

**ANDHRA PRADESH POWER GENERATION
CORPORATION LIMITED**



**PURCHASE
MANAGEMENT
SYSTEM MANUAL**

Incorporated vide

G.O.O.No.129/JS(Per)/2016, Dated:15.07.2016

Chapter	Section	Description	Page No.
Chapter	1	Preamble	1
Chapter	2	Objectives, Responsibilities and Functions of Purchase	3
	2.1.	Objectives of Purchasing	4
	2.2.	Responsibilities of Purchasing	5
	2.3.	Broad Functions of Purchasing	5
Chapter	3	Organization structure	7
	3.1.	Organization Structure of Materials Management at Corporate Office	8
	3.2.	Organization Chart of Contracts & Materials Dept.at Power Stations	9
	3.3	Organization Chart of Purchase Wing	10
Chapter	4	General Principles of Purchasing wing	11
	4.1.	General Principles of Purchasing and professional ethics	12
Chapter	5	Source Selection, Registration of Vendors & Evaluation of Vendors	14
	5.1.	Source Selection	15
	5.2.	Vendors Registration	16
	5.3.	Vendor Rating	19
	5.3.1.	Aim of Performance Rating	19
	5.3.2.	Determination of attributes and assignment of weightage	19
	5.3.3.	Weightage table for Rating	20
	5.3.4.	Calculation of Vendor Rating	20
Chapter	6	Purchases Budget & Budgetary Control:	22
	6.1.	Budget	23
	6.2.	Budgetary Control	23
	6.3.	Development of Purchase Budget	23
	6.4.	Objectives of Purchase Budget	24
Chapter	7	Materials Planning & Requisitioning	25
	7.1.	Materials Planning and Provisioning	26
	7.1.1	Stock items	26
	7.1.2	Non Stock Items	26
	7.1.3.	ABC Analysis	27
	7.2.	Materials Requisitioning/Indenting	27

Chapter	Section	Description	Page No.
	7.3.1.	Materials Code/Folio Number	27
	7.3.2.	Material Specifications	27
	7.3.3.	Quantity Requisitioned	28
	7.3.4.	Delivery	29
	7.3.5	Cost Estimates	29
	7.3.6.	Budget Allocation	29
	7.3.7	Special conditions to be incorporated in Purchase Requisition	29
	7.3.8.	Suggested Sources of Supplies	30
	7.3.9	Proprietary Article/OEM/OES/Standardization/Single Source	30
	7.4.	Objectives of Ruting Requisitions through Materials Planning & Inventory Control Group of Stores	31
	7.5	Review of Purchase Requisition by Screening Committee	31
	7.6.	Registration of Purchase Requisitions	32
Chapter	8	Purchase Procedures:	33
	8.1.	Determination of Mode of Purchases	34
	8.1.1.	Factors to be considered	34
	8.1.2.	Modes of Tendering	34
	8.2.	Common Factors (Conditions) for all type of Tenders:	34
	8.3.	General Guidelines for Tendering	35
	8.3.1.	Clubbing of Demands	35
	8.3.2	Enquiry/Tender Register	35
	8.3.3.	Time Allowed to Bidders to Quote	35
	8.3.4.	Selection of Day for submission and opening of Tender	35
	8.3.5.	Time for Receipt and Opening the Tender	36
	8.3.6.	Identifiable Superscription on the Envelope	36
	8.3.7.	Due date of Opening of Two Part Bidding	36
	8.3.8	Validity of Offer	36
	8.3.9.	Extension of Validity Period	36
	8.3.10	Variation in Quantity After Inviting tenders	37
	8.3.11.	Splitting of order between two or more suppliers	37
	8.3.12.	Splitting of order between two or more vendors	38
	8.3.13.	Permanent/Standing Earnest Money Deposit	39
	8.3.14.	Security Deposit	39
	8.3.15.	Performance Bank Guarantee	41
	8.3.16.	Evaluation of Bids and Loading for Deviations	42

Chapter	Section	Description	Page No.
	8.3.16.b	Loading on account of Packing & Forwarding Charges	43
	8.3.16.c.	Loading on account of Fright Charges	43
	8.3.16.d.	Loading on account of Insurance Charges	43
	8.3.16.e	Loading on account of Price Variation	43
	8.3.16.f	Loading on account of Excise Duty	43
	8.3.16.g.	Loading on account of Sales Tax	44
	8.3.16.h.	Impact of Adverse Loading	44
	8.3.16.i	Cost Compensation for Deviations	44
	8.3.16.j.	Loading towards third party Inspection charges	44
	8.3.17	Late Delayed Tenders	45
	8.3.18	Unsolicited offers	45
	8.3.19	Extension of Scheduled Bid Opening Date	45
	8.3.20	Opening of offer against single tender enquiry	46
	8.3.21	Repeat orders	46
	8.3.22	Materials & Workmanship	46
	8.3.23	Inspection/ Checking/ Testing	47
	8.3.24	Interchangeability	47
	8.3.25	Approval of Sample before manufacturing of Bulk Supplies	48
	8.3.26	Removal of Rejected Goods and Replacement	48
	8.3.27	Packing and Marking	49
	8.3.28	Despatch of Materials	49
	8.3.29	Demurrage/ Wharfage	49
	8.3.30	Variation in Statutory Levies	50
	8.3.31	Sub-letting and Assignment	50
	8.3.32	Spare Parts, Oil & Lubricants	50
	8.3.33	Supplier's Liabilities	50
	8.3.34	Delivery Schedule	50
	8.3.35	Early Delivery	51
	8.3.36	Liquidated Damages/ Failure & Termination	51
	8.3.37	Force Majeure	52
	8.3.38	Cancellation of Order	52
	8.3.39	Standard bidding documents	52
Chapter	9	Invitation of Tenders	54
	9.1.	Purchases through Annual Rate Contracts.	55
	9.2.	Open tender (NIT)	55
	9.2.1	Dispensing with requirements of Open Tenders	55
	9.2.2.	Publication of NIT in newspapers	55
	9.2.3.	NIT through Website	55
	9.2.4.	Intimation of NIT to known sources of supplies	56
	9.2.5	Qualifying requirements	56

Chapter	Section	Description	Page No.
	9.2.7	Two- Part Bidding	57
	9.2.8.	Methodology of Open Tender	58
	9.2.9.	Issue of Bid Documents	59
	9.2.10	Extension of Bid Opening Date	60
	9.3.	Limited Tenders	60
	9.4.	Purchase On Single Tender	61
	9.4.1.	Single Tender Enquiry for purchase of Proprietary Articles	61
	9.4.2.	Single Tender for spares from OEM/OES on PAC basis	62
	9.4.3.	Single Tender Enquiry for single Source Standardization	63
	9.4.4.	Single Tender Enquiry on Ground of Urgency	64
	9.4.5	Single tender enquiry for purchase of material on any ground other than 9.4.1,9.4.2,9.4.3 & 9.4.4	64
	9.5.	Signing of Tender Enquiry	64
	9.6.	Receiving of Bids	64
	9.7.	Bid Opening Committee	65
	9.8.	Tender Opening Process	65
Chapter	10	Evaluation of Bids	67
	10.1.	Comparative Statement	68
	10.2.	Comparison of Landed Rates (Evaluated) of different Bidders	69
	10.3	Discounts	69
	10.3.1.	Cash Discount / Settlement Discount	69
	10.3.2.	Trade Discount	69
	10.3.3.	Quantity Discount	70
	10.3.4.	Special discounts	70
	10.4.	Negotiation	70
	10.4.1.	Avoidance of Negotiation	70
	10.4.2	Exceptional Cases of Negotiation with L1 Bidder	71
	10.4.3.	Negotiation with bidder other than L1	71
	10.4.4.	Purchase of items from other than lowest in Limited Tenders	71
	10.5.	Pre-award conference	71
	10.6.	Marginal Adjustment in Order Quantity	72
	10.7	Variation in Quoted Rates in Figures and Words	72
	10.8	Technical Scrutiny/ Evaluation of Bids by Requisitioning Dept.	72
	10.9.	Evaluation of Bids in Two Part Bidding	73
	10.10.	Proposal for Placement Purchase order	74

Chapter	Section	Description	Page No.
	10.11.1	Tender Evaluation Committee	74
	10.11.3	Issues to be examined/deliberated by TEC	74
	10.11.3.a)	Issues related with tendering	74
	10.11.3.b)	Technical Evaluation	75
	10.11.3.c)	Quantity Assessment	75
	10.11.3.d)	Commercial Evaluation	75
Chapter	11	Placement of Purchase order, Follow up, Expediting and Amendments	76
	11.1.	Placement of Purchase Order	77
	11.1.1.	Letter of Intent (LOI)	77
	11.1.2.	Details in Standard Purchase Order	77
	11.1.3.	Power for signing of purchase orders.	78
	11.1.4.	Distribution of copies of Purchase Order	78
	11.2.	Follow up & Expediting	79
	11.3	Amendment to Purchase Orders	79
	11.3.1.	Amendment of Extending Delivery Period	80
	11.3.1.a)	Delay in Supply Attributed to Supplier	80
	11.3.1.b)	Delay in Supply Attributed to Purchaser	80
	11.3.2.	Variation in Supplied Quantities	80
	11.3.3.	Other Misc. amendments	81
	11.3.4.	Cancellation of Orders	81
	11.3.5.	Procurement of imported spares	81
	11.3.6.	Procurement of fuels & lubricants	82
	11.3.7.	Review the PO's by heads of generating stations	82
Chapter	12	Payments to Suppliers, Settlement of Discrepancies and Closing of Orders	83
	12.1.	Payment to Suppliers	84
	12.1.1.	Payment to Suppliers against Proforma Invoice	84
	12.1.1. i)	When Materials Delivered by supplier at Stores	84
	12.1.1. ii)	When Materials Collected from Supplier's Premises	84
	12.1.1. iii)	When Materials Dispatched by Out-station Suppliers	84
	12.1.1. iv)	Return of unutilized cheques/ DDs to Finance	85
	12.1.1. v)	Distribution of Invoices and Other Documents	85
	12.1.1. vi)	Monitoring of Advance Payments to Suppliers	85
	12.1.2.	Payment through Bank in Exchange of Despatch Documents (a,b,c)	85
	12.1.2.d)	Payments through Letter of Credit	86
	12.1.3.	Payment after Receipt and Acceptance of Materials	86

Chapter	Section	Description	Page No.
	12.2.	Settlement of Discrepancies	86
	12.2.1.	Excess Over Ordered or Invoiced Quantity	86
	12.2.2.	Shortages in Invoice Quantity	87
	12.2.2.a)	Shortage from Intact Packages Received from the Carrier	87
	12.2.2.b)	Damages from Intact Packages and Shortages and Damages from damaged Packages Delivered by the Carrier.	87
	12.2.2.c)	Non delivery of Consignment or Part Delivery of Packages	87
	12.2.2.d)	Rejection of materials	87
	12.2.3.	Monitoring of Supplier's Advance payments	87
	12.3	Closing of Purchase Order Files	87
	12.3.1.	Release of Security Deposit	87
	12.3.2.	Release of Performance Bank Guarantee	
Chapter	13	Petty Cash, Emergent and Sundry Purchases	89
	13.1.	Petty Cash Purchases	90
	13.1.1.	Petty Purchases upto Rs. 5000	90
	13.1.2.	Cash Purchases over Rs. 5000 and upto 20,000	90
	13.1.3.	Imprest Account	91
	13.1.4.	Cash Purchase of Stock items	91
	13.2.	Cash Purchase of Emergent/ Sundry Requirement	92
	13.2.1.	Cash Purchases upto Rs. 25,000.00	92
	13.3.	Emergent & sundry purchases over Rs.25,000/-	93
Chapter	14	Standardization and Finalization of Rate Contracts	95
	14.1.	Standardization	
	14.1.12	Some items at Power Station, which can be considered for Source Standardization	97
	14.2.	Finalization of Rate Contracts	98
	14.2.5	Items to be considered for Rate Contract	99
	14.2.8.	Period of Rate Contract	99
	14.2.9.	Direct dealings with the Manufacturers	100
	14.2.10	Finalization of Rate Contracts for multi-source Standardization	100
	14.2.11	Finalization of Rate Contract on single source Standardization	100
	14.2.12	Incorporation of Fall Clause in Rate Contract	101
	14.3	Rate Contracts for supply of Spares with OEM/OES (Purchases against PAC)	102

Chapter	Section	Description	Page No.
	14.5.	Delegation of Power for Approving Rate Contracts	103
	14.6	Finalizing rate contract by power station	103
Chapter	15	Disposal of Scrap, Obsolete and Surplus Materials	104
	15.1.	Scrap Obsolete and Surplus Materials	105
	15.1.1	Scrap	105
	15.1.2.	Obsolete items	105
	15.1.3.	Surplus/Redundant items	105
	15.2.	Authority for Identifying/declaring items as Scrap, Obsolete and Surplus for Disposal Action	105
	15.2.1.	Salvage Committee	106
	15.2.2.	Functions of Salvage Committee	106
	15.3.	Sale of Scrap Materials	106
	15.4.	Procedures for Sale of Scrap through Tendering	107
	15.4.2.	Tender Fee	107
	15.4.3.	Publication of Tender Notice	107
	15.4.4.	Intimation of Tender Notice to known Buyers	107
	15.4.5.	Arrangements for buy- back of scrap with suppliers/Manufacturers of major components	107
	15.4.6.	Earnest Money Deposit	107
	15.4.7.	Security Deposit	108
	15.4.8.	Validity of Offers	108
	15.4.9.	Sales tax and any other Duties/Levies	108
	15.4.10	Price	108
	15.4.11.	Payment Schedule	109
	15.4.12	Delivery of Scrap Materials	109
	15.4.13	Care and Diligence in removal of materials	110
	15.4.14.	Default in Lifting the Scrap by the Purchaser	110
	15.4.15	Force Majeure	110
	15.4.16	Default in Payment	110
	15.4.17	Inspection of Scrap	111
	15.4.18	Quantity	111
	15.4.19	Superscription on the envelope	111
	15.4.20	Late Tender	112
	15.4.21	Standard Bidding Conditions for Sale of Scrap	112
	15.4.22	Other formalities of tender opening	112
	15.5.	Evaluation of Bids and Approval of Competent Authority for award of Sale Order.	112
	15.5.1.	Comparative Statement of Bids	112
	15.5.2.	Evaluation of Bids	112

Chapter	Section	Description	Page No.
	15.5.4.	Issue of Release Order	113
	15.6.	Sale of Scrap by Auction	113
Chapter	16	Evaluation of purchasing Performance	114
	16.1.	Difficulties in Evaluation of Purchasing Performance	115
	16.2.	Objectives of Evaluation	115
	16.3.	Attributes/Criteria for measuring the performance	116
	16.3.1.	Lead Time	116
	16.3.2.	Quality	117
	16.3.3.	Budget Compliance	117
	16.3.4.	Operating Cost	117
Chapter	17	Objectives, Responsibilities & Functions of e-procurement	118
	17.1	Objectives of e-procurement	119
	17.2	Scope	119
	17.3	Creation & publishing of NIT on e-procurement	119
	17.4	Sale of tenders	120
	17.5	Receiving of Bids	120
	17.6	Evaluation of tenders	120
	17.7	Incase of single packet system	120
	17.8	In case of two packet system & EPC system	121
	17.9	General guidelines of e-procurement process	121
	17.10	Uploading of NIT and tender documents by user department	122
	17.10.1	Notice inviting tender (NIT)/tender documents	122
	17.10.2	Downloading of tender documents	122
	17.10.3	Authentication of e-bids	122
	17.10.4	Uploading of hardcopies, by prospective bidders	123
	17.10.5	Bid submission on e-platform and getting unique acknowledgement	123
	17.11	Opening of technical bids/price bids on e-platform	123
	17.12	Submission of original documents, DD/BG towards EMD by successful bidders	124
	17.12.1	Failure of successful bidders to submit original certificate/Documents, DD/BG towards EMD	125
	17.13	Processing of tenders invited through e-procurement platform	125
	17.15	Special terms & conditions to bidders	125
	17.16	Additional terms & conditions	126
	17.16.6	Submission of hardcopies	127
	17.16.7	Bid submission on e-platform and unique acknowledgement	128

List of Notations Used		
Sl. No.	Notation	Full Form
1	APGST	Andhra Pradesh General Sales Tax
2	AWB	Advance Way Bill
3	BG	Bank Guarantee
4	BOD	Bid Opening Date
5	BOM	Bill of Materials
6	BOR	Bid Opening Register
7	CPR	Cash Purchase Requisition
8	CST	Central Sales Tax
9	DD	Demand Draft
10	DGS&D	Directorate of General Supplies & Disposals
11	DOP	Delegation of Powers
12	EMD	Earnest Money Deposit
13	EV	Estimated Value
14	IBR	Indian Boiler Regulation
15	JIT	Just in Time
16	LOI	Letter of Intent
17	LPP	Last Purchase Price
18	LR	Lorry Receipt
19	LT	Limited Tender
20	MMD	Materials Management Department
21	MPIC	Material Planning & Inventory Control Group
22	MRO	Maintenance, Repair & Operating Supplies
23	NIT	Notice Inviting Tenders
24	OEM	Original Equipment Manufacturer
25	OES	Original Equipment Supplier
26	OT	Original Tender
27	PAC	Proprietary Article Certificate
28	PBG	Performance Bank Guarantee
29	PI	Proforma Invoice
30	PMSM	Purchase Management System Manual
31	PO	Purchase Order
32	PPO	Proposal for Placement of Order
33	PR	Purchase Requisition
34	PSD	Permanent Security Deposit
35	PSU	Public Sector Undertaking
36	PWB	Permanent Way Bill
37	QAP	Quality Assurance Plan
38	QR	Qualifying Requirements

39	RC	Rate Contract
40	RFQ	Request for Quotation
41	ROS	Release Order for Scrap
42	RR	Railway Receipt
43	SD	Security Deposit
44	SGPC	Standard General Purchase Condition
45	SMSM	Stores Management System Manual
46	SOD	Statement of Deviations
47	SOS	Sale Order for Scrap

Chapter- 1
Preamble

Preamble:

1. After restructuring of Andhra Pradesh State Electricity Board, the responsibility of effective and economical power generation has been entrusted to Andhra Pradesh Power Generation Corporation Ltd. Need was felt to evolve its own policies and procedures on Materials Management Functions, keeping in view the fast changing market conditions and scenario of power sector. Formulation of Purchase Policy and Purchase Management System Manual is the first step in this direction.
- 1.2 While the Purchase Policy provides overall guidance under which purchasing functions shall operate, Purchase Management System Manual contains uniform procedures to be followed at all the business units including Corporate Office. Purchase Policy and System Manual aim at not only effective and efficient operations but also making purchasing as a profit centre.
- 1.3. **System Manual is intended to provide:**
 - a) A standard reference for personnel responsible for purchasing functions. All the forms used in purchasing are standardized and form a part of this manual (appendices/Annexes). Due to this standardization of procedures, personnel engaged in purchasing can be trained more effectively on continuous basis.
 - b) A readily accessible form of a complete record of all standing instructions.
 - c) Uniform procedure to be followed at all business units. The personnel thus shall become accustomed to policies and procedures followed in the organization. This shall help in smooth inter-unit transfers. New persons can also quickly be taught the policies and procedures under which they are expected to act.
 - d) Management's position and greater consistency and authenticity on important issues including delegation of authority in the administration of purchasing functions.
 - e) Substantial savings in printing of standardized purchasing formats and improved availability.
 - f) Easy methods of evaluating and comparing the efficiency/performance of purchasing functions at various business units since they shall be operating on same system.
 - g) Help in defining each function in purchasing and assistance in proper supervision and appraisal.
- 1.4. The Manual shall facilitate maximum standardization of procedure and paper work as these have been formulated after a lot of deliberation and review. In view of this, it is expected that manual is expected to be most satisfactory and induces economical advantage in operation.
- 1.5 The procedures contained in this Manual are finalized in consultation with concerned departments. As such it is expected to fit to requirement of all the departments and provide satisfactory guidance.

Chapter-2
Objectives, Responsibilities
&
Functions of Purchasing

2. Objectives, Responsibilities and Functions of Purchasing:

2.1. Objectives of purchasing

The basic objectives of Purchase Management are to purchase Right Quantity and Quality of materials at Right Price from Right Source and at Right Time and Place. Each one of these objectives has its own significance. A prudent buyer always proceeds by balancing these objectives. Highest quality is not always the right quality- right quality is one, which meets intended use at the right price. Similarly lowest price is not always the right price; price has to be related with the requisite quality for the intended use. In purchasing we shall look forward for evaluated lowest price meeting the technical suitability. It is further to be ensured to buy right quantity. If supplies are inadequate, operation and maintenance shall suffer and if are in excess, more capital shall be blocked resulting in adverse impact on working capital and higher inventory carrying cost. The optimum quantity shall be the one, which meets both operating and financial objectives. The essence of maintaining optimum stock is the timely flow of materials. The above objectives further depend on set- up of a network of dependable/ reliable sources of supplies.

The summarized objectives of purchasing are:

- a) to maintain continuity of supply to support scheduled operation and maintenance and other related needs of the organization.
- b) to maintain the right quality of purchased materials based upon pre-determined standards, technical specifications and suitability i.e. meeting functional needs efficiently.
- c) to procure the materials at lowest possible overall cost, consistent with quality and service requirements.
- d) to avoid duplication of purchases which result in waste, redundancy and obsolescence.
- e) to keep the investment in inventory at the optimum level so as to meet both financial and operational requirements.
- f) to develop reliable sources of supply which shall include alternate sources for critical materials for strategic reasons.
- g) source development shall also aim at reducing dependence on original equipment manufacturer or foreign suppliers through process of developing alternate sources of supply/ import substitution.
- h) to critically evaluate the performance of suppliers so as to weed out those, whose performance is not up to the mark and strengthen business relationship with those whose performance had been found consistently satisfactory.
- i) to reduce lead- time of procurement and enter long term contracts for items of regular use.
- j) to train and develop a professionally competent team of purchasing personnel to attain above objectives and make purchasing a profit centre.

