broken up into two or three components such as Mx, My, Mz.

The following conditions would be applicable to price adjustment:

- Base dates shall be due dates of opening of bids (technical bid in two or three envelop/cover system).
- Date of supply shall be the date of calculation/determination of the price variation.
- No price increase is allowed beyond original delivery period.
- No price adjustment shall be payable on the portion of contract price paid to the seller as an advance/interim payment after the date of such payment.
- Total adjustment will be subject to maximum ceiling of 15% of contract price.
- No price adjustment shall be payable if this is less than or equal to 2% (two percent) of Po.
- Payments for each supply would initially be made as per the base price mentioned in the contract. Price adjustment bill should be submitted only quarterly for the supplies made during the quarter.
- In GTE tenders extra care should be taken in selecting the price indices. Preferably the price indices should be from the same country and of same currency as the country and currency of the bidder. In case price is in a currency of a country where inflation is low and the indices are from country with much higher inflation rates, (M_1/M_0) and (L_1/L_0) should be multiplied by a correction factor of exchange rates (E_0 / E_1) , where E_0 is the exchange rate of country of M and L indices with reference to currency of price P. For example, if M&L are from India and P is in \$, then E_0 is Number of Rs. in a \$ on base date and E_1 is the exchange rate on determination date.



- Even if there is no price adjustment claim, supplier must submit all relevant data to prove that there is no downward variation. In any case he must submit a declaration as follows;

"It is certified that there has been no decrease in the price of price variation indices and in the event of any decrease of such indices during the currency of this contract we shall promptly notify the same to the purchaser and offer requisite reduction in the contract rate."



Appendix-AN

Format for submission of order placed on Single Vendor Nomination basis

Refer clause 2.5.1 (h)

Contract awarded on nomination basis during quarter ending _____ by _____ (Department's name)							
D(F)'s office Order No _____ Dated _____ Enclosure							
Sl. No.	Purchase order Number /works Contract Number	Date of Order	Value (in Rs.) excluding GST	Name of the Supplier	Nature of Contract (in case of supply contract, name of matl./Eqpt to be given)	Nomination (customer/ Management)	Reference
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
.							
.							
.							
	Total						

Signature of GM/CGM/HOD
of concerned Purchase point



Appendix-AO

Extension of delivery date without Liquidated Damage

Refer clause 7.16

GARDEN REACH SHIPBUILDERS & ENGINEERS LTD.

A Govt. of India Undertaking

Dept. N. C. M. P. D.

Date

1. Project.

2. Order details:-

- a) Order No & Date :
- b) Short Description :
- c) Order Value :
- d) Rate of L.D. :
- e) Value for which L. D. waiver sought :
- f) Supplier / Sub-contractor :

3. Criticality of item (viz. Pre – Launch
Hot work, Components for manufacture etc.) :

4. Contractual Delivery Date :
- a) Original Delivery Date:
 - b) Order Acceptance :
 - c) Amended Delivery Date without L. D. :
 - d) Performance Notices :
 - e) Visit to supplier's premises & results :
thereof

5. Actual / Expected delivery date :-

- a) Supplier's Letter reference :
- b) Delay attributed by Supplier to:-
 - i) Inspection Delay :
 - ii) Non-availability of raw materials :
 - iii) Priority for other projects of :
GRSE / MDL
 - iv) Any other reasons

6. Assessment of delay attributable to:-

- a) Approval of Drawing / Sample etc. :
(Date of occurrence to be mentioned)
- b) Post ordering change in scope / spec. &
modification etc.
(date of Amdt. to be mentioned).
- c) Non – fulfillment of contractual :
obligations by GRSE (e.g. delay in release
of advance / stage payments in current /
earlier Order, L.O.C. opening etc. Due
date and effected date to be stated).
- d) Force Majeure :



7. Proposed extension of delivery date up to Without L. D.

GROUP-IN – CHARGE

DEALING OFFICER

- . Recommended extension of delivery date up to without L.D. since:-
- a) The delay in supply has not effected the completion schedule of the project.
 - b) The delay has not been specifically brought out in any of our reports like CPRM, Board Meeting etc. having affected the completion schedule of the project.
 - c) Consequential impact, if any, on the supplier's service.....
 - d) The supplier helped GRSE by way of
 - e) The delay is not attributable to the supplier.
9. a) Customer of the project :
b) Contractual delivery of :
Project.
c) Extension sought, if any :
and status.
10. Cost of L.D. Waiver :
a) Rate of L.D. as per order:
b) L.D. amount proposed for:
waiver
c) Consequential financial
charges, if applicable.e.g.
LOC amendment charges:

AGM (NCM & IMP)

AGM (PLG) / DGM (PLG)

AGM(F-FC)

11. Approved / Not approved :

GM(COM)

ORDER VALUE ABOVE 25 LAKHS AND UPTO 200 LAKHS

12. Concurrence of Extension :
without L.D.

GM (F)



13. Approved / Not approved :

FUNCTIONAL DIRECTOR / D(S)

ORDER VALUE OVER 200 LAKHS

14. Approved / Not approved :

DIRECTOR (S)

15. Approved / Not approved :

DIRECTOR (F)

16. Approved / Not approved :

C & MD

*****END*****