2.2. **Responsibilities of Purchasing:**

2.2.1 Provide all materials and services that organization decides not to provide internally. This involves:

- i) All the purchases are made against the proper and duly approved Purchase Requisitions (PR)
- ii) Select and develop as required, vendors capable of meeting organization's needs.
- iii) Terms and conditions governing purchases shall be made known to supplier from the very beginning i.e. at the time of 'Notice for Inviting Tenders', Terms and conditions shall be so formulated that they ensure timely delivery of materials at right time and place and maintain transparency in tendering process. Tender documents through standard tenders and conditions must be communicated to the bidders. The methodology of loading for deviations in their offers with reference to standard terms and conditions shall also be indicated.
- iv) Prepare and sign all purchase orders/ contracts so that the need of the organization is and all pertinent terms and conditions related to purchase are clearly understood by the suppliers and documented accordingly. The language shall not be ambiguous.
- v) Suppliers also sometime quote with their own standard/ special terms and conditions which need to be examined carefully and contradictions, if any, shall be clarified before placing orders. This shall be important to avoid complication.
- vi) Monitor supplier's performance and related organization activities during course of contract to assume that performance is accomplished by both parties in accordance with what originally intended.
- vii) Renegotiate or terminate purchase orders/contracts as required when changes occur or as other conditions develop that warrant such actions.

2.2.2 Review purchase specifications and assist, operating departments, in selection of required materials and services for standardization purposes and ensure their availability from competent suppliers.

2.2.3 Protect the organization from all unnecessary or unauthorized commitments, which may result from inappropriate contract or discussions with the suppliers.

2.2.4 Dispose off all obsolete materials, equipment or scrap that is no longer required for organization's operations.

2.2.5 Systematic evaluation of vendor's performance based upon parameters of price, quality, delivery and other attributes as necessary for the organization.

2.3. **Broad functions of purchasing are:**

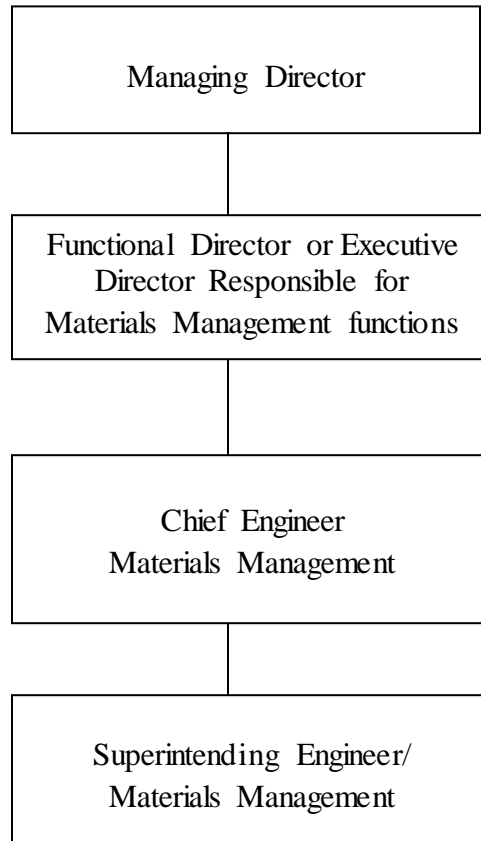
2.3.1 To support organization's operation and maintenance of power stations and other facilities at Corporate Office with an uninterrupted flow of materials and services as and when, they are required. This has to be done in a planned way keeping in view the very high non-availability/stock-out cost of materials.

- 2.3.2 To buy competitively and wisely- 'competitively' involves keeping abreast of market conditions and environment and buying at right price. 'Wisely' involves a constant search for better value in terms of quality and services.
- 2.3.3 To identify right sources of supply. This will in turn eliminate the problems of right quality, delivery at right time and economy; and as a result of this major dispute can be avoided/resolved by mutual appreciation of each other's views. Efforts need to be made for enlistment/empanelment of potential/ result oriented vendors for various categories of materials.
- 2.3.4 To strive hard for import substitution to save foreign exchange and improve availability. In this direction indigenous vendor development shall be accorded requisite priority and system of placing developmental order shall be evolved.
- 2.3.5. To develop new sources of supplies for high consumption value spares to reduce dependency of original equipment manufacturers. This may result in reduced lead-time and lower prices.
- 2.3.6 Identification, development, enlistment and evaluation of vendors may not be the end of process of establishing a network of goods/reliable sources of supplies. What needed is, the long lasting relationship and mutual understating. This function as such needs cordial buyer-seller relations. Timely payments to suppliers as per provision of contract, prompt pre-dispatch inspection, if required as per agreed terms of order, attending to genuine problems faced by the vendors in the process of execution of order and providing due courtesy to their representative visiting buyer's works/office, are some of the issue a vendor is normally concerned and would be very helpful in motivating the supplier to provide best of services and strengthening relationship.
- 2.3.7 In order to ensure timely availability of materials, a system of progressing and expediting shall be in place. Vigorous follow-up needs to be done for critical spares/materials through regular discussions, messages and if need be by visiting supplier's works.

Chapter-3
Organisational Structure

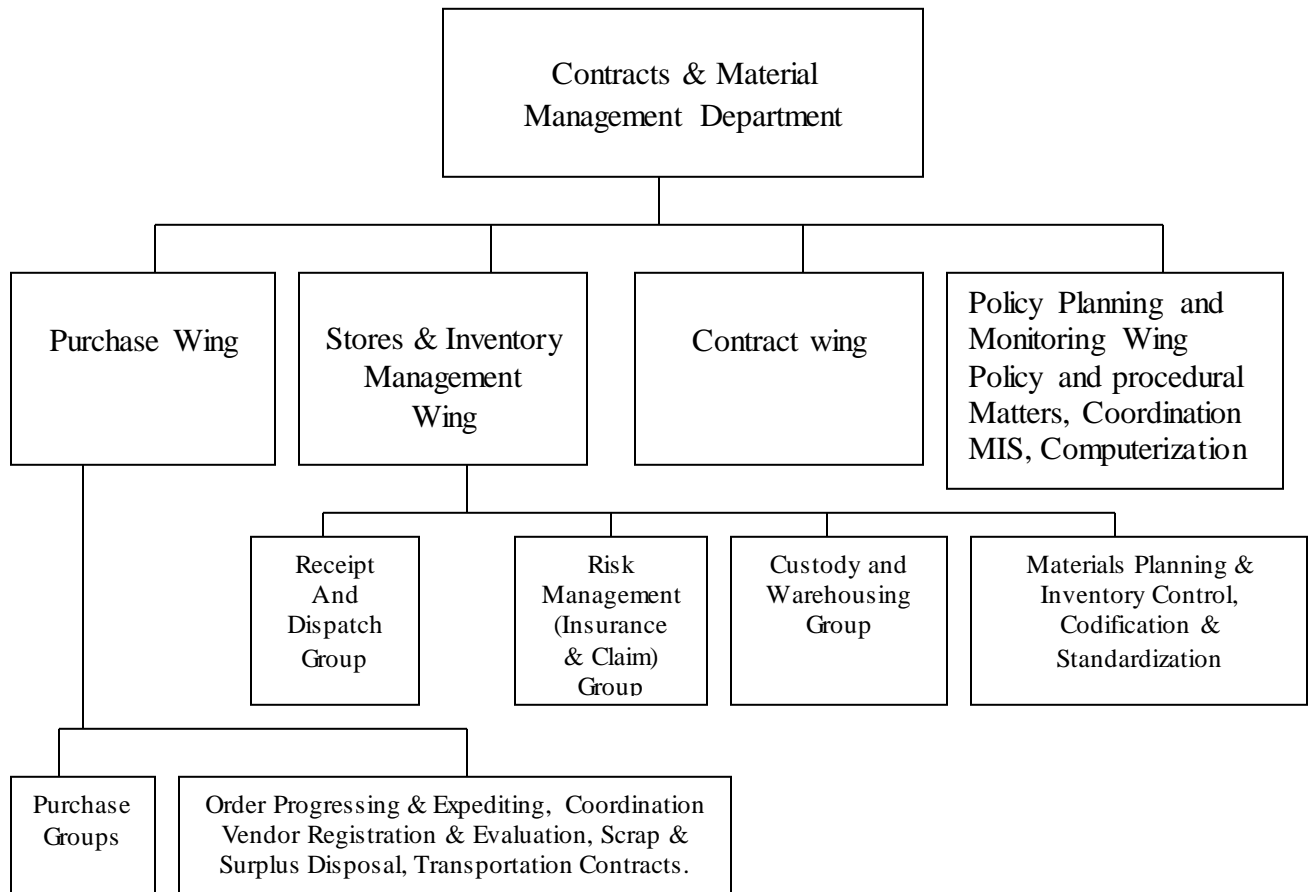
3. Organizational Structure

3.1 Organization Chart of Materials Management Functions at Corporate Office



Note: Placement of executives at the level of SE, DE, ADE, Asst. Engineer and supporting staff may be decided, based upon the work load.

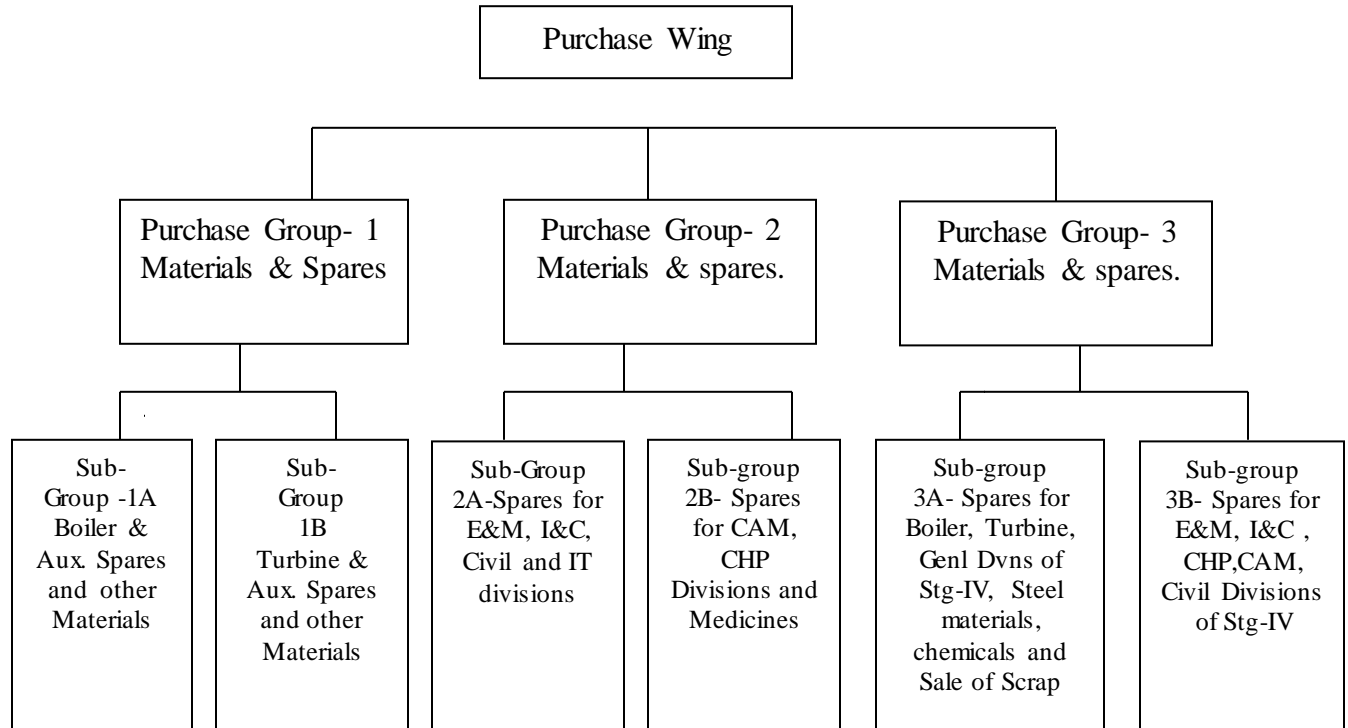
3.2. Organization chart of Contract & Materials Department at Power Stations



Note:

- (i) The chart is based upon the size of a plant of Dr. Narla Tata rao Thermal Power Station, where Superintending Engineer will head Material Department and a Divisional Engineer will head each Wing.
- (ii) Purchase group will be headed by Assistant Divisional Engineer/Assistant Engineer depending upon availability.
- (iii) For comparatively smaller power station, the department can be headed by a Divisional Engineer, supported by Assistant Divisional Engineer/Assistant Engineer.

3.3. Organization Chart of Purchase Wing:



Note:

- (i) Each Purchase Wing shall be headed by a Divisional Engineer. All the Divisional Engineers may directly report Superintending Engineer.
- (ii) Purchase groups shall be headed by Assistant Divisional Engineer and supported by Assistant Engineer and other ministerial staff.
- (iii) The above chart is for bigger power stations like Dr.NTTPS and for smaller Power Station, Level of Engineers and Grouping and sub-grouping can be modified to suit the needs.

Chapter-4
General Principles of
Purchasing

General Principles of purchasing and professional Ethics:

4.1. General Principles of Purchasing:

- 4.1.1 The competent authorities vested with the approval and processing of purchases shall adhere to the time tested procedures and maintain financial propriety as per the instructions issued from time to time. The decision shall be based upon the recommendations of appropriate level Tender Evaluation Committee consisting of members from Materials, Finance and Indenting Departments for high value Purchases (Rupees one lakh and above) thus ensuring transparency and objectivity. For small value purchases (below rupees one lakh), authority for approval may be exercised after techno-commercial evaluation and financial vetting/ concurrence of proposal.
- 4.1.2 In purchasing materials, officers/staff shall observe adequate vigilance as a safeguard against infructuous expenditure and exercise prudence, as they would normally do in respect of their personal expenditure. In order to ensure this, expenditure on purchases shall always be need based and shall not be spent on anticipatory requirements, not having immediate use.
- 4.1.3 Since the purchases in Public Sector are based on competitive bidding, the following two policies shall always be remembered.
- a) Purchaser is willing to do business with every supplier from whom offers are solicited. The policy as a result of this states that suppliers requested to bid must be determined qualified in advance (before issue of bids)
 - b) Whenever lowest bidder does not receive order, purchaser is obliged to record reasons and higher competent authorities approve such proposal.
- 4.1.4 **Purchasing professional shall respect and maintain integrity of competitive bidding process:**
- (a) Invite only those firms to whom you are willing to award a contract to submit bids.
 - (b) Normally award a contract to the lowest responsive, responsible bidder. If the buyer anticipate the possibilities of awarding to other than the lowest bidder, then he or she must notify the prospective bidders that other factors will be considered (ideally, these factors shall be listed)
 - (c) Keep competitive price information confidential.
 - (d) Treat all the bidders alike; clarifying information is given to all potential bidders.
 - (e) Do not accept bids after the announced bid closing time and date unless considered under exceptional cases as detailed in (f).

- (f) In exceptional circumstances, under conventional mode of tendering, the bidder may send the offer by FAX/scanned copy by email (email ID.....) with all terms and conditions, which shall be considered subject to fulfillment of following conditions:(**NOT APPLICABLE for e-Procurement**)
- i) Fax offers are received in time before scheduled bid opening date and time.
 - ii) Fax offer indicate basic and essential features of the tender
 - iii) They are followed by regular offers as confirmatory offers which have been sent by Registered Post/ Speed Post, at least one day before the scheduled date of opening and received within reasonable time.
 - iv) The confirmatory offers fully conform in all respects to the offers furnished through fax.
 - v) The confirmatory hard copy must be received with in Six working days only.

4.1.5 The following further cautions shall be taken care for purchasing materials:

- (a) Bulk purchases shall normally attract quantity discount. This should not lead to over-stocking causing loss to the organization by way of expiry of shelf life or redundancy/ obsolescence.
- (b) Purchase Requisitions shall not be split-up to avoid the necessity of obtaining sanction of higher authority.
- (c) The orders shall be placed on lowest technically evaluated vendor. As far as possible, negotiations shall be avoided. If due to certain extraordinary situations, need for negotiation is felt those shall be limited only with lowest evaluated vendor.
- (d) The suppliers shall, not be allowed to make changes in terms and conditions having financial implications, after acceptance of the order.

4.1.6. When the conditions regarding quality and prices are comparable, preference in making purchases should be given to the local manufacturing goods in the following order:

- (a) To articles, which are produced in India in the form of raw materials or are manufactured in India from the raw materials produced in India to boost indigenous industry.
- (b) To article wholly or partly (partially) manufactured in India from imported materials or with foreign collaboration
- (c) To article of foreign manufactured held in stock in India and
- (d) To article of foreign manufactured abroad which need to be specifically imported.

Chapter-5
**Source Selection, Registration
& Evaluation of Vendors**

5. Source Selection, Registration and Evaluation of Vendors

5.1. Source Selection:

In addition to the reliable sources of supplies, who have already established their credential with APGENCO, possibilities shall further be explored on continuous basis to identify efficient and reliable vendors in the market. Such information can be obtained through:

- (a) Various power stations of APGENCO
- (b) Other organizations in power sector
- (c) Suppliers catalogues, Trade Directories.
- (d) Trade Journals and Trade Exhibitions.
- (e) Information provided by prospective suppliers (Introductory letters, sometime along with technical literature)
- (f) Professional Consultants.
- (g) Information provided by various user/indenting departments.
- (h) Central Purchase Organization of Government of India (DGS&D)
- (i) Response received against Open Tender Enquiries (Notices for Inviting Tenders)
- (j) Press advertisement for enlisting of vendors for various categories of materials

5.1.1. While selecting right sources of supplies, we should look for:

a) Quality Product/Services

Quality is to be understood in two ways: quality offered and quality delivered when any item is being purchased for the first time, quality requirement becomes more important: can the supplier make to the standard required? What facilities they may provide if stage inspection or pre-dispatch inspection is done at their works? And last but not the least, how the supplier responds to complaints of rejection of goods?

b) Delivery:

Delivery means both how long the supplier says, is required to complete the order and how reliable is what he says? Does the supplier agree to phased delivery to enable APGENCO to keep down investment in inventory? APGENCO further expects from a reliable source not only to adhere to agreed delivery period but also improves the period when there is crisis without, exploiting the situation.

c) Services:

Services mean anything, which helps to strengthen relationship between buyer and seller and facilitate smooth flow of goods. Good services may also include the provision of technical assistance and expert advice, before and after sale, information about new technical development. For equipment and machinery, after sale services are important which include i) an efficient network to provide after sale services; ii) ready availability of quality spares at reasonable cost and iii) training facilities for APGENCO's personnel for operating and maintaining the equipment.

d) **General Efficiency:**

The supplier should not only have sufficient and proper manufacturing capacity but also related experience in producing the required materials. They should have sufficient and experienced manpower and maintain good labour relations. Financial position of supplier obviously affects their capabilities to respond to purchaser's needs. They should have economical and financial infrastructure to execute the orders in time.

5.1.2. Source selection shall be done as per the following categorization:

- a) Vendors for items falling under 'A' class, as far as possible shall be enlisted individual item-wise.
- b) Vendors for items falling under 'B' and 'C' class shall be enlisted trade group-wise (List of trade groups shall be prepared after clubbing together a number of Main Groups from APGENCO's Materials Codification Scheme). For example-enlistment of vendors for "Welding materials. Electrodes and accessories" or "Electrical lamps. Indicating lamps, fittings and installation materials".

5.2 Vendors Registration

5.2.1 For the purpose of vendor registration an advertisement in newspapers may be published, inviting application as per the prescribed application form (Annexure 30). In order to ensure satisfactory response, a copy of press advertisement shall be sent to reputed manufacturers/their sole distributor or dealers inviting them to get themselves as registered vendors of APGENCO units. Such information may also be sent to NSIC and State Industry Department inviting their registered parties to apply for registration. The fee for registration shall be **Rs.2000.00**

The above fee shall be for each category of items. If a vendor is interested for registration in more than one category, they must apply for each additional category separately.

5.2.2. No formal application may be insisted upon for registration from Central and State Public Sector Undertaking.

5.2.3. The vendors who had met qualifying requirements including evaluation of their credential against earlier Open Tender Advertisement (NIT) for procurement of specific items may also be recommended for registration. In this regard a specific clause shall be provided in NIT like "Those vendors who meet qualifying requirements and respond against this tender may also be considered for enlistment as approved vendors of APGENCO, which shall be valid for a period not exceeding three years".

5.2.4. The credential of vendors seeking registration need to be verified to ascertain their credibility with regard to financial standing i.e. annual accounts, capacity, reliability bonafides **IT PAN, recent sales tax paid challans**, Solvency Certificate from bank), past performance, quality assurance system, testing facilities and managerial capabilities.

For this a committee consisting of representative from Materials, Finance, Quality Assurance and user/indenting department shall be constituted and approved by Chief Engineer/Head of station/Functional Head at Head Quarters/Division. The minimum level of committee members shall be ADE or its equivalent and its tenure shall be one financial year.

5.2.5. Screening of applications:

(a) Preliminary screening of application would be taken by Material Management Department with reference to information provided in the prescribed formats. All applications shall be grouped in the following:

i) **Manufacturers:**

- Leading Public Sector Manufacturers:
- Manufacturers other than PSU
- Small Scale Industrial Units

ii) **Suppliers:**

- Authorized Distributor/ Dealers
- Traders/local suppliers

(a) Vendor assessment/ appraisal (Annexure 31) sheet shall be filled up after review of each application by Vendor Registration Committee and put up recommendations for approval of competent authority.

(b) For certain critical materials and spares, committee and/or APGENCO nominated / third party may visit works of potential vendors for verification of their manufacturing capacity, adequacy and care of production equipment, in-house quality assurance system, testing facilities available, technical know-how of supervisory personnel, competence of management etc.

(c) Similarly details of sources identified vide clause 5.2.2 shall be reviewed by the Vendor Registration Committee and recommendation shall be put up for approval of competent authority.

5.2.6 Approval for Registration:

Chief Engineer/Material Management at Corporate Office shall only accord approval for registration. Field Chief Engineers can send proposals to Corporate Office for Registration.

5.2.7 Registration Certificate:

The vendors approved for registration for one and more categories of materials shall be allotted a Registration Number and shall be issued a Registration Certificate (Annexure 32) which shall be valid for a period of three years from the date of approval of competent authority.

5.2.8 Renewal of Registration:

Renewal of registration shall be done for a further period of three years based upon the performance of vendors during the last three years. Vendors seeking renewal shall submit a fresh application form, four months prior to expiration of the validity of registration, duly filled in, along with necessary documents like current IT PAN, recent sales tax paid challans, balance sheet etc. Renewal fee of Rs.2,000/- shall be remitted in the form of Demand Draft.

5.2.9 Consideration of fresh applications:

Fresh application shall be considered on continuous basis.

5.2.10. Pre-mature Termination of Registration:

Premature termination of registration of vendor may be done with the approval of Chief Engineer/vendor registration wing, if the vendor is non-responsive against tender enquiries or on account of its performance or disabilities as detailed below:

- a. The performance of vendor is rated below the minimum acceptable level during the evaluation process and no improvement is observed in spite of a notice to this affect.
- b. Vendor fails to execute the order.
- c. Vendor no longer has the technical staff or equipment considered necessary for production of requisite materials.
- d. Vendor is declared bankrupt or insolvent or its financial position has become unsound and in case of public limited company, it is wound up or taken into liquidation.
- e. Vendor fails to furnish any document when called for.
- f. Registration of vendor is cancelled by any business unit of APGENCO or by another PSU or Government department.
- g. The integrity of vendor is suspected

5.2.11 Banning of vendors for future business dealing:

This shall be done in case unethical business practice is established or furnishing wrong information, false/ manipulated documents or the vendor is charged by CBI for an offence against Government regulation and subsequently prosecuted in the court of law. Banning orders shall also indicate names of all partners, director etc of the company and its allied /sister concerns, if any.

5.2.12 Revocation of Pre-mature Termination of Registration:

Pre-mature termination can be reviewed and revoked by competent authority, if it is of the opinion that disability already suffered is adequate in the circumstances of case. Such review may be carried out on specific representation from the vendor with categorical assurance of not repeating the circumstances under which registration was terminated.

5.3. Vendor rating:

Systematic evaluation of vendor consists of 'vendor appraisal', which is done before tendering, and vendor rating in numerical terms is done after tendering process and placement of orders. Vendor appraisal is the assessment of their potential performance whereas rating is the measurement of actual performance. After having appraised the vendor (clause 5.2.) vendor registration is done.

5.3.1. Aim of performance rating :

Vendor rating summarizes the actual performance, which includes attributes like price, quality, delivery, services/adherence to commercial terms and conditions etc. The aim of performance rating shall be:

- (a) To provide purchaser with objective information, upon which judgement relating to source selection is based.
- (b) To enable purchaser to provide information to the vendor pertaining to their performance. This helps them to improve their performance, if required and also to the purchaser to discontinue business dealing with those vendors, who do not improve to requisite level inspite of feed- back.

5.3.2. Determination of attributes and assignment of weightage :

We may not consider price as an attribute obvious to the reasons that our most of purchasing is based on competitive bidding and price can simply be compared. However quality of products, timely delivery and services including adherence to commercial and contractual conditions are important attributes. For us, supply of quality product as per order specification is very important, as cost of failure of a part/material is very high in an operating unit. Equally important is availability of materials when needed.

Non- availability of a critical spare/material may even result is loss of generation. In fact timely delivery is the first step towards 'Just- In- Time' inventory model. In view of this both quality and timely delivery are assigned equal weightage of 40 each in scale of 100 point measurement. Another important area of procurement process is adherence of commercial/contractual conditions by the vendors. We may assign weightage of 20 to this attribute i.e. 10 each to pre-order and post order phases.

5.3.3. In view of above the weightage table shall be as under:

Attributes	Measurement criterion	Weightage
1. Quality performance	Technical rejections (Rejections due to damages in transit shall not be considered)	40
2. Delivery performance:		
a) Time schedule delivery Performance	Ratio of contracted delivery to actual delivery (Date of dispatch shall be consideration. Part of week shall be reckoned as full week)	20
b) Quantity schedule delivery performance	Deviation in quantity supplied (shortages due to transit loss or damages shall not be considered + or - 5% deviation in supplied quantity also not to be considered)	20
3. Commercial & Contractual performance		
a) Pre-award performance	Response to tender enquiries and subsequent queries/clarifications, Extent to match special Commercial terms, Deviation to General terms etc	10
b) Post award performance:	Deviation sought to P.O. terms, compliance of Dispatching and invoicing instructions. After Sales Services etc	10

5.3.4 Calculation of vendor rating shall be as under:

a) Quality performance	= 1 - $\frac{\text{Rejected Quantity}}{\text{Supplied quantity}}$	X Weightage (40)
b) Time schedule performance	= $\frac{\text{Contracted Delivery period in weeks.}}{\text{Actual delivery period or contracted delivery period in weeks, whichever is higher}}$	X Weightage (20)
c) Quantity schedule Performance	= $\frac{\text{Quantity received (acceptable)}}{\text{Quantity ordered}}$	X Weightage (20)

Commercial and Contractual performance shall be rated as per format (Annexure 33)

5.3.5 On the basis of score against each attributes vendor rating shall be arrived at and minimum qualifying percentage shall be as under:

	Attributes	Minimum percentage score
a)	Quality	60%
b)	Delivery	60%
c)	Commercial/contractual performance	50%

5.3.6 Based on points scored against the above attributes, vendors shall be categorized as under.

	Vendor Rating	Points scored (%)
a)	Outstanding	75 and above
b)	Very good	between 65-75
c)	Good	55-65
d)	Unacceptable	Less than 55

5.3.7 A positive feedback i.e. appreciating their efforts for maintaining quality, delivery and services including adherence to commercial and contractual terms and conditions furnished to those vendors who are rated 'Outstanding' and 'Very Good'. Such appreciation may work as a motivating force for future performance. As regards vendors rated as 'Good' they shall be advised to improve upon their performance so as climb to the category of 'Very Good' vendor. Performance of these vendors should be reviewed periodically and slippage, if any, in the rating should immediately be high-lighted so that they may not fall to the category of 'Unacceptable' rating and thus become unacceptable vendors. The vendors falling under category of unacceptable shall be issued warning/notice and if they do not perform to the expectation, business dealings shall be discontinued and their registration shall be terminated (under clause 5.2.10.a)

Chapter-6
**Purchase Budget &
Budgetary Control**

6. Purchase Budget & Budgetary Control

- 6.1. Budgets are plans of action quantified in money for some future time. The basic concept of budget is to balance expenditure with income, which need to be an on going process and not an yearly exercise.

Budget as such can be defined as a **financial and/or quantitative statement, prepared prior to a period of time of the policy to be pursued during that period for the purpose of attaining a given objective.**

- 6.2 **Budgetary Control** implies, using budget as a basis of control for activities of an organization and an exercise to watch closely and carefully to provide feed- back to check operating efficiency and to reach pre- determined targets.

Budgetary control as such can be defined as **the establishment of budget, relating the responsibilities of executives to the requirement of policy and continuous comparison of actual with budgeted results either to secure the objective of that policy either by individual action or to provide basis for its revision.**

- 6.3. A budget is derived from Operation & Maintenance plans, which have been formulated and should allow for subsequent comparison, evaluation and control of the efforts made to meet the objective, set out in the plan. In APGENCO, like its any other department, Purchase Budget is developed keeping in view the following aspects.

- a) Operation & Maintenance Plan.
- b) Outstanding orders for major maintenance spares, which is obligatory expenditure on past contractual liabilities.
- c) Agreed stock levels and current lead- times.
- d) Corporate decisions
- e) Price trend of key materials and spares.
- f) For imported spares, possible changes in import duties, comparative currency exchange rate changes etc. as they effect goods procured from overseas.
- g) Purchase budget need to be formulated and presented in such a manner that it allows fast consideration of the effect of changes.

- 6.3.1 Budget estimate for stock items are worked out by Stores Wing of Materials Management Department keeping in view the above aspects, past consumption data, anticipated changes in consumption (Number of Overhaul in a year at the Power Station being one of major factor) pattern etc. As regards budget estimate for non-stock items, the same are worked out by individual user department and furnished to Purchase Budget Coordinator. By consolidated the total estimate as above Purchase Budget is formulated.

- 6.3.2 Timing of purchase is important in view of cash flow management, which needs to control the amount of cash required during each period. Financial management should be taken into confidence if major deviations are made from budget either to take advantage of unusual supply opportunity (buying higher quantity due to attractive quantity discounts from supplier or anticipating substantial increase shortly) for changes which reduce expected expenditure substantially (arrangements for stockless buying/consignment buying which reduce inventory holding) It is important that budget to performance comparisons are made promptly to allow management to act quickly. Computers can provide comparative data on an on- going basis with benefits in control terms.
- 6.3.3 Purchase budget has basic advantages- Head of Materials is forced to forecast future changes, plan to attain the objective, monitor progress and initiate timely action as and when needed. Budget may be as good as estimates upon which it is based and since business involves so many variables, forecast may not prove correct. However a good budget system shall be flexible enough to accommodate such changes. Apart from changes in external environment, the budget can signal deficiencies within the organization. Variation from budget, both inside and outside the organization will only be signaled by budget system. The responsibility for adopting and correcting still lies with Head of Material Management Department.

6.4. Objectives of Purchase Budget:

- a) The objective of purchase budgetary control is that items especially of major expenditure shall not be purchased unless provisions are made for the same in the approved budget estimates thus avoiding unplanned purchases.
- b) Exercise effective coordination between various activities essential to the expected requirements and the corresponding and consequent needs to make present commitment, keeping in view the lead-time and also the commitments already existing. This is essential to make optimum use of available funds sanctioned through budget provisions.
- c) The basic function of Materials Management is to maintain high service level concurrent with conflicting concern to minimize inventory can be achieved only by balancing inventory (bringing down the number/stock holding of non-moving/ slow moving items and optimizing stock of moving items), rapid turn over and phased deliveries of high consumption items ('A' class items). Purchasing function as such shall actively coordinate with the functions of material forecasting, replenishment and control and is accountable for the commitments made not only at the stage they are entered into but also continuously during the period from the date of such commitment until orders are executed, payments are made to the suppliers and orders/contracts are finally closed. This requires continuous watch on consumption of 'A' class items and regulating the supplies in line with current and expected requirements. This can be achieved by vigorous coordination with suppliers of key materials to arrange staggered deliveries.
- d) A continuous control is required on quantum and phasing of purchase commitments as also their materialization physically consistent with continuity of supply duly regulating physical receipts so that payments are kept within the sanctions on the one hand and on the other hand meeting requirements of O&M.

Chapter-7
**Material Planning &
Requisitioning**

7. **Material planning and requisitioning:**

7.0 The first step in the process of purchasing is recognition of needs of materials, which may include

- a) Materials for production/ generation of power.
- b) Maintenance, Repair and Operating supplies (MRO)
- c) Capital, Plants & Equipment

Some of materials are purchased to meet immediate requirements whereas some are purchased for future consumption due to unpredictable requirements especial of spares and length of lead- time

7.1. **Material Planning & Provisioning:**

For the purpose of material planning and provisioning entire stores items shall be divided into two categories viz.

- a) Stock items
- b) Non stock items

7.1.1 Stock items: Are those items, which are regularly required by many user departments (in exceptional cases only by one department, items like chemicals) and have a stabilized/established consumption pattern so that those are brought under Automatic Replenishment System (also known as Minimum & Maximum System of Inventory Control) by fixing their minimum stock (also known as safety stock to meet the increased requirement during the lead- time or delays in receipt of materials over the normal lead-time), reorder level (stock representing the normal (mean average) lead time requirement and safety stock), reorder quantity and maximum stock. As soon as available stock and quantities in pipe- line (pending requisition/indents and pending purchase orders) reach reorder level, need for replenishment is felt. Inventory levels are fixed keeping in mind, past consumption pattern, anticipated changes in future requirements, average length of lead-time and criticality of items. In a power plant, some of the regularly used and fast moving items/consumable in material categories of Chemical and Gases, Metal Ferrous and Non-ferrous, Surface Coating Materials and Paints, Oil and Lubricants, Fasteners, Packing Metallic/Non-metallic, Building Hardware, Welding Electrodes and accessories, Stationery, Paper, Office and Print Room Supplies, Printed Format and Stationery, Computer Stationery and Consumable, Electrical Lamps, Indicating Lamps and Installation materials, Electrical Wires, certain types of fast moving spares such as under Automatic Replenishment System (AR items). The above categories are not exhaustive and any other item fitting to definition of stock items can be brought under AR category.

7.1.2. Non-stock items: All items other than those declared as 'stock items' shall be 'non stock' items for purpose of material planning and provisioning, which shall be done by the individual user department, may be for their immediate specific requirement or for future use for maintenance and operation of plant and equipment. Provisioning of spares falling under category of Insurance and Unit Replacement shall be done in consultation with Corporate Office whereas for consumable spares shall be done by maintenance experts at power station.

7.1.3. Materials planning and provisioning for both stock and non stock items shall be based on selective control technical of ABC, as under:

- ‘A’ Class items - Annual Consumption Value over Rupees 5 lakh.
- ‘B’ Class items - Annual Consumption Value over Rupees 50,000 to 5 lakh.
- ‘C’ Class items - Annual Consumption Value upto Rupees 50,000.

The list of ABC items shall be generated by MIS Department at power station on the beginning of each financial year.

7.2 Materials Requisitioning/Indenting

7.2.1 Consolidated Purchase Requisitions (also known as Purchase Indent) in the prescribed format for stock items shall be raised by Stores Section, as soon as available stock and outstanding quantities reach reorder level, rather than piece-meal quantity by different user departments. No other departments are authorized to raise Purchase Requisition for stock items and in view of this an updated list of items declared as ‘stock items’ shall be furnished to user departments from time to time. As soon as Online System is implemented and Purchase Requisitions are generated through the system, excess for generating PR for stock items shall be restricted only to Stores Section. Requisitioned quantity for ‘A’ Class items shall be equivalent to 6 months consumption plus a margin of safety stock. However, if annual requirements for ‘A’ class item is requisitioned, phased deliveries in 2-3 installments shall be insisted upon. Purchase

Requisitions shall be prepared Main- Group wise as per the Codification Scheme and each PR should contain items of same Main-Group.

7.2.2 Purchase Requisitions (Appendix-A) for non-stock items shall be raised by user departments. PR for spares shall be raised for annual requirements, which shall be Equipment/OEM- wise. Requirement for ‘A’ class spares shall be critically reviewed and wherever feasible phased deliveries shall be insisted upon.

7.3 Information to be furnished through Purchase Requisitions:

7.3.1. Material Code/Folio Number :

Against each item/**material** code number, as per the Material Codification Directories shall be furnished. No Purchase Requisition shall be sent to purchase without item code number. If the item is being requisitioned for the first time, item/**material** code no. shall be obtained from APGENCO MDM team.

7.3.2 Material Specifications:

The requirements for materials shall be properly spelled out indicating clear and detailed specifications including National or International Standards, if any. Drawings/Blue Prints, if any shall be provided in sufficient quantities with PR, which could be furnished to prospective bidders alongwith tender enquiries. Requirements of calling sample with offers, if needed shall be indicated. If materials are to be manufactured to particular specifications/ drawings/ blue prints, requirement of approval of sample before bulk supplies shall also be indicated.

The following points shall be considered while drawing specifications:

- (a) The specifications should be drawn in general terms without quoting reference to any manufacturer or taking it as model specifications.
- (b) The user departments shall not ask for proprietary materials or draw specification around a particular product, unless it is unavoidable (In such cases Proprietary Article Certificate need to be furnished for procurement from single source). This limits competition and tantamount to single source procurement. Specifications shall normally be drawn in such a manner that there is wide field of suppliers and competitive bidding is done.
- (c) Over specifications should be avoided. Ask for quality, performance, which is essential for the job. It becomes very difficult to purchase materials if specifications are too rigorous.
- (d) If any special marking or packing is needed, include instructions with the specifications.
- (e) For inspection of materials, specifications ought to indicate what tests are to be carried out.
- (f) Specifications should be clear and complete and there is no ambiguity left for the bidder to quote for correct materials. This helps in avoiding reference between supplier and purchaser and between purchaser and user, thus reducing lead- time. Unambiguous and detailed specifications help in methodical evaluation by assigning percentage marks to each individual attributes and establish a viable techno-commercial link between performance/quality standards and cost for fair price assessment/comparison of all offers by the Tender Evaluation Committee.
- (g) While drawing specifications, proper unit of measurement must also be spelled out. Unit of measurement shall be based upon the market availability of items and convenience of user departments to draw the materials from Stores. For example never requisition set of items if individual items are required to be drawn from stores later on.

7.3.3 Quantity requisitioned:

In order to optimize stock holding level, quantities requisitioned shall be worked out, keeping in view, as stated earlier, the past consumption pattern, anticipated changes in usage (also considering annual overhauling plan), length of lead- time, criticality of items in operation of units, shelf life of items, buying and inventory holding cost. Lead- time, which is also variable, is one of the major factors in determining the requisitioned quantity; **Purchase Requisitions shall be raised atleast one lead-time in advance of expected date of usage.** Purchase section shall notify average lead- time for all categories of materials and also for different type of tendering, atleast once in a year so as to enable user departments to plan their requirement.

In order to exert control on inventory of spares, a detailed assessment/analysis sheet shall be furnished with Purchase Requisitions.

7.3.4 **Delivery**

The Purchase Requisition must specify the precise time by which the materials are required. The period of delivery shall be determined, keeping in view the lead-time of particular material so that Purchase Section have reasonable time for procurement action, delivery by supplier (especially time taken by major OEM/OES to execute the orders), transportation from supplier's works and receipt and inspection of materials at Stores. The use of such terms 'AS EARLY AS POSSIBLE', 'URGENTLY REQUIRED', 'TOP MOST URGENT', 'IMMEDIATE' etc. as against the date/ period by which goods are actually required, shall be avoided. It shall clearly be indicated in DELIVERY column as to by which date/ period materials are required, implying full quantity and in case phased deliveries are needed- by which date each installment is required to be delivered. The materials which are required for overhauling, their deliveries shall be projected to synchronize with planned overhauling dates.

Head of Requisitioning Department must approve emergent or urgent rating of P.R.

7.3.5 **Cost Estimates:**

A Purchase Requisition is an authority for expenditure and it is therefore imperative to indicate estimated cost. The estimated cost shall be workable as far possible. The basis for estimation should either be last purchase price with suitable escalation, if any or market trend. In case of new items, indenter has to use his experience and information from different sources to workout estimates. Cost estimates are used:

- (a) To enable the competent authority to approve the purchase requisitions as per Delegation Of Power
- (b) To enable Finance to certify budget- allocation and also exercise budgetary control.
- (c) To help purchaser to evaluate bids from the suppliers with reference to estimated cost.

7.3.6. **Budget Allocation :**

Purchase Requisitions shall be raised only when the budget allocation for the materials is available Budget head shall be indicated in the PR. In case of extreme urgency when budget allocation is not available, PR can be raised with approval of Head of Power Station/Division and Finance Department shall certify the same before the release of purchase order.

7.3.7. **Special Conditions to be incorporated in Purchase Requisition:**

Special requirements, if any shall be communicated to Purchase through the PR so that those are incorporated in the tender enquiries and subsequently in the purchase orders. Special conditions may include:

a) **Inspection of Materials:**

Whether inspection is to be carried out at vendor's premises before dispatch of materials or at destination after receipt of materials. It is advisable to opt for inspection at vendor's place in case- i) Requisite testing facilities are not available at the power station;

- ii) item being a critical and high value component, quality assurance is needed to be verified at different stage of manufacturing and finally the finished products; iii) when the cost of transportation is one of the major component of total cost of materials, rejection of materials after receipt at site may create problems with regard to liabilities of heavy freight charges (items like bulk chemicals- Ferric Alum. or Hydrated Lime or transformers/circuit breakers etc.). Sufficient copies of Quality Assurance Plans, if developed, shall be forwarded with the PR so that those are furnished to prospective bidders alongwith tender enquiries and subsequently become a contractual condition while placing the order.
- b) Requirement of Materials Analysis Report, Performance Test, IBR (Indian Boiler Regulation), ISI marking, Interchangeability Certificate, Guarantee/Warranty Certificate, Performance Bank Guarantee (for equipment) shall be spelled out so that these requirements are incorporated in the tender enquiry and subsequently incorporated in the purchase orders
- c) Qualifying requirements of vendors in case of Open Tendering (NIT)
- c) Approval of sample before bulk manufacturing and supply by the vendor. This is important when the spares are purchased from vendors other than OEM/OES or developmental orders.

7.3.8. **Suggested sources of Supplies:**

Although Materials Management Department shall be updating the directory of approved and registered vendors, indenting department may also indicate known and reputed possible sources of supply so as to ensure better response to tender enquiries.

7.3.9. **Proprietary Articles/ OEM/ OES/ Standardization/ Single Source Procurement Certificate.**

In case requisitioned goods are required to be purchased only from specified manufacturer, the above multi-purpose certificate (Appendix-C), duly filled in, and approved by an authority not less than the level of Superintending Engineering of indenting department, shall be provided along with Purchase Requisitions.

The multi-purposes of this document are as under:

- a) Certifies that the materials requisitioned are Proprietary Article of a particular manufacturer to the best he knowledge of indentor. This implies that materials shall be procured from this manufacturer/vendor only.
- b) Requisitioned materials have been standardized on single/multiple source(s) on recommended vendor (s) and as such to be procured from them only
- c) Requisitioned spares are proprietary for equipment manufactured and supplied by a manufacturer/supplier and as such need to be procured from them only.
- d) In exceptional cases, sometime procurement on single tender basis (not covered in a, b and c categories as above) is recommended by user department to buy a particular product to meet some specific needs, although there might be other similar product in the market. They may insist for a specific brand of materials in small quantity, which is tested and proven product.

7.4. **Objectives of Routing Requisitions through Materials Planning and Inventory Control Group of Stores :**

User Departments shall forward Purchase Requisitions (other than those for procurement of capital items which can directly be sent to Purchase) complete in all respect, duly approved by the competent authority as per Delegation Of Power, alongwith requisite documents (as explained in Section 7.3.) to MPIC Group (Materials Planning and Inventory Control Group of Stores Section) for achieving following objectives:

- a) Verification of adequacy of material specifications/Quality Assurance Plan/ Inspection Procedures etc.
- b) Assignment of code number/folio number for the items requisitioned for the first time.
- c) To check stock availability and quantity in pipeline (pending purchase requisitions and pending purchase orders, if any) and consumption pattern of the items to determine that the quantities requisitioned are reasonable/ optimum. In case it is felt that certain items need not be procured at this stage due to comfortable stock position or the requisitioned quantities are on higher side, PR shall be returned to indenting department with requisite data for review.
- d) To record last purchase price and related purchase order reference.
- e) To check from stocks availability of a substitute of material which is near identical to the requisitioned materials.
- f) To check whether the requisitioned items are surplus with any of APGENCO Power Stations so as to facilitate inter-unit transfer, rather than buying them from the market (to facilitate this exercise, list of surplus materials at a power station must be available with MPIC Group of all the other power stations)

7.5. **Review of Purchase Requisition by Screening Committee:**

In view of Management's concern for rising trend of inventories, review of requisitions before initiating procurement action is envisaged and accordingly following system shall be followed strictly:

- a) No review of purchase requisitions by Screening Committee, where estimated value is upto **Rs.2 Lakhs**.
- b) No screening of Purchase Requisitions, which are approved by Chief Engineer or Head of Power Station, shall be done by the Screening Committee as such review need to be taken before requisitions are submitted for approval.
- c) No review of Purchase Requisitions raised by the Stores, for stock items, shall be done as inventory levels are already approved by the competent authority and reorder quantity is based on those levels.
- d) Wherever estimated value of PR is more than **Rs.2 lakh** but upto **Rs.10 lakh**, a Screening Committee consisting of representative of Materials Finance and Requisitioning department at the level of DE, shall review the requisitioned quantities on the basis of data as indicated below.
- e) In cases where the estimated value of purchase requisition is **Rs.10 lakh** and above, Screening Committee consisting of Head of Departments of Materials, Finance and requisitioner shall do the review.

The committee shall look into aspects such as quantities, specifications, past consumption pattern, future anticipated demand (also keeping into consideration Overhauling Plans), quantities in stock and in pipe line, if any, failure rate, lead- time and also Assessment/Analysis Sheet furnished with the PR for spares.

- f) After review by the Screening Committees at d) and e), purchase requisitions which are cleared by them shall be sent to Purchase Section for initiating procurement action, otherwise back to requisitioning department alongwith recommendations of committee.

7.6. Registration of Purchase Requisitions :

- 7.6.1. Purchase Requisition in duplicate (one copy is already retained by originator) shall be received in Purchase and before registration Purchase shall also scrutinize them with regard to various important issues for initiating procurement action i.e. completeness of specifications, realistic delivery period, Proprietary/OEM/OES/Standardization/Single Source Procurement Certificate, availability of other supporting documents (section 7.2), approval of competent authority, review by Screening Committee if estimated value is more than **Rs.2 lakh** etc. In case any deficiencies are noticed, the matter shall be referred back to requisitioning department.

Chapter - 8
Purchase Procedures

8. **Purchase Procedures:**

8.1. **Determination of Mode of Purchases:**

Upon receipt of purchase requisition at Materials Management Department (Purchase Section) and after satisfying that requisition is complete in all respect, registered in Purchase Section, officer concerned shall moves a proposal for approval of competent authority (as per Delegation of Power) indicating therein the mode of purchase which shall be decided with regard to relevant factors.

8.1.1. **The factors to be considered are:**

- (a) The estimated value of purchase requisition
- (b) Type of materials i.e. general purpose or specialized (proprietary or otherwise)
- (c) Standardized items (Single Source Standardization or Multi- Source Standardization)
- (d) Urgency of requirement
- (e) Known sources of supply
- (f) Delivery schedule for the suppliers
- (g) Requirement is for product development or import substitution.

8.1.2. **Modes of Tendering :**

Based upon the above factors, or any other special consideration, one of the following modes of tendering shall be adopted.

- (a) Release order against existing rate contract.
- (b) Open tender (NIT) (Conventional/e-Procurement)
- (c) Limited tender
- (d) Single tender (against Certificate of proprietary Article/ OEM/ OES/ Single Source Standardization/ ground of urgency/ any other ground
- (e) Spot Tenders
- (f) Petty purchases/Hand quotation

8.2 **Common factors for all types of tenders:**

Common factors required to be incorporated in all type of tenders are:

- (a) Proper nomenclature with clear specifications, conforming to National/International Standards, if any; evaluation, testing and acceptance criteria (Requirement of Materials Analysis Report, performance test certificate, ISI or any other marking), if any; Quality Assurance Plan, Interchangeability certificate incase of spares etc.
- (b) Requirement of Earnest Money Deposit, Security Deposit, Performance Bank Guarantee etc.
- (c) Delivery schedule
- (d) Liquidated Damages, Cancellation of Order and Risk Purchases
- (e) Force majeure
- (f) Standard Payment term
- (g) Price Basis
- (h) Payment of Packing and Forwarding Charges
- (i) Payment of Duties & Taxes

- (j) Requirement of Transit Insurance
- (k) Inspection - at vendor's premises or after receipt at destination
- (l) Inspection to be done by Engineers from APGENCO or by third party.
- (m) Packing and Marking
- (n) Mode of Despatches with place of delivery
- (o) Demurrage and Wharfage charges
- (p) Guarantee/Warranty/Patent Rights
- (q) Requirement of installation, commissioning and training
- (r) Arbitration
- (s) Jurisdiction

8.3. General Guide-lines for tendering:

8.3.1. Clubbing of demands for the purpose of inviting tenders:

When floating a tender enquiry, due attention must be paid to the combination and bulking of demands, which may result in economy in purchase. Demands for same or similar types of materials from different indenting departments should be combined. Due to increasing cost of Press Tenders (NIT) those shall be released after combining few cases. It may sometime result in a little delay in initiating procurement action, which may be considered worth-while in view of cost involved. Due regard, however, need to be given to delivery schedule as indicated in purchase requisition. If certain demands are urgent, we may float tender immediately without waiting for other requisitions to arrive.

8.3.2. Enquiry/Tender Register:

An Enquiry Register shall be maintained in Purchase Section. Each enquiry shall be allotted a separate page in the register in sequential number. A similar Register shall be maintained for Open Tender (NIT). In case of limited tender/single tender name of the prospective bidders to whom the enquiry is addressed shall be entered simultaneously. However, in case of Open Tender/NIT, the name of vendor shall be incorporated once the date of sale of tender document is over.

8.3.3. Time allowed to Bidder to quote:

The time allowed to prospective bidder to submit the offer shall be reasonable, keeping in view postal period, time by vendor to explore the market/work out most competitive price and preparation of offer. Normally 21 days time shall be allowed for limited/single tender (from the date of tender enquiry- this time can be reduced in case of urgent requirements or where local dealers are addressed) and 30 days time in case of open tender (reckoned from the date of publication of NIT- while determining the date of opening margin of 6-10 days is added for routing the press advertisement for publication in the newspapers.

8.3.4. Selection of day for submission and opening of tender:

The day selected for opening the tender shall be a working day and if the day is subsequently declared as public holiday, tender shall be opened on next working day (tenders received upto the prescribed time on the next working days shall be treated as tenders received in time) without any formal approval.

However due to certain other reasons tenders are not opened, they shall be opened on next working days with the approval of competent authority (Tenders received upto the proscribed time on original opening date shall only be treated as offers in time and opened). Due to working convenience Monday and Saturday shall be avoided for tender opening. While choosing the day it shall be ensured that work- load of opening the tenders is evenly divided.

As soon as an enquiry is ready, an entry shall be made in tender opening register maintained in opening date sequence. Before deciding the opening date, this register shall be looked into. If sufficient numbers of tenders are already due for opening on the tentative date, adjustment for day after or a day before shall be made.

8.3.5. Time for receipt and opening of tenders:

Tenders may be accepted upto 15.00 Hours on due date and shall be opened at 16.00 hours on the same day.

8.3.6 Identifiable Superscription on the Envelope:

Prospective bidder shall be advised to ensure that Tender Enquiry number, due date of opening, details of Earnest Money Deposit (where EMD is asked for) and validity of offers must be superscripted on the envelope, failing which the offer may be rejected

8.3.7. Due date for opening of two part bidding:

As regards two- part bidding, only one envelope containing technical bids/documents submitted by the bidder in support of meeting Qualifying Requirement and EMD details shall be opened on due date. Due date for opening of commercial and price bid shall be decided after evaluation of technical bids/QR.

8.3.8. Validity of offers:

- a) Realistic validity of offer shall be specified in tender enquiries/NIT. This period may be determined, keeping in view the nature of materials and post bid opening formalities involving evaluation and placement of order. Offer shall be with validity for a period, no longer than what is essentially minimum. Normally, a period of 120 days validity shall be specified. In case of complex equipment or turn- key projects validity period can be asked between 120-180 days (cases of two- part bidding)
- b) Offers without validity or validity lesser than specified may be ignored.

8.3.9. Extension of validity period:

- a) Every effort shall be made to place the order on vendors before expiry of validity period of offers. In case due to certain unavoidable circumstances/extraordinary circumstances, order could not be finalized, bidder shall be requested well in time for suitable extension of validity period of their offers.
- b) No proposal shall be put up for approval of competent authority/ order placed after expiry of validity unless confirmation especially from bidders who are in consideration zone after evaluation is obtained to suitably extend the validity period of offer is obtained.

8.3.10 Variation in quantity after inviting tenders:

- a) Provisions shall be made in tender documents that APGENCO at its sole discretion unilaterally can increase or decrease the quantities of any/all items of the tender by not more than 20%. The bidder would be bound to supply these quantities on the same price, delivery and terms and conditions offered.
- b) In case there is an increase in order quantity beyond 20%, it shall be essential to go for re-tendering covering the total revised quantity so as to take advantage of Bulk discounts in price. However, if the materials are required urgently, orders may be processed for initial tendered quantity.
- c) In case reduction in quantity is more than 20% (more than 20% reduction in total order value in case of groups of items), confirmation from evaluated L1 bidder shall be sought to supply at quoted rates. Order shall be placed after getting the confirmation.

8.3.11 Splitting of order between two or more suppliers:

In case the requisitioned item (s) is/are are critical inputs for operation and maintenance of plants, it may become essential to operate parallel contract (s) to safeguard against chances of one supplier failing to execute. The same may apply when material is urgently required and single supplier cannot supply entire quantity in time. Under these circumstances need may be felt to split requisitioned quantity between two or more supplier and operate parallel contracts. Following procedure shall be adopted:

- (a) No splitting after opening the bids shall be allowed. Such decision need to be taken at the time of floating the tenders and a provision in line with following, must be made in the Notice for Inviting Tender (NIT)
‘Tendered material(s) are one of the critical inputs for smooth operation and maintenance of power plants and APGENCO may enter into parallel contracts with one or more vendors’
- (b) While splitting the requisitioned quantity between two or more vendors, the original evaluated L1 vendor shall always be in advantageous position i.e. quantity between L1 and L2 vendors may be divided in ratio of 60:40.
- (c) Evaluated L2 vendor is approached or called for negotiation to match their rates with L1 evaluated price which may eventually sometime warrant the matching terms and conditions also. After obtaining the favourable consent from evaluated L2 vendor, order may be split in ratio deemed fit.
- (d) Situation cannot be ruled out, where L2 vendor does not agree to match prices with L1 vendor. In the interest of operation and maintenance of plant, a decision can be taken by TEC to place order for part quantity (may be 10- 15% of the requisitioned quantity) on L2 vendor. However, such order shall be treated as stand by order only and supplies against this order shall be called only when L1 vendor has failed due to certain extraordinary reasons, which must be recorded to substantiate procurement on higher costs.

8.3.12 Earnest Money Deposit (EMD)/Bid bond:

Earnest Money Deposit/Bid Bond is to be obtained from the bidders so that they do not withdraw their offer within the validity period thereby causing inconvenience and financial loss to the organization. It shall be clearly indicated in the tender documents (a) that bids without EMD, if required as per tender documents, shall be liable for rejection (b) that EMD of those bidder who alter their price or withdraw their bids, do not accept order/letter of intent shall be forfeited.

Earnest Money Deposit (EMD)/Bid Bond for all types of Procurement of Material and Awarding of Works inclusive of Civil Works. Following are related requirements:

(a) For non-PEMD holders :

Clause No of PMSM	Estimated Value	% & Amount
8.3.12(a)	For Estimated Value upto Rs.100 Lakhs.	0.5% of the Estimated Value in the shape of DD/BC/Pay Order.
	For Estimated Value above Rs.100 Lakhs.	Rs.1,00,000 in the shape of DD/BC/Pay Order_ and 2% of the Estimated value as Bank Guarantee/DD/ BC/ Pay Order .
8.3.12(b)	No EMD shall be insisted against limited/single tender; in case the estimated value of purchase requisition/works is upto Rs.2 Lakhs. For cases above Rs.2 lakhs EMD may be asked for depending on the merits of the case. In the normal circumstances where EMD is asked, relaxation of EMD shall not be granted, if response against the tender is sufficient. However, if response against the tender is poor and due to urgency of requirement retendering cannot be resorted to, relaxation can be approved on case to case basis with the approval of the respective Tender Committees at Head Quarters and Field Units.	
8.3.12(c)	For BHEL no EMD shall be required for Purchase of Material/Execution of Works in respect of all types of tenders. EMD shall not be required in case of other PSUs under limited tender/single tender systems and for Purchase of spares/stores/capital items/equipment of proprietary nature from Original Equipment Manufacturer/Original Equipment Supplier and distributor duly authorized by them.	

(b) For PEMD holders :

(I). For Estimated Value upto Rs.100 Lakhs - Exempted from payment of EMD. However, exemption Certificate/Letter issued by the competent authority of APGENCO is to furnished/uploaded.

(II). For Estimated Value above Rs.100 Lakhs – Rs.1,00,000 in the shape of DD/BC/Pay Order and 2% of the Estimated value over and above the amount of PEMD in the shape of BG/DD/BC/Pay Order.

(c) **Accounting & Release of EMD:**

EMD of successful bidder shall be returned after acceptance of order and furnishing of Security Deposit, if provided in the purchase order (s) (EMD can also be converted into Security Deposit and suppliers may be asked to furnish balance amount). EMD of un-successful bidder shall be returned after issue of LOI/PO.

(d) Once the bidder(s) submitted their bid(s), they shall not be permitted to withdraw their offer(s) under any circumstances and if they do so the EMD paid by them inclusive of PEMD shall be forfeited.

8.3.13. Permanent/Standing Earnest Money Deposit:

- a) The vendors may deposit with the Corporation, permanent EMD of **rupees five lakhs only Rs. 5,00,000**) in the form DD/Pay order/banker cheque or Bank Guarantee for a period of three years constituting the same sum as security for the compliance with the obligation undertaken in the tenders submitted by the tenderer. No interest shall be payable on such deposit amount. Tenderer shall be entitled to submit offers and to have them considered without payment of EMD with each tender separately. An exemption certificate shall be issued to such vendors and they need to furnish reference of this certificate alongwith tender documents and also superscribe the reference on the envelope so that offers are accepted for opening.
- b) Permanent EMD deposited by vendors/suppliers shall be forfeited in case they
 - i) Revoke the tender or increase the rates after opening the tender but during the validity period of their offers
 - ii) Refuse to accept the order/contract issued as per their offer or subsequent mutual agreements.
 - iii) Do not execute the orders.
- c) Permanent EMD can be refunded if so desired by vendors, in which case they shall be required to deposit requisite EMD with each tender.

8.3.14. Security Deposit:

Security Deposit (SD) is towards guarantee for satisfactory execution of order/contract and fulfillment of terms and conditions contained therein. Through relevant condition of the contract it shall be made clear to the bidder that the amount of SD shall be forfeited if the successful bidder fails to execute the order and fulfill the terms and conditions. The SD can be set off by APGENCO against its claims on the vendor on the said order/contract or any other order/ contract(s).

- a) SD shall be furnished by successful vendor @ 2.5% of order value in the form of Demand Draft/ pay order/banker's cheque in favour of APGENCO or Bank Guarantee within one month from the date of receipt of purchase order/contract.

- b) EMD of successful bidder can be converted into Initial SD provided the balance amount is remitted in the same form.
- c) No SD shall be required for individual purchaser order value upto Rs.2 Lakhs. For orders above Rs.2 Lakhs, security deposit may be specified depending upon the merit of the case and past satisfactory performance of vendor i. e. proven dependability and reliability. With the approval of tender approving authority, requirement of SD can be waived off on the case- to- case basis, keeping in view the above factors.
- d) SD shall not be insisted in cases of PAC Single tender from OEM/OES/PSU.
- e) SD payment is exempted for SSI/NSIC units.

f) **Permanent Security Deposit:**

The vendors may deposit with the Corporation, permanent SD of Rupees twenty lakhs only (Rs. 20,00,000) in the form DD/Pay order/banker cheque or Bank Guarantee from any Government Banks/Nationalized banks/Public Sector Banks/Scheduled Banks or any other Bank(s) notified by APGENCO from time to time for a period of three years constituting the same sum as towards guarantee for satisfactory execution of order/contract. Such firms will be exempted for payment of SD. An exemption certificate shall be issued to such vendors and they need to furnish reference of this certificate along with tender document.

Note :-Wherever the amount of Security Deposit to be submitted for a Single Purchase Order/Work Order exceeds by Rs. 20.00 Lakhs, the balance amount shall be paid in the shape of DD/BC/Pay Order/BG.

8.3.15 Performance Bank Guarantee:

An additional security in the form of Performance Bank Guarantee is essential for satisfactory performance of the equipment over a period of time. In view of this, suppliers of equipment/instruments/machinery shall be required to furnish a Bank Guarantee (10% of order value) as follows against any manufacturing defects/ poor workmanship/poor performance. In case any deficiencies are found during this period, the same shall be repaired/rectified/replaced free of cost. BG shall be from any Government Banks/Nationalized Banks/Public Sector Banks/Scheduled Banks or any other Bank(s) notified by APGENCO from time to time in the prescribed Proforma (Annexure- 18)

- (i) Bank Guarantee for 10% of the order value with validity up to 18 months from the date of supply of equipment.
 - a) APGENCO, at its discretion shall have recourse to the Equipment Performance BG for the recovery of any or all amount due from the vendor in connection with the contract including the guarantee obligations. Checking/approval of vendor's drawings, inspection at vendor's premises and/or destination and acceptance of materials/release of payment to vendor for supply erection and commissioning/work done for erection and commissioning by Purchaser or any third party on behalf of purchaser shall not in any way relieve the vendor from responsibility for proper performance during the guarantee period.
 - b) Guarantee for performance of equipment shall also be secured from vendor in prescribed proforma (Annexure-20)
 - c) In case of any delay in submission of Performance BG, supplier's payment shall be released, after retaining 10%, as per the provision of purchase order/contract. 10% payment so retained shall be released as soon BG is received and accepted.

d) Permanent Performance Bank Guarantee:

The vendors may deposit with the Corporation, PPBG of Rupees forty lakhs only (Rs. 40,00,000) in the form DD/Pay order/banker cheque or Bank Guarantee for a period of three years constituting the same sum as towards guarantee for satisfactory execution of order/contract. Such firms will be exempted for payment of PBG. An exemption certificate shall be issued to such vendors and they need to furnish reference of this certificate along with tender document.

Note :- Wherever the amount of Performance Bank Guarantee to be submitted for a Single Purchase Order/Work Order exceeds by Rs. 40.00 Lakhs, the balance amount shall be paid in the shape of DD/BC/Pay Order/BG.

8.3.16 Evaluation of bids and loading for deviations:

While inviting the tenders, Special Conditions of Purchase, Instruction to Bidders and Standard General Purchase Condition (GPC), Proforma of Bid Deviation (both technical and commercial) alongwith other requisite documents are furnished to prospective bidders and they are advised to send offers strictly as per these conditions. It is, however, notice that bidders some-time submit offers not exactly in line with our requirements. Any deviation between enquiry documents and offers from bidder have to be sorted out during the process of evaluation.

As per instruction to bidder no clarification or revision shall be entertained after the bid opening date. Similarly no post bid clarification shall be sought from the bidders except from the evaluated L1 bidder. Evaluation as such has to be done on the basis of what is apparent in the offers only. **The technical evaluation shall be done by the requisitioning department (Indentor); the commercial evaluation shall be the responsibility of Materials Department. The evaluation so done shall be checked and vetted by Finance & Accounts Department.** For the purpose of evaluation and comparison of offers, landed cost of each item shall be worked out i.e. making provision for taxes, duties, transportation, insurance, packing and forwarding charges, payment terms, price variation etc. **The purpose of loading for deviation shall be to bring the bidder on common and comparable grounds.** Some common commercial deviation and loading for the purpose of working out landed cost are as under:

- a) **Payment Terms: 100% payment inclusive of all taxes and duties with in 30 days after receipt and acceptance of materials.**

Some vendor may, however, demand payment against delivery (through proforma invoice) or payment through bank in exchange of dispatch documents (ranging from 90% to 100%), whereas some may agree to our standard payment terms. Depending upon the merit of the case, a decision has to be taken to deviate from our standard payment terms. Every effort shall be made that vendor accept part payment against delivery (against proforma invoice) or through bank in exchange of dispatch documents and part payment after receipt and acceptance of materials at destination. Competent authority for approving the purchase proposal may approve deviation in payment terms **(100% through bank to vendors other than cases of PAC /single tender from OEM/OES/ PSU shall need approval of Chief Engineer/Head of station/Functional Head at Head Quarters).**

In case of payment against proforma invoice/ delivery or through bank loading for 45 days @ 1.25% per month shall be done: for example

If 90% payment is through bank and balance 10% within 30 days from the date of receipt and acceptance of materials- loading factor shall be $1.25 \times 0.9 = 1.125\%$. This loading shall be done on Basic price + P&F + ED + ST

(b) **Packing & Forwarding Charges:**

As per the standard terms of Price Basis, vendors are required to quote F.O.R. Destination. However if a bidder has quoted **Ex-works price, loading on basic price @ 2% shall be done toward Packing and Forwarding charges.**

(c) **Freight charges**

Similarly if a bidder has quoted Ex-works price or F.O.R. Station of Despatch price loading of 3% towards freight charges as % on Basic price + P&F shall be done.

However, bulk items, which are supplied on weight basis (items like bulk chemicals, Cement, steel, loading of freight shall be tentative/ actual freight payable as per our own transport contract rather than as percentage on value.

(d) **Transit Insurance charges:**

Bidder should quote F.O.R. Destination prices otherwise loading towards insurance charges shall be done @ 1%. Loading shall further be done on Basic Price + P&F+ ED+ST.

(e) **Price Variation:**

If a bidder has quoted variable rates i.e. price prevailing on the date of supply (without specific mention of quantum) **loading towards price variation @ 10% shall be done.** However, even after this loading the bidder is Evaluated L1, efforts should be made with them to withdraw this condition or spell any limit for increase in prices.

(f) **Excise Duty:**

- (i) In case a bidder specifies present rate of Excise Duty and further stipulates that Excise Duty shall be charged as applicable at the time of despatch, the offer shall be evaluated considering the maximum rate of Excise Duty as per Excise Tariff of Government of India or as is evident from other bids received against this tender. However, **the liability of APGENCO shall be to the extent Excise Duty applicable at the time of dispatch subject to production of Excise Gate Pass or Excise Invoice.** Further the rate of Excise Duty shall be limited to, as applicable within the contractual delivery period only. Increase, if any, beyond contractual delivery period shall not be payable. **However if there is any reduction in Excise Duty, the benefit shall be passed on to APGENCO.**
- ii) In case a bidder quotes with fixed rate of Excise Duty or specifies Excise Duty as NIL or inclusive of ED the offer shall be evaluated accordingly and payment to bidder is also restricted accordingly. Payment of Excise Duty to vendor shall however be subject to furnishing proof of having paid the excise. **No upward revision of Excise Duty at later stage is allowed.**
- iii) **Loading of Excise Duty is done on Basic Price + Packing and Forwarding charges if quoted or loaded separately.**

g) Sales Tax:

- i) As per terms of enquiry, bidders are advised to indicate as to whether the offered price is inclusive or exclusive of sales tax. If the sales tax extra, the percentage (both full sales tax or concessional sales tax against submission of form 'C' for Central Sales Tax or relevant form for State Sales Tax) shall be indicated.
- ii) **In case the bidder is silent about the Sales Tax, evaluation shall be done on Sales Tax extra** and if the bidder is still evaluated L1, order is placed as prices inclusive of Sales Tax. **Loading for Sales Tax shall be done on Basic Price + P&F if breakup is given separately +Excise Duty.**
- iii) Whenever materials are procured from the firms located out side AP State, evaluation shall be done by loading entry tax wherever applicable.

h) Impact of Adverse Loading:

The above adverse loading for deviations is done for comparison purposes, in case vendor has not specifically mentioned. However for placement of order most beneficial term shall be indicated.

i) Cost Compensation for Deviation:

The following clause is included in "Instruction to Bidders"

'Deviations specifically declared by the bidders in respective Deviation Schedules of Bid Proposal Sheets only will be taken into account for the purpose of evaluation. The bidders are required to declare the prices for the withdrawal of the deviations declared by them in the Deviation Schedules. Such prices declared by the bidders for the withdrawal of the deviations in the Deviation Schedule shall be added to the bid prices to compensate for these deviations. In case prices for the withdrawal of deviations not furnished by the bidder, the owner shall convert such deviations into a Rupee value and add to the bid price to compensate for these. In determining the Rupee Value of the deviations, the owner will use parameters consistent with those specified in the specifications and documents and/ or other information as necessary and available with APGENCO. In case the bidder refuses to withdraw the deviations at the cost of withdrawal indicated by the bidder in the deviation schedule, the EMD of bidder shall be forfeited. Bidder may note that deviation variations and additional conditions etc. found elsewhere in the bid other than those stated in the Deviation schedules, save those pertaining to any rebates, shall not be given effect to in evaluation and it will be assumed that the bidder complies with all the conditions of Bidding Documents. In case bidder refuses to withdraw, without any cost to APGENCO, those deviations, which the bidder did not state in the Deviation Schedules, the EMD of the bidder may be forfeited.

- j) **Loading towards third party inspection charges:** Bidder should quote inspection charges inclusive otherwise loading towards inspection charges shall be done @ 3%. Loading shall be done on Basic Price + P&F+ ED+ST.

8.3.17 Late/delayed Tenders:

Tenders received after due date and time shall be treated as late tender and shall not be opened and returned back to bidders as it is.

8.3.18. Unsolicited Offers:

Offers of only those bidders shall be opened to whom the tender enquiries had been addressed. Apart from this, any other offers received on the bid opening date shall be treated as 'unsolicited' and not opened except:

- (a) If a tender enquiry is passed on to a dealer/distributor/associated concern by the vendor to whom, tender enquiry was originally sent. A proper letter of authority as per the prescribed proforma (Annexure-22) should be sent by the party invited to quote alongwith the bid. The envelope containing the bid must be superscribed, stating that letter of authority enclosed with the offer. Bidder shall be asked to forward letter of authority separately also before the bid opening.
- (b) Bidder shall further be informed that in case of any change in the name and address as against what is indicated in tender enquiry, they must intimate such changes in advance, supported by relevant documents, failing which the offer may be treated as unsolicited.

8.3.19 Extension of schedule bid opening date :**Limited Tender**

In case number of in time offers on scheduled bid opening date is insufficient (less than 3) offers shall not normally be opened and put up to competent authority for approval of extension of bid due date. However before processing any extension, user department must be consulted for non- stock items and Stores Section for stock items. Another two weeks time shall be given to vendors to respond to tender enquiry.

- (a) Intimation regarding extension and new bid opening date shall be given to all bidders including those who have already furnished their offers. While extending the date, limited tender enquiries can also be sent to certain additional suppliers, with the approval of **competent authority, so as to ensure adequate response on extended bid-opening date.**
- (b) **However, if the nature of purchase requisition is emergent and user department is in urgent need of materials, after recording reasons and with approval of competent authority less than three off (s) can also be opened.**

Open Tender

As regards extension of bid opening date of opened tender; such notification in the form of Corrigendum has to be advertised in the newspapers in the same manner as the case of Notice Inviting Tenders.

8.3.20 Offer against single tender enquiry on OEM/OES/or on the basis of PAC/standardization etc.

The above offers whether received in opened condition, in the form of fax/E Mail, received without superscription, received before time or after schedule bid opening date shall not attract any disqualification and shall be opened and considered immediately. As regards offer through electronic media, a confirmatory offer may be asked but case shall not be delayed for want of confirmatory offer. The bid opening date in case of single tender is only tentative and offer shall be opened on the first opening day after receipt.

8.3.21 Repeat Orders:

Repeat orders may be placed on the same party, on the same rates, terms and conditions as stipulated in the original orders with financial concurrence, which were placed on open/limited tender basis or involving PAC or Source Standardization subject to following:

- a) Normal processing of case is likely to delay procurement and adversely affect the work.
- b) Repeat order is placed within 6 months from the date of supply of original order and total quantity shall not exceed 50% of the original order quantity **and where the item cannot be broken into half, then minimum possible quantity can be ordered even exceeding 50% value of the original order)**
- c) The original order was placed on the basis of lowest evaluated price and not on delivery performance.
- d) Requirement of materials is of identical description and specifications.
- e) The supplier's willingness to accept the repeat order on same price, terms and conditions as per original order is obtained.
- f) A reasonable assessment and certification by Materials Management Department that there has been no down- trend in prices.
- g) Quantity discount is sought from supplier if applicable.
- h) The additional duties/taxes as applicable on the date of placement of repeat order are paid.
- i) Repeat order shall not be placed more than once.

8.3.22 Materials & Workmanship

In a power station, failure of a spare or other materials may prove to be very costly to the Corporation and at time may result in loss of power generation. It is therefore important to ensure that goods acquired from the suppliers are of highest quality and free from defects and faults in material, workmanship and manufacturing. A suitable clause, as under, shall be included in General Purchase Conditions.

'Supplier shall fully warrant that the stores, equipment and component supplied against the purchase order shall be new and first quality, according to the specifications and shall be free from defects (even concealed faults, deficiency in design, materials and workmanship)'

8.3.23 **Inspection/checking/testing :**

In order to ensure that goods are supplied strictly as per the specifications contained in the purchase order, all incoming materials need to be inspected. Inspection may be carried out at supplier's works or at destination after receipt of materials at Stores.

Even if pre- despatch inspection is carried out, final inspection has to be done at Stores to ensure that right materials have been despatched and there are no damages during the process of transportation. In order to ensure proper quality checks, Quality Assurance Plan (QAP) shall be developed for high value materials and critical components. Requirement of Material Analysis Report, Performance Test, IBR Certification and submission of relevant certificates, ISI marking, Interchangeability Certificate, Guarantee/Warranty shall be clearly be spelled out in tender enquiries and purchase orders. Inspection at supplier's works may be carried out by maintenance experts/inspection engineers of the Corporation or by hiring the services of third party. Suppliers may also be advised to provide their in-house inspection report (also refer clause 7.3.7). The following clause in this regard is included in GPC.

'All materials/equipment to be supplied against this purchase order shall be subject to inspection/checking/testing by the Corporation or its authorized representative at all stages and places, before, during and after the manufacture. All these tests shall be carried out in the presence of authorized representative of the Corporation. Supplier shall notify the Corporation for the inspection of materials/equipment when they are ready, giving atleast 10 days notice. If upon receipt at our Stores, the material/equipment does not meet the specifications, they shall be rejected and returned to the supplier for repair/modification etc. or for replacement. In such cases all expenses including to- and- fro freight, re-packing charges, transit insurance etc shall be to the account of supplier.

Inspection by the authorized representative of the Corporation or failure of the corporation to inspect the material/equipment shall not relieve the supplier of any responsibility or liability under this purchase order in respect of such material/equipment not be interpreted in anyway to imply acceptance thereof by the Corporation. Whenever specifically asked for by the Corporation, the supplier shall arrange for inspection/testing by Institutional Agencies such as Lloyds Register of Industrial Services, Boiler Inspectorate, RITES etc. In such cases, vendor shall adhere to the inspection/testing procedures laid down by such agencies. All expenses including inspection fees shall be to the suppliers account unless agreed to the contrary and specified in the purchase order.'

8.3.24 **Interchangeability:**

All similar materials and removable parts of similar equipment shall be interchangeable with each other. A specific confirmation in this regard must be obtained from the supplier alongwith the invoice for the supply of materials. Since complete specifications of the materials, especially spares are not provided by the manufacture/supplier, it is not possible to carry out the inspection and ascertain that right spares have been supplied. It is further not possible to inspect the materials by fitment in the equipment; a confirmation from the supplier that spare when replaced shall in the equipment.

8.3.25 Approval of sample before manufacturing bulk supplies :

If an item is manufactured to the specific requirements of the Corporation, it is prudent to ask for the sample for approval before the bulk quantity is manufactured. A written confirmation regarding acceptance of sample shall be made and sample (s) so approved are kept in Receipt Section to facilitate inspection/checking when bulk quantities are received. The requirement of sample shall be spelled out both in tender enquiry and P.O.

8.3.26 Removal of Rejected Goods and Replacement :

Upon receipt of materials at destination and inspection by user department, if full material or part is rejected (rejections may be due to wrong supplies, sub-standard supplies or damages in transit or shortages), the details of rejection including reasons, shall immediately be communicated to the supplier to arrange supply of suitable replacement and also removal of rejects (Detailed procedure is contained in Chapter 12 of this manual). In order to safeguard the interest of the Corporation, following clause shall be incorporated in GPC

- a) If upon delivery, the material/equipment is found not in conformity with the specifications stipulated in the purchase order, whether inspected and approved earlier or otherwise, those shall be unacceptable to the Corporation or its authorized representative. A notification to this effect shall be issued to the supplier, normally within 30 days from the date of receipt of materials at our Stores.
- b) Supplier shall arrange suitable replacement supplies and remove the rejected goods within 30 days from the date of notification failing which, the goods shall be dispatched to vendor by road transport on 'freight to pay basis' at supplier risk and cost.
- c) External damages or shortages that are prima-facie the results of rough handling in transit or due to defective packing shall be intimated within a fortnight of the receipt of the materials, spares etc. In case of internal defects, damage or shortages or any internal parts, which cannot ordinarily be detected on a superficial visual examination, though due to bad handling in transit or defective packing should be intimated within 3 months from the date of receipt of these articles. In either case the damaged or defective materials should be replaced by the supplier free of cost to the company.
- d) If no steps are taken within 15 days of receipt of intimation of defects or such other reasonable time as company may deem proper to afford, the company may without prejudice to its other rights and remedies arrange for repairs/rectification of the defective materials or replace the same and recover the expenditure incurred from the deposits such as EMD, SD and performance guarantees or other monies available with the company or by resorting to legal action.
- e) However, if any advance payment had been made by the Corporation for the goods so rejected on technical ground, rejected materials shall be returned to supplier after receipt of suitable replacement supplies. If the supplier does not settle the rejection within a period of 60 days from the date of notification from stores, rejected goods shall be sent back to supplier at his risk and cost. The despatch documents shall be negotiated through bank to recover the advance payment already made. Supplier shall make the payment to the bank and take possession of despatch documents so as to collect the materials from the Road Carrier.

8.3.27. Packing and Marking:

In order to ensure safe transportation of materials from supplier's works to our Stores and minimize the chances of consignments being lost in transit, requirement of packing and marking as under shall be incorporated in the GPC.

'All materials/equipment shall be securely packed to the requirements of transportation by Rail/Road/ Sea transport. All exposed services/connections/protrusions shall be properly protected.

All unexposed part shall be packed with due care and the packages should bear the words 'handle with care'. The packing requirements of Rail/Road transport shall be complied with so as to obtain clear Railway Receipt/ Lorry Receipt i.e. without any qualifying remarks.

All packages and unpacked materials shall be marked with the name of Consignor, Consignee, Purchase order No., gross and Net weight, sign of handling, if any, with indelible paint in English atleast at two places. In case of bundles, metallic plates marked with the above details shall be tagged with such bundles.'

8.3.28. Despatch of Materials:

After packing the materials/equipment those shall be despatch strictly as per the provision of purchase order. In case any changes in the mode of transportation and/or transporter has to be done, the same shall be done only after obtaining prior approval in writing from the purchase department failing which documents for advance payment through bank shall not be honoured. Normally the goods shall be despatched through our approved transporter only as indicated in the purchase order. All formalities related to allotment of wagons, loading permission from Railways shall be completed by the supplier.

The supplier shall communicate immediately the despatch details to the consignee as specified in the purchase order. The Original despatch documents either directly or through bank shall be forwarded immediately, failing which the supplier shall be responsible for any delay in payment and consequential payments of demurrage and wharfage to the transporter. Based upon the location of each power station 'Despatching and Invoicing Instructions' shall be developed and forwarded to the suppliers' alongwith purchase orders for strict compliance.

8.3.29 Demurrage/Wharfage :

Demurrage is charged by the Railways for retention of wagons beyond free hours allowed for the purpose of unloading. Wharfage is a sort of ground rent charged by the railways for removal of goods from the yards/go down within the free time allowed. Similar charges are levied by other carriers for delay on the part of consignee to take delivery of materials after furnishing LR/AWB/Bill of Lading etc. The relevant clause in the GPC reads as under:

'If the documents are routed through Bank, any consequential charges i.e. demurrage/ wharfage charges, due to late retirement of documents on account of (i) violation of inspection clause i.e. despatch of materials without pre-despatch inspection whereas Pre-despatch inspection is required as per the condition of P.O. (ii) materials despatch after expiry of delivery period without obtaining approval in advance for extension of delivery period (ii) despatch of materials not through authorized transporter as indicated in the P.O. (iv) late receipt of invoice or due to violation of any other clause (s) of the purchase order shall be recoverable from the supplier. Supplier shall also be responsible for all such payment due to late receipt of RR/LR and other documents.'

8.3.30 Variation in Statutory Levies:

Any variation, upward or downward, in statutory levies or any new levy is introduced after opening of the bids/placement of order shall be to the account of Corporation, unless otherwise mentioned in the P.O.; provided that in cases where delivery schedule is not adhered to by the supplier and there are upward variation/ revision after the agreed delivery date, the bidder/ supplier shall bear the impact of such increased levies and if there is downward variation/ revision, the corporation shall obtain advantage to that extent.

8.3.31 Sub-letting and Assignment:

The supplier shall not, save with prior consent in writing of the Corporation, sublet, transfer or assign the order or any part thereof or interest therein or benefit or advantage thereof in any manner, whatsoever. Provided nevertheless that any such consent shall not relieve the supplier from any obligation, duty or responsibilities under the provision of order/contract awarded by the corporation.

8.3.32. Spare Parts, Oil & Lubricants:

In order to ensure timely and efficient maintenance of equipment, availability of quality spares shall be essential. The following clause, as such, is incorporated in the GPC to serve the purpose.

‘Wherever applicable, the supplier shall furnish to the Corporation, item- wise price list of spares required for two year operation and maintenance of the ordered equipment.

The supplier shall also furnish necessary instructions and drawings to identify the spare part numbers and their location as well as an interchangeability chart. The supplier shall recommend the quality of oils and lubricants required to be used for uninterrupted operation (atleast for one year) of the equipment supplied against this order’

8.3.33 Supplier’s Liability :

Supplier shall accepts full responsibility and indemnify the Corporation and shall hold the Corporation harmless from all acts of omission and commission on their, on the part of his, agents, his subcontractors and employees in execution of the purchase order. The supplier shall agree to defend and hereby undertake to indemnify the Corporation and also hold it harmless from any and all claims for injury to or death of any and all persons including but not limited to employees and for damage to the property arising out of or in connection with the performance of the work under the purchase order issued by the Corporation.

8.3.34 Delivery Schedule:

The bidders are expected to offer delivery period as per the schedule indicated in the tender enquiry. In case of any deviation, bidders are expected to offer their best, realistic and firm delivery period. After sorting out delivery schedule, a specific and guaranteed delivery period shall be indicated in the purchase order, which shall be reckoned from the date of Fax Message of Indent/LOI/P.O. whichever is first information of acceptance of offer. Date delivery shall be the date of despatch i.e. date of RR/PWB/LR/AWB/Bill of lading. In case pre-despatch inspection is involved, bidder shall be advised to take into account 15 days notice to Corporation to depute inspection engineer. Delivery period as such be inclusive of time taken for inspection. The following clause is included in GPC.

‘Time is essence of this order and no delay shall be allowed in the delivery time/delivery schedule mentioned in the purchase order. Delivery of equipment/materials described shall be deemed to constitute acceptance of this order and terms and conditions by the supplier at the price specified’.

Date of receipt of material at stores in good condition shall be the date of dispatch in the absence of RR/PWB/LR/AWB/Bill of lading.

8.3.35 Early Delivery

Sometime orders may be placed on a bidder other than evaluated L1 bidder for early delivery. It is therefore imperative the supplies are also made earlier. In case of delay in supplies, provision in tender enquiry P.O. shall be made to enable the Corporation to realize compensation for extra cost due to such delays. The following clause has been included in the ‘Instructions to Bidders’

‘It shall be noted that if an order is placed on higher bidder, in preference to lowest acceptable offer, in consideration of an earlier delivery, the bidder shall be liable to the Corporation, the difference between the ordered rate (s) and the rate (s) quoted by the lowest acceptable bidder in case the bidder fails to complete the supply in terms of such order within the date (s) of delivery specified in the tender and incorporated in the order. This is without prejudice to other right under terms of order.

Correspondingly the following clause is incorporated in the GPC.

‘It shall be noted that your assurance of earlier delivery, this order is being placed on you, in preference to the lowest acceptable bid (s). In the event of failure to complete supplies against this order within the date of delivery specified herein, you would be liable to pay to the Corporation, the difference between ordered rates and those of lowest acceptable bid i.e. Rs._____ per unit, notwithstanding the fact that delay in supply may have been caused by force majeure. This is without prejudice to the right of Corporation to recover all other losses and damages resulting from delayed supplies, including the right of cancellation of order.

8.3.36 Liquidated Damage/ Failure and Termination :

Time and date of delivery shall be essence of the order. If the supplier fails to execute the order in full or part thereof within the fixed period or any time repudiate the contract before the expiry of such period, the Corporation may, without prejudice to any other right or remedy available, recover damages for breach of contract and to safe- guard its interest, the following clause is included in the GPC.

‘In the event of any delay in the supplies of ordered materials beyond the stipulated date of delivery/ delivery schedule, the Corporation reserves the right to recover from the supplier a sum equivalent to 0.5% of the value of delayed materials/equipment for each week of delay and part thereof subject to a maximum of 5% of the total value of order.

- (i) Alternatively, the Corporation may resort to purchase the material/equipment from elsewhere at the sole risk and cost of the supplier and recover all such extra cost incurred by the Corporation in procuring the materials by above procedure.

- (ii) Alternatively Corporation may cancel the Purchase Order completely or partly without prejudice to its right under the alternative mentioned above.
- (iii) In case of recourse to alternative i & ii above, the Corporation shall have the right to repurchase the materials which is readily available in the market to meet the urgency of requirements caused by supplier's failure to comply with the scheduled delivery period irrespective of the fact whether the material/ equipment are similar or not

Note : In addition to penalty levied for delay in supply, the Corporation reserves the right to recover an amount equivalent to the consequential loss caused to APGENCO due to delay in supply of material.

8.3.37 Force Majeure:

- (i) The supplier shall not be liable for delay or failing to supply the materials/ equipment for reasons of Force Majeure such as Act of God, Act of War, Act of Public Enemy, Natural calamities, Fires, Floods, Frost, Strikes. Lockouts etc. Only those cause which have duration of more than 7 days shall be considered for force majeure.
- (ii) The vendors shall within 10 days from the beginning of such delay notify to the corporation in writing the cause of delay. The Corporation shall verify the facts and grant such extension of time as facts justify.
- (iii) No price variation shall be allowed during the period of force majeure and liquidated damages would not be levied for this period,
- (iv) At the option of corporation, the order may be cancelled. Such cancellation, would be without any liability whatsoever on the part of the corporation. In event of such cancellation, supplier shall refund any amount advanced or paid to him by the corporation and deliver back any materials issued to him by the corporation and release facilities, if any provided by the corporation.

8.3.38. Cancellation of Order :

The Corporation reserves the right to cancel the order in the part or in full by giving two weeks notice thereby if:

- The supplier fails to comply with any of the terms of the order.
- The supplier becomes bankrupt or goes into liquidation.
- The supplier makes general assignment for the benefit of the creditors and
- Any Receiver is appointed for the property owned by the supplier.

8.3.39 Standard Bidding Documents:

Keeping in view the common factors for all type tenders (Section 8-2) and General Guidelines of tendering (Section 8-3), **following tender documents covering the terms and conditions of tendering and order/contract, shall be followed and forwarded with all types of tender enquiry/NIT**

'Instructions to Bidders'	04
'Instructions to Foreign Bidders'	05
'General Purchase Conditions'	06

- 8.3.39.a) Special Conditions for individual tender shall be developed keeping in view the particular requirements (Some Special conditions are indicated in Section 7.3.7 and phased delivery requirement etc) and forwarded to bidder alongwith above documents.
- 8.3.39.b) However, order/contract subsequently finalized with the bidders shall be governed by 'General Purchase Condition', Special Conditions, if any and also deviation, if any to standard terms and conditions which have been allowed after bid evaluation.
- 8.3.39.c) In case of limited/single tender enquiries which are issued to registered vendors and vendors with whom there are regular dealing in the past' General Purchase Conditions' and 'Instructions to Bidder' may not be required to be furnished in each case. It is, however, to be ensured that reference of these documents exists in each tender enquiry. As regards open tender (NIT) the above documents shall form a part of bidding documents and shall invariably be furnished to bidders in each case.

Chapter – 9
Invitation of Tenders

9. Invitation of tenders

9.1. Purchase Through Annual Rate Contracts:

The items for which Annual Rate Contracts have been finalized by Materials Management Department either at Corporate Office or at Power Station/project, no tendering need to be done in individual cases and as soon Purchase Requisition for such items is received, P.O. shall be issued giving reference of such contract (For detailed procedure please refer Chapter 14- on Standardization and Finalization Rate Contract)

9.2. Open Tender

9.2.1 Dispensing with the requirement of Open Tender (NIT)

Invitation of open tender shall not be necessary in the following cases.

- a) Duly approved Proprietary Articles/OEM/OES/standardization/ Branded items Certificate has been furnished alongwith purchase requisition (Section 7.3.9 and Appendix-C).
- b) Where the sources of supplies are limited and known example- issue of tender enquiries to Main Plant Steel Producer shall be treated at par with open tender
- c) Purchases through DGS&D Rate contracts.

9.2.2 Publication of NIT in newspapers:

For issue of press tender for publication in newspapers, following procedure shall be observed

- a) In respect of materials estimated value between Rs.15 lakhs to Rs.1.0crore, tender notice shall be published in one Telugu daily & English daily.
- b) For value of works/procurement of materials between Rs.1.0 Crore and Rs. 10.0 crore, tender notice should be published in one Telugu daily in state level and in English daily Nation wide.
- c) For value of works/procurement of materials more than Rs.10 crore; tender notice should be published in Indian Trade Journal in addition to publication in one English daily Nation wide.

(For model proforma of NIT refer Annexure-4A)

9.2.3. NIT through Website:

With rapid development of electronic means of communication and increased cost of publication in Newspapers, we may consider taking full advantage of APGENCO'S Website (if need be we may hire the services of private website, in the field of tendering). An abridged NIT (Proforma- Annexure-2) shall be published in newspapers as per Section 9.2.2. and detailed NIT shall be available in website.

9.2.4. Intimation of NIT to known Sources of Supplies :

Simultaneously to ensure wider publicity and better response, attention of renowned prospective bidders including those who are registered with APGENCO, may also be drawn to the press tender notice to enable them to buy the tender documents. **A copy of tender notice shall be sent to them through Registered Post** as soon as press advertisement is released. Mere intimation of tender notice shall not be construed that such parties qualify for issue of tender document. Tender documents upon request shall be issued only if they prima facie meet the eligibility criteria.

9.2.5. Qualifying Requirements (QR):

In case of open tender for certain high value and very critical equipment/spares, pre-qualification need to be formulated so as to avoid frivolous bidders and to ensure that only reliable parties are invited to quote. Tender documents against NIT are issued only to those parties who prima facie meet those qualifying requirements. In such cases bid evaluation will take into consideration that the bidders have fulfilled the qualifying requirements in the NIT.

- a) Qualifying requirements shall be formulated taking into consideration the estimated cost of materials, technical importance and criticality, time frame for implementation and quality assurance plan. Basic objective of qualifying requirement is to appraise the financial, technical, production capacities past performance and management capabilities of prospective bidders.
- b) While formulating the qualifying requirements it has, however, to be ensured that they do not become too stringent resulting in poor response. They should not be formulated keeping in view a model supplier. These have to be formulated in such a manner that a minimum of 6-8 good suppliers meets them. The general guiding factor shall be- production capacity to meet tentative requirement, in-house testing/inspection facilities in line with requirements of Quality Assurance Plan, financial resourcefulness (requirement of financial statements viz. balance sheet and profit & loss accounts for last 2-3 years, Income Tax PAN etc.) to execute the order, past experience and performance of supplies of same or similar type of materials, Sales Tax Registration Certificate etc to ensure that the prospective bidders can deliver the goods as per requirements
- c) In view of techno- commercial aspect, qualifying requirements shall be finalized by a committee, consisting of representative each from Materials, Finance and Requisitioning Departments (at appropriate level). Qualifying requirements so formulated by the committee shall be approved by Chief Engineer/Competent authority as per the delegation of powers.
- d) Qualifying requirements once stipulated in NIT shall not be relaxed or altered under any circumstances. In case of poor response against specified qualifying requirements, QR Committee shall review the same and revise for the purpose of re-tendering.

9.2.6. **Tender Fee:**

In case of Open Tenders bidding document fee shall be decided in advance and incorporated in the press tender. **Based upon the estimated value of purchase requisition, fee for the documents shall be as under:**

Estimated Value of Purchase Requisition (Rs.)	Tender Fee: (Rs.)
Upto 50 lakhs	1000
Exceeding 50 lakhs and upto 500 lakhs	3000
Exceeding 500 lakhs and upto 10 crore	5000
Exceeding 10 crore	10,000

- a) Sales Tax as applicable and postage charges shall be extra
- b) Bid document shall be non-transferable. The bidder to whom the documents have been issued can only respond. Tender fee shall not be refundable (except in the case where tender documents are not issued due to non fulfillment of qualifying requirements)

9.2.7 **Two Part Bidding:**

Under two part bidding, bidder shall be advised to submit techno-commercial and price bids separately as under:

- Part I Techno-commercial bid alongwith EMD (Also documents in support of Qualifying Requirements if any and not asked before issue of tender documents) should be sealed and envelope superscribed with 'Techno-commercial Bid' Tender No., Due Date, validity and details of EMD.
- Part II Price Bid in sealed cover containing Prices. This envelope shall also be suitably superscribed.
- Both the envelopes shall be put in a single sealed cover with superscription of Tender No. Due Date, validity and EMD details.

Techno-commercial bids shall be opened on due date of opening

After evaluation of techno-commercial bids and documents in support of fulfilling qualifying requirements, bidder whose techno-commercial bids have been accepted shall be informed by fax/telex of date and time of opening of Price Bids in public allowing them atleast one week time to participate in tender opening.

Unopened price bids of those bidders who have not qualified in techno-commercial evaluation shall be returned back to them alongwith EMD.

Two part bidding shall be resorted to high value equipment and machinery or where the specifications are generalized and each manufacturer/supplier has their own unique product/specification needing clarifications on many issues to facilitate techno-commercial evaluation on various parameters. **For standard items, available of the shelves in the market two part bidding is not advisable.**

9.2.8 Methodology of Open Tendering (only in cases involving Qualifying Requirements):

Depending upon the availability of time and nature of Qualifying Requirement as to whether they are more oriented to Financial and Managerial capabilities or more oriented to sophisticated technical aspects, one of the following two methods can be adopted for tendering.

- i) In the NIT in place of due date for opening the tender, last date for making request for issue of tender documents is incorporated (allowing 3 weeks time from the date publication of NIT in the newspapers). The prospective bidders are required to furnish the requisite details and documentary evidence in support of their claim of meeting the qualifying requirements alongwith prescribed tender fee. A committee, comprising representative from Materials and Requisitioning department, reviews documents furnished by the prospective bidders. Committee shall, within a time frame, put up the recommendations, summarizing the vendors who meet the qualifying requirement and also those who do not meet the requirements, spelling out clearly the reasons for denying the bid documents). Instance cannot be ruled out where vendors could clarify some minor deficiencies noticed or some minor information may make them eligible for issue of documents. In order to save the time, issue of conditional documents to some vendor may also be recommended. While forwarding the documents to such prospective vendor, they should be informed to furnish clarification or provide additional information before bid opening date. If they fail to provide the information asked for, or the information provided does not clarify the matter, their bids shall not be opened. After approval of the committee's recommendations by the competent authority (Chief Engineer or award approving authority for the procurement proposal, whichever is lower). Tender documents giving 3-4 weeks time to quote shall be sent to those vendors who meet the qualifying requirements. Similarly a letter (to be signed by Head of Materials Department) of regret is sent to those parties who do not meet qualifying requirement indicating reasons and also returning their tender fee.
- ii) Alternatively last date of sale of bid documents and tender opening date are incorporated in the NIT. Prospective bidder shall contact the designated authority alongwith information and documents in support of their claim for meeting the qualifying requirements. They shall hand over these documents alongwith duly filled in 'Check list for Issue of Tender Documents'. After doing the quick checking and review of documents, tender documents are issued. In case any apparent deficiencies are noticed, the representative of the bidder is asked to bring the additional information or conditional documents are issued as indicated in Section 9.2.8. i) as above. If the prospective bidder prima facie found qualified, bid documents are issued. While evaluating the Techno-commercial Bids, documents submitted by the bidder in support of their claim for meeting the qualifying requirement shall be again scrutinized by the Tender Evaluation Committee. If any minor discrepancies are noticed, bidder may be asked to clarify.

If the committee is not satisfied, Price Bid of the bidder shall not be opened. In order to safeguard the interest of the organization following clause shall invariably be included in the NIT.

‘Bidding documents shall be issued to the prima facie qualified bidder. However, such issuance of bidding documents will not automatically mean that such a bidder is considered qualified. The details furnished alongwith will be examined in detail as per the requirement of the bidding documents and his eligibility will be established accordingly’.

9.2.9. Issue of Bid Documents :

As soon as, Notice Inviting Tender is sent to press for publication, sufficient sets of Bid Documents shall be made ready, duly serial numbered, so that issues can commence as soon as requests start pouring. Each set of bid documents may consist of following:

- i) Proforma of Bid Documents
 - ii) Schedule of Quantity Including Detailed Specifications, Drawings, if any
 - iii) Special Conditions, if any
 - iv) Quality Assurance Plan, if any
 - v) Instructions to Bidders or Instruction to Foreign Bidder - Annexure- 04
- Annexure- 05
 - vi) General Purchase Conditions - Annexure- 06
 - vii) Proforma of Terms and Conditions to be filled up and confirmed - Annexure – 08
 - viii) Statement of Deviations -Annexure – 09
 - ix) Proforma of Summary Price Proposal - Annexure – 10
- a) Bid documents are issued to those prospective bidders who furnish necessary tender fee as required under Section 9.2.6 [In case of pre-qualification. Sale of bid documents shall be restricted to those bidders who prima facie meet qualifying requirements (Section 9.2.5. and 9.2.8)].
- b) Proper record in form of ‘Bid Document Sale Register’ incorporating following details shall be kept (each page should be assigned to each Notice Inviting Tender)

NIT NO.-----TENDER FEE-----DUE DATE OF OPENING-----

Sl. No.	NAME OF THE PROSPECTIVE BIDDER	TENDER FEE PAYMENT DETAILS	DATE OF ISSUE	SIGNATURE OF BIDDER'S REPRESENTATIVE	STATUS OF RESPONSE QUOTED/NOT QUOTED/REGRETTED	SIGNATURE OF THE OFFICER
---------	--------------------------------	----------------------------	---------------	--------------------------------------	--	--------------------------

- c) After closing date and time, the concerned section shall prepare a statement of bid documents sold against payment in the prescribed proforma and send a copy of statement to Accounts Department alongwith Demand Drafts/Pay Orders/ Banker's cheques for encashment.

9.2.10. Extension of bid opening date:

Every effort needs to be made to open the bids on bid opening date. However, due to certain unavoidable reasons, including poor response, the bid opening date may be extended and such notification in the form of a 'Corrigendum' has to be advertised in the same manner, as was the case of NIT. A copy of corrigendum shall be sent to all the prospective bidders who have been issued bid documents and also the known sources as per Section 9.2.4. who have so far not responded.

9.3. Limited Tenders:

This mode of bidding shall be used in the following cases:

- a) When materials are not to be procured against PAC/OEM/OES/Standardization/ Single source (Branded) procurement certificate furnished by requisitioning department.
- b) When the requirement of material is urgent and desired delivery schedule cannot be met through open tender. Reasons for urgency must be recorded and approved by award approving authority. Such cases of urgency should specifically be monitored till purchase order is placed and subsequently followed up for timely delivery.
- c) When the sources of supply are limited and definitely known (Refer Section 9.2.1.b) on open tender).

9.3.1. Selection of vendors:

Limited tender enquiry through prescribed proforma (Annexure-1) **shall be sent to all vendors registered with APGENCO** (for procedure on Registration of Vendor, please refer Chapter 5). If the number of such registered vendors is large, enquiries shall be sent in rotation, ensuring healthy competition and allowing all vendors an opportunity to compete. The minimum number of enquiries to be send shall be at least 7 (seven).

The requirement of minimum number of tender enquiries as above shall not be applicable if a product is standardized on lesser number of vendors.

- 9.3.2. In cases where the number of registered vendors is less than the above minimum numbers, **enquiries may also be sent to other known sources with proven performance in the past or any other reference documents. These details must be recorded in the file for approval of competent authority**

9.3.3 The names and number of vendors shall be approved by an authority a step higher

9.3.4. Bid documents shall consist of:

a) NIT	Annexure
b) Instructions to Bidder	Annexure- 04
Or Instructions to Foreign Bidder	Annexure- 05
c) General Purchase Conditions	Annexure- 06
d) Schedule of materials including detailed specifications, Drawings/Quality Assurance Plan/Special conditions if any	Annexure- 07
e) Proforma of Terms and Conditions to be filed & Confirmation	Annexure- 08
f) Proforma of Summary of Price Proposal	Annexure- 10

Documents from c) to f) shall not be sent to registered- vendors and the vendors with whom there are regular business dealing. It is however to be ensured that reference of these documents exist in each tender enquiry.

9.3.5. Offers from at least three vendors are mandatory to process the purchase.

9.3.6. In case of insufficient response further action shall be taken as per section 8.3.19.

9.3.7. The cases of acceptance of single response against limited enquiry shall be treated as single tender for the purpose of Delegation of Power.

9.3.8. In case of single response against open tenders even after extending due dates twice, it shall be treated as “Single Tender” for the purpose of delegation of powers.

9.4. Purchase on Single Tender:**9.4.1. Single tender Enquiry for purchase of Proprietary Articles :**

Proprietary Articles are those which are monopoly product of a single manufacturer. Purchase of proprietary items shall be made when it is absolutely necessary. For such purchases requisitioning department has to provide Proprietary Article Certificate as detailed in Section 7.3.9. (Appendix- C -9a i.e. ‘This is to certify that to the best of my knowledge, item (s) covered in the above requisition are manufactured by the manufacturer indicated above only and as such, item (s) are declared as proprietary item (s) of their’ is to be ticked and b, c and d are to be crossed) which shall be approved at Superintending Engineer level or above and concurred by competent financial authority.

- a) It has to be ensured by requisitioning department that there is no suitable substitute of the item available for which PAC certificate is being issued. They should, therefore, consult Materials Department before initiating action for approval of PAC. Materials Department, where there is alternative to suggest, shall advise the indenter to examine and consider alternatives.

- b) Tender enquiry as such is issued on only single source as detailed in Proprietary Article Certificate. Such enquiry shall as a matter of principle be addressed to Original Equipment Manufacturer and upon their insistence and specific advice, to their authorized/accredited distributor (and not to a third party) so that full advantage of discount normally allowed to the trade is obtained. Bidding documents shall consist of:

i) Tender Enquiry	Annexure
ii) Instructions to Bidder	Annexure – 04
or Instructions to Foreign Bidder	Annexure – 05
iii) General Purchase Conditions	Annexure – 06
iv) Schedule of Materials including detailed specification and special conditions	Annexure
v) Proforma of Terms and Conditions to be filled and confirmation	Annexure - 08

The sources, from which, we are repeatedly purchasing materials, document at Sl.No. iii to v may not be enclosed every time. However reference of these documents must exist in tender enquiry

- c) Enquiry shall be issued through prescribed proforma along with enclosure as above. However bid opening date (BOD) allowing bidder 21 days time from the date of enquiry to respond, shall be notional only. Offer received any day before or after BOD shall be opened by the tender opening committee, on the first tender opening day after receipt without any formal amendment to BOD. However, if no offer is received on specified BOD bidder shall be requested to expedite the same.
- d) No EMD/Security Deposit shall be asked from such bidder. However, equipment performance bank guarantee shall be insisted.
- e) Since decision has to be taken on single tender, such bidder shall specifically be asked to provide price list, if any, copies of recent orders from Govt. department or private organization of repute for the items being purchased. Such data shall help in establishing reasonability of rates and faster decision.
- f) If the bid is received from distributor, authorized by manufacturer (letter from manufacturer authorizing the distributor to furnish offer is to be obtained), rate certification shall be obtained from the manufacturer.
- g) Alternatively, manufacturers may respond to our tender enquiry and shall be allowed to execute the order through their distributors.
- h) As far as possible we should insist for E1 transaction to avoid double taxation.

9.4.2 Single Tender for procurement of spares from OEM/ OES on PAC basis:

Spare parts, attachment and accessories etc. for the existing equipment need to be purchased from OEM/OES, unless alternative sources have been developed. Till no substitute with proven performance and interchangeability are developed such spares shall be treated as proprietary articles of OEM/OES.

- a) PR for purchase of spares from OEM/OES must accompany PAC duly approved by competent authority but need not be concurred by Finance (Appendix C -9c - 'This is to certify that the spares covered under this requisition are required for use on the equipment manufactured/supplied by vendor as indicated above and as such these are declared as proprietary spares of their' shall be ticked and 8 a, b and d shall be crossed.
- b) While raising the purchase requisition for spares a critical analysis shall be made as to whether the requisitioned spares are manufactured by OEM/supplied by OES are their bought out items or not. If certain spares are their bought out items we shall make efforts to buy from the market rather than buying from OEM/OES (normally standard off the shelves available items). This shall normally help to buy spares at cheaper rates and also fast deliveries. From OEM / OES we shall normally buy spares which are their dedicated spares and even if bought out, sources are not identified.
- c) In order to ensure purchase of spares from sources other than OEM/OES efforts in an organized manner shall be made for vendor development for non-critical spares or spares where proven alternative sources have been developed (items like Grinding Rolls, Bull Ring Segments etc in a power plant). Sharing of such development should not only be limited within APGENCO power plants but should also be extended to other power utilities of repute.
- d) Further system of bidding shall be same as indicated in Section 9.4.1.b, c, d, e, f, g, h)

Note : Tenders may be floated under conventional method in respect of material to be procured on single source basis i.e. Proprietary/OEM/OES. However, procurement on single source basis shall be avoided to the maximum possible extent. If it is inevitable, such procurements may be made duly recording the reasons and proper justification.

9.4.3 Single Tender enquiry for purchase of materials from single source standardization:

If the materials and sources of supply have been standardized on multi sources, limited enquiry shall be sent to all sources. However, if single source standardization is there, enquiry has to be furnished to single source (for detailed procedure- refer Chapter on 'Standardization & Finalization of Rate Contracts')

- a) PR for procurement of materials against multi/ single source standardization must accompany the Standardization Certificate duly approved by an authority at the level of Divisional Engineer or next higher level (since the Standardization is already approved by Chief Engineer/Head of power station/project after Financial concurrence) Appendix-C 9.b) i.e. the above item (s) have been dated----- shall be ticked and 9a), c) and d) shall be crossed.
- b) Other formalities of bidding shall be same as in Section 9.4.1. b, c, d, e, f, g & h

9.4.4 Single tender enquiry on ground of urgency:

Procurement of single tender basis on ground of urgency shall be resorted to only if there is certain break- down or likelihood of break- down and when it is necessary to restore normalcy of equipment promptly. Such urgencies cannot be met by following the normal methods of purchasing. Reasons for emergency purchases must be recorded and approved by competent authority as per Delegation of Power. The competent authority before approval of such PR shall ascertain the stock position and quantity if outstanding against any pending purchase order, and a suitable substitute available in Stores. A non-availability certificate needs to be obtained from Stores.

- a) The tender inquiry for emergent materials can be sent to manufacturer or accredited distributor through fax/ courier and in the same way offer shall be received. Pending release of such order, supplier may be asked to rush the supplies and a regularizing order may be released in due course. Collection of offer and/or materials can be arranged by deputing a representative to vendor's premises
- b) Further system of bidding shall be, by and large, same as indicated in Section 9.5.1. b, c, d, e, f, g and h.

9.4.5 Single tender enquiry for purchase of material on any ground other than 9.4.1, 9.4.2., 9.4.3. and 9.4.4.

There may be a situation where user department may need a specific product only to meet certain specific requirement although there may be substitute available in the market. Example may be a specific brand of "computer cleaner". User may not risk using any untested brand over very costly instruments and may insist buying a particular tested brand. In the larger interest of the organization, some small value, with limited delegation of power, may be purchased on single tender basis

- a) PR for such items shall always accompany single source procurement certificate, duly concurred and approved by competent authority (Appendix-C i.e 9.d) 'This is to certify that the item (s) covered in the above requisition and manufactured by the vendor indicated above should only serve our purpose and no other make shall be suitable. Hence the items (s) requisitioned may be procured from them on single tender basis' shall be ticked and 9.a, b and c shall be crossed.
- b) Other formalities shall be in line with Section 9.4.1. b, c, d, e, f, g and h. and applicable to this type of limited expenditure purchases

9.5. Signing of Tender Enquiry:

Tender Enquiry and related correspondence with the bidder shall be signed by an executive of Purchase Section not less than the rank of ADE for and on behalf of APGENCO.

9.6. Receiving of Bids:

The bidders may directly put offers in the Tender Box, which shall be of suitable size with locking and sealing arrangement. It shall be placed at Security Gate or entrance of Purchase Section, if this Section is outside the Main Plant Area or any other secured and convenient place to facilitate uninhibited access to the bidders to drop their offers.

This box should be made inaccessible to the bidder at the time of closing i.e. 1500 hrs to 1600 hrs. on bid opening days. The keys of the tender box shall be in the custody of responsible officer of Materials Management Department.

- a) Offers by ordinary post/registered post or courier services shall be received at Central Despatch Section who shall put these offers in the tender box after entering the details in separate register maintained for this purpose. Offer which can be accommodated in the tender box and brought personally by bidder's representatives shall not be accepted by Central Despatch Section. Bidders shall be advised to put these offers in tender box.
- b) Sometimes the offer and/or samples may be voluminous and it may not be possible to put them in the tender box. Such offer/ samples shall be kept in custody of Central Despatch and shall be handed over to concerned executives before bid opening date and time. On such offer/samples date and time of receiving shall be marked.
- c) **Offers without superscription or in open condition:**
 - (i) Offers received in open condition or in closed conditions but without proper superscription on the envelope shall be rejected
 - (ii) Opened offers or offers without superscription on envelope which are received in time or after opening the bids in response to single tender/proprietary tender enquiry shall, however, be entertained.

9.7. Bid Opening Committee:

A committee of two executives shall open bids, one each from Finance and Materials Departments. These executives and stand by executives (stand- by executives, one in each department shall be responsible for opening of bids if nominated member for the month are not available on any bid opening day) shall be nominated by Head of respective departments. The committee shall be responsible for bid opening for one month and another committee with stand- by shall be constituted well in time and so forth.

9.8. Tender Opening Process:

- a) After the schedule time of receipt of offers i.e. 1500 hrs, the committee shall open tender box and all offers from inside shall be taken out. The offer due for opening on the day or the offers whose due date of opening is already over shall be picked up and remaining offers i. e. offers whose opening dates are later in future shall be put in the box which shall again be sealed and keys handed over to the concerned authority.
- b) Offers so picked up shall be sorted out enquiry- wise and each envelope shall be given serial number for example if there are 5 bids against a particular tender enquiry, then these bids should be numbered as 1/5, 2/5, 3/5, 4/5 and 5/5. Bids received late or delayed shall be marked 6/5 and 7/5. The system shall apparently reveal that against a particular tender there were 5 offers in time and 2 offers late or delayed.
- c) Offers shall be opened only when minimum 3 offers with EMD are available failing which, unopened offers shall be handed over to the concerned purchase executive alongwith statement of bid opening, duly signed by both the members of the bid opening committee, indicating clearly the reasons for not opening the bids, for further needful action.

- d) The committee shall commence opening of the offers against a particular enquiry. Total number of sheets in an offer shall be mentioned on the first sheet of the offer and also the offer serial number as 9.9.b above. Both the members of bid opening committee shall put their initial on envelope (envelops shall always be stapled with the offers and never destroyed), and each sheet of the offer. They shall further encircle the rates and terms & conditions and put their initials. If the prices are not written in words that shall be written and initialed by the committee.
- e) The representative of the group, whose bids are due for opening that day shall be present at the time of opening the bids with the Statement of Bid Opening with name of bidder to whom tender enquiries are issued, already written down. After filling up further details of opening of the bids both the members shall sign the statement.
- f) In case of open tender, the bids shall be opened in presence of bidders or their authorized representative, if present. The bid opening committee members shall ensure that only bidders/authorized representatives of bidders who have actually submitted the bids are present and no unauthorized person shall be present. The name of the bidder shall be read out for the benefit of bidders, present. As regards limited tender, the representatives of bidders need not be associated to witness bid opening.
- g) Rates/total price/group- wise price if sought as per tender and quoted by each bidder shall be read out in addition to major terms and conditions. Any omission or irregularity such as absence of signature of bidder, absence of EMD or insufficient value of EMD may be pointed out on the spot for information of bidders. Signatures of bidders or their representatives who witness opening shall be obtained in the relevant column of bid opening statement.
- h) In case of two part bidding, part I shall be opened by the committee and part II offers of those who are evaluated as qualified shall be opened subsequently, when offered to bid opening committee.
- i) After bid-opening process is completed, the summarized details shall be filled in Bid Opening Register which shall be maintained in the sequence of bid opening dates (also refer Section 8.3.4.). Column 1 to 4 of the register shall be filled in at the time of release of tender Enquiry and column 5-10 shall be filled on bid opening date.
- j) In case of poor response, the concerned purchase executive shall process proposal for extension of bid opening date for approval of competent authority

Note : In exceptional cases, the quotations received and accepted though e-mail shall be opened as per the procedure normally be followed for opening of tenders floated under conventional/e-procurement method.

Chapter- 10
Evaluation of Bids

10. Evaluation of bids

10.0 As stated in Chapter- 9 i.e. Invitation of Tenders, after all the offers have been opened against a tender enquiry by the Bid Opening Committee, those are handed over to the concerned purchase executive to process the bids for techno-commercial evaluation and identify evaluated L1 bidder and move proposal for approval of competent authority as per Delegation of Power and release the purchase order.

10.1 Comparative Statement:

- (a) The first step in the process of finalization of an order is to prepare a comparative statement in duplicate by tabulating the rates and commercial terms and conditions of bids received against a tender enquiry. In order to finalize the orders promptly and much before the expiry of validity period, comparative statement shall be prepared within 3-4 days from the date of opening the of offers.
- (b) It should be ensured that the rates mentioned in comparative statement both for quoted price and landed price (evaluated price) in one unit so that comparison can be made at a glance.
- (c) Apart from quoted and evaluated prices of each offer the comparative statement shall also high light the major terms and conditions specially commercial conditions which impact on working out landed price by suitable loading for deviation to our standard terms and conditions viz. Price Basis, Discounts, if any, Packing and Forwarding Charges, Excise Duty, Sales Tax, Transit Insurance, Freight, Payment Terms, Price Firm/ Variable and of course major terms like Validity of Offer, Earnest Money Deposit, Delivery Period, Guarantee/Test Certificate and other relevant information.
- (d) After suitable loading for deviations as per Section 8.3.16, landed (Evaluated) price per unit is worked out. For the benefit of Tender Evaluation Committee and also for authority of financial vetting and award approving authority 'loading factor as percentage' over the quoted rates shall be indicated. Loading factor as percentage shall be the total for individual deviations.
- (d) For the purpose of price reasonability, last purchase price/purchase order, if available against each item shall be indicated.
- (e) Comparative statement shall be prepared by supporting staff in purchase section, who shall sign in the relevant column 'Prepared by' and checked and signed by concerned purchase executive.
- (f) In comparative statement evaluated L1, L2, L3 (lowest shall be marked with red ink.
- (g) Comparative statement for estimated value of PR exceeding Rs.25,000 shall be sent to Finance Department for scrutiny and financial vetting (Vetting shall be done Finance within minimum time)
- (h) The vetting of comparative statement by finance shall, however, not absolve the Purchase, originally preparing the comparative statement from the responsibility.
- (i) For the purchases of estimated value over Rs.2 lakh, comparative statement shall be checked and signed by all the members of Tender Evaluation Committee (consisting of members from Purchase, Indentor, and Finance)

10.2. **Comparison of Landed Rate (Evaluated Rates) of different bidders:**

10.2.1 As a basic principle of purchasing, bids are considered on item-wise comparison of landed rate/price and award the order (s) to lowest evaluated and technically acceptable bidders on the itemized basis. In view of this there may be number of orders for a certain case of large number of items to be purchased. Instances cannot be ruled out especially in case of PR of large number of small value items, where value of an order may be as low as few hundred. Such low value orders increase the processing cost at different stages i.e. cost of ordering cost of inspection and receiving and cost of processing invoices and payments etc. Apart from this supplier also deal such small value order casually, resulting in delay of execution and higher cost of expediting. Until unavoidable, order for a value less than Rs.10,000/- should not be placed. Following steps need to be taken.

- a) Evaluated L1 bidder of majority of items shall be asked to match his prices for remaining few items with L1 prices of other bidder (s) so that one order may be placed for entire requisitioned items.
- b) In case evaluated L1 bidder for majority of items do not accept L1 rates of other few items of other bidder (s), the quoted rate of majority items bidder for these few items may also be accepted, if by placing one order, additional financial burden is less than **Rs.5,000/-**.

10.2.2. Possibilities are also there that against large number of items in the enquiry, for few items only one offer is available. If the individual value of such items is small i.e. less than 2500, order can be placed on single tender basis, if the price is reasonable rather than dropping the item and resorting to re-tendering at later stage. However, if the value is more than Rs.2500 per item, the decision to buy on single tender depends on reasonability and urgency.

10.3. **Discounts:**

A discount normally is the deduction from offered prices, list prices or from invoice total, which is offered by bidder due to variety of reasons and is expressed as percentage. Discount may be simple and chain discount.

10.3.1 **Cash Discount/ Settlement Discount:**

The bidder, for payment earlier than usual 30 days credit as standard payment, offer early payment/ settlement discount. Such discounts are usually called cash discount, a term which is correctly used for discount for immediate payment rather than credit. This discount may usually range between 0.5% to 2% and motivate a purchaser to avail it. This discount since, conditional and being financial transaction, is not considered for the purpose of working out evaluated price. However, if this discount is 1.5% or more, no adverse loading is done for deviation in payment terms as against standard payment term.

10.3.2. **Trade Discount:**

The trade discounts are given by the manufacturer to their distribution channel. This discount is also offered to major customers, like us, as such direct sales help the manufacturer to reduce their marketing expenses.

This discount is normally expressed as percentage of price list. Since our purchases shall mostly be from manufacturers, efforts shall be made to obtain maximum of this discount. Sometime manufacturers may insist dealing through their distributors/ dealers only. Under such circumstances, being a major customer we should insist the manufacturers/ distributors to pass on some percentage of discounts to APGENCO. This discount is considered for the purpose of working out evaluated price.

10.3.3. **Quantity discount :**

Bidders on large order or for large customer like us offer quantity discounts. Suppliers are benefited from larger orders, which enable them to reduce their direct and indirect cost. If this discount is unconditional, not only it has to be availed but also considered while working out the evaluated price. Some-time quantity discounts are conditional and offered for buying a quantity larger than what is contained in tender enquiry or offer the discount for supply of entire quantity in one lot as against requirement of staggered deliveries. Before accepting such discount a comparative study of advantages of discount and disadvantages of higher inventory holding cost, availability of space and possible loss of materials due to limited shelf life, has to be done. If the advantages are more only then such quantity discounts shall be considered. Further, the conditional quantity discounts are not considered for the purpose of working out evaluated price.

10.3.4. **Special Discounts:**

Special discounts are available for purchasing the goods during off-season. The advantage to manufacturer is that the production can be smoothed and cost of holding the stock is reduced. Manufacturers also announce special discounts as sales promotion during festive time or discount on return of worn out/ old items against purchase of new.

10.4 **Negotiation:**

In order to ensure that competing bidder offer low prices, orders shall be placed on lowest qualified bidder after bids are opened and there being sufficient response. If the organization gains the reputation of negotiating with lowest bidder after bids are opened and evaluated then in future bidder will tend not to offer their best prices initially, believing they may be bettered in any subsequent negotiation. They will adopt the strategy of submitting a bid low enough to allow them to be in any negotiation. But their initial bid may not be as low as when they are confident that award will be made to lowest bidder without any negotiation. In view of this, a prudent buyer shall never opt for negotiation after opening of the bids until there are compelling and valid reasons for this.

10.4.1 **Avoidance of Negotiation:**

In view of above and the instructions issued by Central vigilance Commissioner from time to time, negotiation after competitive bidding shall be avoided. No price negotiation shall be undertaken where three, techno- commercially accepted, offers are available. Order shall be processed on L1 acceptable bidder after establishing the price reasonability.

10.4.2. Exceptional cases of Negotiation with L1 Bidder :

In exceptional cases of high value contracts for plant and machinery or other critical materials, negotiation with evaluated L1 bidder in following situation can be undertaken on recommendations by Tender Committee and with prior approval of award approving authority

- a) Only two acceptable offers have been received against a tender and rates of evaluated L1 bidder are quite high as compared to cost estimate or the last purchase price, if available.
- b) The bidder have formed a cartel and rates of L1 bidder are considered substantially higher than cost estimate or last purchase price, if available.

10.4.3. Negotiation with Bidder other than evaluated L1 :

When the material being procured is one of the critical input of plant and generation of power, APGENCO may feel to enter into parallel contracts with two or more parties. In these cases NIT and bidding documents shall specifically stipulate this requirement so that bidders are aware before hand the requirement of awarding parallel contract (for detailed procedure refers Section 8.3.11). Under these circumstances negotiation with prior approval of competent authority shall be conducted with L2 bidder to match their prices and conditions with evaluated L1 bidder. If the negotiation succeeds, parallel contract (s) is/are awarded. However if negotiation fail, further negotiation can be held with all bidders to match their prices with evaluated L1 bidder. **Quantity ordered may be distributed in such a manner that purchase is done in a fair, transparent and equitable manner.**

10.4.4.(a) Purchase of items from other than lowest in Limited Tenders:

When the materials are to be procured from the firms other than the lowest tender the monitoring powers to be exercised shall be 50% of the powers delegated to the various officers in respect of Limited Tenders under Sl.No.2.12 (i) (b) i.e., Limited Tenders of G.O.O.No.270/GM(Adm.)/2003, dt.24-07-2003.

10.4.4.(b) For purchase of materials outside DGS&D rate contract, the Delegation of Powers indicated in Clause 2.11(b) of G.O.O.No.270/GM(Adm.)/2003, dated 24-07-2003 shall also apply for procurement in DGS&D rate contract under item No.2.11(a).

10.4.5. If two bidders become L1, orders may be placed by sharing the tender quantity equally.

10.5 Pre-award Conference:

When the rupee value of purchases is substantially high, criticality of order execution warrants, pre-award conference with techno-commercially evaluated lowest bidder can be arranged as recommended by the Tender Evaluation Committee and with the prior approval of competent authority, immediate before award of contract/ order. In such conference, apart from Tender Evaluation Committee members, representative of Quality Assurance, if any or other representative from concerned department can participate.

Bidder is also requested to bring his team of related experts. **Pre-award conference is a vehicle, used to ensure that provisions of tender documents/proposed contract are fully understood and implemented.** Major issues to be discussed are:

- All important terms and conditions
- Delivery or operation schedule including staggered deliveries
- Invoicing procedures and documentation.
- Quality plan and modalities of stage inspection and/ or final inspection before despatch
- Mode of despatches, selection of carrier, place of delivery etc to ensure faster deliveries.
- Guarantee/ Warranty
- Packaging and marking to ensure safer deliveries.
- Modalities of insurance claims and replacement towards non-delivery/damages/ rejections.

10.6 Marginal Adjustment in order Quantity:

Marginal adjustment to the extent of 5% or Rs. 2000 in the value of each order, whichever is less can be made to fit the order quantity within the pack units offered by trade over the requisitioned quantity may be made by the purchase executive without any reference to user department or to finance for budget certification.

10.7 Variation in quoted rates in figure and words:

If there is any discrepancy between figure and words in the bids, the rate in words shall be considered for the purpose of evaluation (included in Instruction to Bidders)

10.8 Technical scrutiny/ Evaluation of bids by Requisitioning Department:

- a) After preparation, checking and vetting of comparative statement the case (in case of single bid system) shall be referred to requisitioning department for technical scrutiny of offers, using standard prescribed format and enclosing with this duplicate copies of offers and comparative statement or the case file, as the case may be.
- b) In order to reduce procurement lead- time, the purchase section shall invariably indicate the time, for submission of technical comments by the user department, keeping in view the number of items requisitioned number of offers received and nature of technical scrutiny involved. User department shall further ensure that the comments are invariably furnished within the specified time, which shall be one week for normal cases and two weeks for complex cases. In case of any delay over the above period, matter shall be brought to the notice of concerned Head of Department.
- c) In case the procurement process involves evaluation of bids by Tender Evaluation Committee (all cases when estimated value of PR is over Rs. 1 lakh) the duplicate copies of offers and comparative statement shall enable the requisitioning department to scrutinize the bids in advance from technical angle, before attending the Tender Evaluation Committee meeting.
- d) In case of rejection of any offer, the reasons shall be brought very clearly, indicating details/deviation from specifications stipulated in tender enquiry.

- e) As a principle, post bid opening clarification from bidder under single bid system shall be avoided. However, where clarification from bidder on technical aspects (having no impact on prices) are absolutely necessary, the same shall be sought after approval of award approving authority. Such clarification shall be provided by the bidder within the time frame and clarifications furnished after specified date shall not be entertained.

10.9 **Evaluation of Bids in Two Parts Bidding:**

- a) Evaluation of technical bids shall be done by a Technical Evaluation Committee (TEC). Based upon recommendations of this committee Part II bid of those bidders who have qualified, shall be opened.
- b) Before evaluation of technical bids, data/documents furnished by bidders shall be scrutinized with reference to qualifying requirements, if any. In case certain discrepancies are noticed, matter is taken up with bidders to furnish requisite details. However, those bidders who have clearly not met QR are rejected and no further evaluation of their technical bids shall be needed. After finalization of bids such vendors may be informed of their disqualification with reasons thereof.
- c) In the process of technical evaluation, clarifications can be obtained from the bidder on technical issues, making them clear that no changes in the price on this account would be accepted. **This clause is applicable for e-procurement also.**
- d) After approval of recommendations of the committee by the competent authority, those bidder who have qualified shall be informed of Price Bid Opening Date (Refer Section 9.2.7)

10.10 **Proposal for Placement of Purchase Order (Estimated Value of PR upto Rs. 2 lakh):**

After receiving the recommendations of user department on technical suitability of offers and having identified atleast two technically suitable offers, the case shall be processed for finalization. A purchase proposal shall be initiated by the concerned purchase executive.

- a) Before the proposal is approved by competent authority, it needs to be concurred by Finance. However no financial concurrence shall be needed if the value of purchase order is upto Rs.25,000, provided such orders are not placed against Single Tender (other than PAC, Spares from OEM/ OES/ Standardization), not on a bidder other than evaluated L1 bidder and such order is not one of the various orders placed against a purchase requisition.
- b) The orders placed without prior financial concurrence, i.e. orders of value upto Rs. 25,000 shall be recorded in the prescribed register which shall be subject to Audit review
- c) In case of single responsive offer (Technically acceptable offer), re- tendering shall normally be resorted to. However, due to exceptional circumstances or urgency of requirement (To be certified by user department) single offer shall be accepted/negotiated but reasons for such decision must be recorded, concurred by Finance and approved by competent authority (delegation of power for single tender shall be applicable and not the limited tender).

- d) For the purpose of price reasonability, the evaluated L1 price shall be compared with last purchase price (LPP) and cost estimate provided in the purchase requisition. If LPP is old, keeping in view the annualized inflation approximate current price can be worked out and then compared with evaluated L1 price.
- e) Delegation of Power for acceptance of offers and approving purchase proposal shall be based on award value. Any reimbursement of duties and taxes at actual, shall be excluded for this purpose.
- f) In case the order is recommended to be placed on a bidder other than technically acceptable and duly evaluated L1 bidder, the purchase proposal shall be approved by an authority, a level higher than the award approving authority.
- g) Proposal for purchase shall be approved by competent authority as per DOP and such clause of DOP shall be indicated in the proposal for placement of order. Due to absence of competent authority, approval of an authority at the same level or next higher authority shall be obtained.

10.11 **Techno- commercial Evaluation of Bids (estimated value of PR > Rs.2 Lakhs)**

10.11.1. **Tender Evaluation Committee:**

If the estimated value of purchase requisition is more than **Rs.2 Lakhs**, a Tender Evaluation committee, comprising of members from Requisitioning Department, Materials Department and Finance Department is constituted to finalize proposal of procurement action, which shall be put up to competent authority as per Delegation of Power.

10.11.2 Nomination for Tender Evaluation Committee shall be obtained on the prescribed format

10.11.3 **Issues to be examined/ deliberated by Tender Evaluation Committee(TEC):**

a) **Issues related with tendering:**

- Description of items and estimated cost, special conditions, if any, indicated in the purchase requisition and their reference in the bidding documents.
- Mode of tendering- open/ limited/ single/ single tendering with PAC
- If mode of tender is open tender, study of provision of NIT, qualifying requirement, whether advance intimation of NIT sent to known and renowned sources of supplies, number of vendors who approached for bidding documents and number of bidders supplied with bid documents, if any conditional issue of bid documents.
- If mode of tendering is limited, whether enquiries have been sent to requisite number of bidders, have the enquiries been sent to registered vendors? Is approval taken for name and number of vendors from a level higher than the award approving authority?
- Bids were opened on Bid Opening date or BOD was extended- reasons for such extension.
- Number of in- time offers, has any delayed or late tender opened with approval of competent authority?

- Have the bidder met the requirement of EMD?
- Have the bidder confirmed validity of 120 days of their offer (or the validity specified in bid documents)

b) **Technical Evaluation**

Technical review of offers with reference to specifications in tender enquiry, technical scrutiny of bids by requisitioning department, Quality Assurance Plan, special conditions of testing, marking, packaging etc, bidders qualification with reference to qualifying requirements, if any; in case of equipment; facilities for installation/commissioning are available or covered under bidders offer, warrantee/guarantee, requirement of special training for operation and maintenance of equipment, submission of operation manual, spare parts catalogues, after sale services, checking of statement of deviations if any and their impact.

c) **Quantity Assessment:**

A pre-order assessment of quantities of high value items proposed to be purchased, in view of development during the period- post requisitioning and pre-ordering. In order to exert tight control on inventory, Tender Evaluation Committee has to certify that quantities recommended for purchase are optimums.

d) **Commercial Evaluation:**

- Checking of comparative statement with reference to offers from various bidders, tabulated quoted price and landed/evaluated price after loading on account of deviations with reference to terms quoted by bidders which are not in line with standard terms of APGENCO, accuracy of loading factor. Committee shall also review grading of offers for various items after techno-commercial evaluation (This checking may not be necessary after implementation of Computerized procurement system- requirement of manual preparation of Comparative Statement shall than be dispensed with)
- Payment terms, delivery period, mode of despatches and place of delivery, submission of price list etc.
- Reasonability of evaluated L1 price with reference to last purchase price (also refer Section 10.10.d), cost estimate as per PR or any other method. Evaluated L1 bidder may also be asked to furnish copies of latest orders of the items from other PSU, Government departments or private organization of repute. Rates can also be obtained from other units of APGENCO.

Chapter - 11

Placement of Purchase Orders, Follow Up, Expediting & Amendments

11. Placement of Purchase Orders, Follow up, Expediting and Amendments

11.1. Placement of Purchase Orders:

After approval of recommendations of Tender Evaluation Committee/ purchase proposal (duly concurred by Finance) and approved by competent authority, the next step in the purchasing process is to communicate the decision to the bidder (s) by issuing an order through standard Purchase Order format.

11.1.1 Letter of Intent (LOI)

In important cases of procurement, pending issue of regular purchase order, Letter of Intent may be faxed or sent through courier to successful bidder (s) as an advance intimation for booking of an order and planning for production. Need for issue of a LOI may also be felt due to imminent expiry of validity of offers. Letter of Intent is a legally binding document and it is as good as placing the purchase order within the validity of offers. It is therefore, imperative to reflect all-important and relevant aspect such as tender/ enquiry number, opened on, bidder's offer number and date, reference of negotiation, revised offer if any, post bid opening correspondence, if any, description of materials, quantity, price and total value of Purchase Order and any other major conditions, reference to special conditions, GPC etc and LOI shall further state that formal order shall be sent shortly.

11.1.2 Details in standard Purchase Order:

Apart from information such as P.O. No. & Date, Tender Enquiry No. & Date, Name of the requisitioning Department (Code), Budget Head, Name of Supplier (Also supplier's code No.) Brief Description of Materials, standard purchase order format contains all the major conditions of the order at a glance i.e. Total value of order, Price basis, Taxes and duties (inclusive or extra), Discounts, Place and Mode of despatch, Packing and forwarding charges, Insurance, Payment term, Bank charges, Inspection, Warrantee/ Guarantee, Liquidated Damages, Price variation, Special instructions/conditions. Details of items ordered viz. Material code/folio number; Material description, Unit of measurement, Total quantity, Rate (discounted), value, schedule of quantity, etc are specified in the Annexure to standard purchase order format. A copy of General Purchase Conditions may also again be enclosed (invariably with P.O. against open tender). If not furnished its reference must exist in purchase order viz. Other terms and conditions as per our standard 'General Purchase Condition'. In order to ensure smooth execution of order and minimize post despatch problems 'Despatching and Invoicing Instructions' are also enclosed with P.O. (Annexure 24).

If there is provision for Security Deposit, as per conditions of order and arrangements are not there for Permanent (Standing) Security Deposit with the supplier, a copy of proforma for Bank Guarantee in lieu of Security Deposit is also enclosed. We shall also enclose a copy of proforma for Performance Bank Guarantee, if the order is for equipment or in case of special arrangement with suppliers related to guarantee of materials ordered.

11.1.3. Powers for Signing of Purchase Orders:

Delegation of Powers to sign the Purchase Order/Contract on behalf of APGENCO shall be as under:

SL. No.	Authority to Approve Award	Authority to Sign Purchase Orders
1.	Board/CMD/ Functional Director	Not below the level of Chief Engineer
2.	Chief Engineer	Chief Engineer
3.	Superintending Engineer	Superintending Engineer
4.	DE	DE

Note: The authority approving the award will also have the power to sign the order

The authorized executive must verify the following before signing the Purchase Orders/contracts.

- The purchase proposal or Tender Evaluation Committee's recommendations have been concurred by Finance and approved by competent award approving authority.
- Proper Budget Allocation for expenditure exists.
- Deviation, exceptions if any, have the approval of competent authority.
- Clauses framed with regard to accepted deviations/exceptions have been specifically gone through while vetting the P.O.
- Contract is legally enforceable and there is mutual consistency in clauses framed (other than APGENCO's standard and approved terms and conditions).

11.1.4 Distribution of copies of Purchase Order :

9 copies (or more as the need be) of purchase order shall be generated and their distribution shall be as under:

2 copies	To vendor including original- duplicate copy shall be returned by vendor duly signed and stamped as acknowledgment of having received the order and be treated as confirmation of acceptance of terms and conditions.
2 copies	Retained in Purchase- one copy for master folder and one copy in case File
2 copies	Stores- one for stores Receiving and Inspection and one copy for Materials Planning & Inventory Control Group (MPIC)
2 copies	Finance –one copy for invoice checking and payment to suppliers and one copy for Price Stores Ledger
1 copy	Requisitioning Department – as intimation that an order is placed against purchase requisition raised by them.

Note:3 additional copies to be sent to the concerned Head of Station if order is placed by the Corporate Office.

11.2 **Follow Up and Expediting:**

Purchase executive's job does not end with placement of order. He shall ensure that the supplies are executed as per delivery schedule indicated in the orders. Some administrative efforts need to be made to achieve this. Like Quality Assurance, there has to be a Delivery Assurance, which mean making sure that suppliers shall meet very tight schedule. Timely deliveries are pre-requisite for Just- in- Time inventory management system. We device a system of progressing the orders and initiate action of expediting when deliveries are due We must avoid the situation of fire-fighting i.e. follow up action is taken when requirement become extremely critical and there are SOS from Stores and User Departments.

Constant monitoring further facilitate timely action to prevent delays in execution of supplies and take appropriate corrective action.

- 11.2.1. The first step in the direction is to draw a very realist delivery plan for incorporation in purchase order/ contracts (s) based upon the delivery period as indicated by supplier in their offer and period indicated by the user department in purchase requisition. At the time of placing the orders it shall be decided as to whether there is any need for progressing and if so, when. Some of the orders need not be progressed until they are late. An important small number of order (items) needs to be expedited at various stages i.e. when design work should be completed, when tooling shall be ready, when prototype shall be ready and when ordered items are ready for dispatch and pre-dispatch inspection shall be done, if required as per the provision of the order.
- 11.2.2. Till such time the computerized system of procurement is in place, follow up and expediting has to be done by keeping track of the things manually. The simplest reminder system is a desk diary. Each day the order placed during the previous day, which need progressing shall be entered under the date at which the progress is needed? In this way regular expediting shall be done. Regular monitoring may lead to:
- Judicious assessment of genuine difficulties expressed by supplier and their mitigation.
 - Realization to supplier of urgency and importance of requirement of ordered materials.
 - Assessment of suppliers competence or otherwise to ensure timely execution of order.
 - Revealing the slippage in delivery period beyond the prescribed limits, timely action may be taken either to cancel the order or revise the scheduled delivery.

11.3. **Amendment to Purchase Orders:**

Minor corrections to purchase order having no impact on prices and specification shall be issued with the approval of award approving authority. Amendment having financial implications shall, however, be approved by the competent authority after financial concurrence.

11.3.1 Amendments of Extending Delivery Period:

The liquidated damages levied on supplier (Equivalent to 0.5% of the value of delayed materials for each week of delay or part thereof, subject to a maximum of 5% of total value of order) shall be based to extent of demonstrable and quantifiable loss suffered by APGENCO due to delayed supplies.

This clause is included in the purchase order to ensure timely execution of order by suppliers and not as a measure to penalize them. Constructive assessment of reasons contributing to delayed supplies shall be deciding factors to waive or impose full or partial liquidated damages

11.3.1.a) Delay in Supplies Attributed to Supplier:

Amendments extending delivery period shall not be made in the routine manner. In exceptional cases where supplier has sought extension of delivery period, justifying with sufficient and valid reasons an amendment can be considered. Depending upon the merit of the case, extension in delivery may be agreed with or without liquidated damages or with partial recovery toward liquidated damages. Price increase due to revision of statutory levies or on any other account shall not be allowed during the extended delivery period. The proposal for extension of delivery period shall be put for approval of competent authority (award approving authority) after seeking views of Requisitioning Department regarding any loss suffered by the organization due to delayed supplies and concurrence by Finance Department.

11.3.1.b) Delay in Supplies Attributed to Purchaser:

If the delay in execution of order is attributed to APGENCO in fulfilling the contractual obligations such as delay in pre-despatch inspection, delay in providing clarifications to supplier or supply of drawings or approval of samples or delay in furnishing Road Permit (Sales Tax documents furnished to suppliers to facilitate booking of materials by road transport), delivery period shall suitably be extended without imposing any liquidated damages and allowing increase of statutory levies during extended period.

11.3.2. Variation in Supplied Quantities :**11.3.2.a) Variation in supplied Quantities upto Plus- Minus 5% :**

Normally the suppliers are expected to deliver exact quantity as per P.O. It may, however, not be possible all the time when supplies are on weightment or running length on measurement basis or multiple of standard packs available in the market. If the variation in actual supplied quantity is upto plus or minus 5% of ordered quantity, excess supplies shall be accepted subject to limit of **Rs. 50,000** in value without any formal amendment to purchase order. Similarly if supplied quantity is less up to 5% of total ordered quantity, the order shall be deemed to have been executed in full.

11.3.2.b) More Than 5% Short fall in Supplied Quantity:

However, if short- fall is more than 5%, matter is pursued with supplier for supply of balance ordered quantity. In exceptional cases, amendment may be considered for short closing the order. Proposal for such amendment shall be approved by competent authority after consent of Requisitioning Department and financial concurrence.

11.3.2.c) Excess Quantity for Reasons Other Than Provision of Section 11.3.2.a)

Any excess quantity due to reasons other than what is indicated in Section 11.3.2.a) should not be accepted and returned back to supplier if advance payment is not made. However, if the documents are negotiated through bank and value of excess supplies is more than the part payment, if any, payable after receipt and acceptance of materials, supplier shall be asked to issue revised instruction to their banker to hand over the documents upon payment limited to order quantity. Upon receipt of consignment, excess quantity shall be returned back to the supplier and despatched on 'freight to pay' basis at their risk. However, in exceptional cases, if the items supplied in excess are used regularly and upon confirmation from user department, issue of an amendment, accepting excess quantities may also be considered. The proposal for such amendment shall be concurred by Finance and approved by award approving authority or the authority a step higher if value of order increases beyond the power of award approving authority.

11.3.2.d) Excess Supplies above 5% and reasons as Section 11.3.2.a)

However if the quantity supplied is in excess of 5% and reasons are as indicated in Section 11.3.2.a), issue of amendment to accept excess quantity may be considered after obtained the comments of requisitioning department. Proposal for such amendment shall be concurred by Finance and approved by competent authority as indicated in Section 11.3.2.c) above.

11.3.3. Other miscellaneous Amendments :

Sometime based upon merit of case and contractual conditions, amendments regarding change in payment terms, payment of levies/taxes, inspection, mode of despatch or any other commercial conditions may also be considered. Such amendments shall be submitted for approval of competent authority after financial concurrence.

11.3.4. Cancellation of Orders:

- a) Sometime due to failure of supplier to execute the supplies, purchase orders need to be cancelled. Such amendments, however, are resorted only after failure of supplier to execute supplies, inspite of reminders and serving of final notice. In such cases Earnest Money Deposit/ Security Deposit, if any available, shall be forfeited and future business dealing with supplier shall be discontinued.
- b) In certain exception cases, even risk purchases can be resorted as per provision of purchase order/ GPC and after seeking advice of Legal Department

11.3.5. Procurement of imported spares:

Procurement of materials/spares where Foreign Exchange involved and orders are to be placed on Foreign suppliers, the orders shall be processed and placed by the Corporate Office.

11.3.6. Procurement of fuels & lubricants:

Procurement of coal, furnace oil & HSD oil for utilization in equipment of generating plant shall be procured from Corporate Office. The Lubricants, Greases and HSD oil required for use in plant equipment and vehicles shall be procured by the in charge of generating station for their respective stations.

11.3.7 Heads of Generating Stations shall review the Purchase Orders placed by them and a return of Purchase Orders placed shall be sent to Corporate Office every month along with his review report to the concerned Director & FA&CCA (Audit & Trust) by 5th of succeeding month.

Chapter – 12

Payments to Suppliers, Settlement of Discrepancies & Closing of Orders

12. Payment to suppliers, settlement of Discrepancies, Closing of Purchase Orders.

12.1. Payment to Suppliers:

The concerned executive in Purchase Section has to coordinate very closely with the Stores Section and Finance Department to ensure that prompt payment are made to the supplier as per the provision of purchase order which may fall in the following categories.

12.1.1. Payment to Suppliers Against Proforma Invoice :

As per terms of orders if full or part payment is to be made against delivery of materials or on presentation of despatch documents directly, concerned purchase executive shall coordinate with supplier to furnish proforma invoice as soon as goods are ready for delivery/dispatch. Such proforma invoice shall be forwarded to Finance Department through prescribed Requisition for Payment for issue of cheque/demand draft as per terms of order. When payment is ready, supplier shall be advised for further needful action. Such cheques/DD shall remain in the custody of **stores** executive and handed over to the suppliers in the following manner.

i) When Materials Delivered by Suppliers at Stores :

If the goods are delivered at our destination those shall be inspected at Stores and after acceptance and submission of invoice and relevant documents, provided in the purchase order, cheque/ DD is handed over to authorized representative of supplier and receipt obtained.

ii) When Materials Collected from Premises of Local Suppliers:

If the materials are to be collected from local supplier, cheques/DD shall be handed over to Store's representative who shall visit supplier's premises for collection of materials. If required a representative from user department shall also accompany store's representative for inspection of materials and cheque/DD shall be handed over to supplier after inspection and acceptance of materials and receipt of invoice alongwith any other documents to be furnished by the supplier as per terms of order.

iii) When Materials Despatched by Out-station Suppliers:

In case of outstation supplier, cheque/ DD shall be handed over to the Engineer/ representative being deputed for inspection. After inspection, acceptance and despatch of materials cheque/DD shall be handed over to the supplier against receipt of LR/PWB, invoice and other relevant documents as per provision of contract/order. In case, pre-despatch inspection is carried out by third party or it is not required to be done, may personally bring the despatch documents (rather than negotiating through bank). As per the provision of order, cheque towards payment against proforma invoice may be handed over to the supplier against receipt of LR/RR etc, invoice, PDI report, if any, and other relevant documents.

iv) **Return of unutilized cheques/DD to Finance :**

Immediately after confirmation of readiness of cheque/DD, suppliers are expected to bring/offer materials for delivery. However, Purchase executives shall not hold cheques/DD for a period more than 30 days.

During this period if a supplier fails to bring the materials/offer the materials for inspection, the purchase executive shall return back such cheques/DDs to Finance Department. In case these are retained in purchase due to exception reasons, the Finance shall be informed.

v) **Distribution of Invoices and other documents:**

One set of documents received from the supplier after handing over the cheque/ DD shall be kept in P.O. file for records. Original copy of invoice with relevant documents shall be sent to Finance by Stores alongwith copies of Stores Receiving Voucher for pricing and adjustment of advance payments.

vi) **Monitoring of Advance payments to Suppliers:**

Payment made to the suppliers against the Requisition for Payment from Purchase Section shall closely be monitored to complete receiving documentation promptly so those advances shall be adjusted. Finance shall also prepare a statement of advances, which have not been settled over a period of one and half month from the date of cheque/ DD.

12.1.2. **Payments through Bank in Exchange of Despatch Documents:**

- a) As per Despatch and Invoicing Instructions (Annexure-24) suppliers who are negotiating the documents through bank are required to send one set of advance documents to Finance, Purchase and Stores. The concerned purchase executive shall thoroughly scrutinize such documents and in case any discrepancies are noticed, shall suitably take up the matter with suppliers for corrective action. If the supplier has failed to furnish advance set of documents as above, such discrepancies /abnormalities shall be referred by Finance to Purchase Section after getting details of documents from Banker. Purchase Section shall take prompt action to notify discrepancies to supplier and get them settled. Such discrepancies can be resolved either after clarification from supplier or revised instructions from supplier to banker under intimation to Purchase. Sometime there may be need to issue amendment to purchase order to enable the Finance to retire the documents from the bank
- b) Whatever may be the reasons/ discrepancies for non- retirement of documents every effort shall be made by the purchase executive to resolve them promptly so that documents are retired, materials are made available to users and at the same time payment of demurrage and wharfage charges are avoided/ minimize which attracts adverse audit observations. Sometime due to abnormal delay in retirement of documents, insurance claims for non-delivery, shortages and damages also become time barred.

- c) Review of documents pending with the bankers for retirement shall be made between Finance and Purchase on fortnightly basis and corrective follow up actions shall be taken as mutually agreed. To make such review fruitful, Finance shall furnish to Purchase such details in advance i.e. pending documents with age-wise analysis (pending since one month, two months and so on).
- d) **Payments through Letter of Credit:** The payments to be made to the Foreign suppliers through Letter of Credit shall be done by the Accounts Wing of Corporate Office. The opening of Letter of Credit shall be monitored by Chief Engineer/Material Management at Corporate Office.

12.1.3. Payment after Receipt & Acceptance of Materials :

If payment is to be made after receipt of materials in good condition, Purchase executive shall coordinate with Stores and Finance to ensure that our Standards Payment Term is honoured and confidence is built in business community. If there are delays in payment, suppliers keep on reminding Purchase. When payments are made, the copy of letter forwarding cheques to supplier shall be endorsed to Purchase, which shall also indicate details of recoveries, if any, so that records in purchase are also updated.

12.1.4. Availing Cash/ Settlement Discounts:

If as per provision of purchase order, discount is available against earlier payment that must be availed by ensuring payment within the stipulated period. Efforts in this direction shall be made by all the three viz. Stores, Purchaser and Accounts. Such documents shall move through special messenger with clear marking regarding discount details.

12.2. Settlement of Discrepancies:

Normally suppliers are expected to execute supplies strictly in conformity with the purchase orders. Instance of discrepancies, however, cannot be ruled out, which fall in the following categories. Although settlement of discrepancies is the responsibilities of Stores who are required to communicate details to suppliers for settlement under intimation to Purchase, User department and Accounts. Purchase executive has a very important role in view of his direct and continuous interaction with supplier.

12.2.1. Excess over Ordered or Invoice Quantity:

Excess over ordered quantity shall be dealt with as per provision of Section 11.3.2. However, excess over invoice quantity may be taken on charge, if balance quantity is pending against the order and supplier shall be informed to adjust excess quantity in future supplies accordingly. If order stands fully executed, excess over invoiced quantity shall be returned to supplier.

12.2.2. Shortages over Invoice Quantity

a) Shortages from Intact Packages delivered/ received from Carrier:

If shortages in invoice quantity are noticed from intact package delivered by the carrier, free replacement supplies have to come from supplier only as Insurance Companies do not accept claims for such shortages, until it is a case of Master Pilferage, which is very difficult to prove. There shall not be any problem in settlement of this type of discrepancies, if payment is to be made to the supplier after receipt of materials or part payment is still available which is sufficient to adjust the value of materials received short. Difficulties shall, however, be experienced if payment is already made through bank in full or available part payment is not enough to adjust such shortages. Purchase executive shall be expected to pursue the matter with suppliers for settlement of this type of discrepancies.

b) Damages from intact Packages and Shortages and Damages from Damaged Packages Delivered by the Carrier:

For shortages and damages found from the packages delivered in damaged condition, insurance claims are to be lodge with underwriters after obtaining the Open Delivery Certificate and preferring preliminary claim on the carrier. Sometime the damaged equipment is not total loss as they are repairable. Such repair shall be arranged promptly either free of cost or on payment of additional amount which shall e payable by the underwriters. Insurance claim for damages from intact boxes are payable by Insurance companies. Compensation for loss shall be made either from supplier or Insurance Companies as per provision of purchase order. But in either case, replacement supplies or repair of damaged items need to be made. Purchase executive is expected to step in such situation and use his influence over supplier to arrange prompt replacement supplies or repair of damaged materials as the case may be.

c) Non-delivery of Consignment or Part Delivery of Packages:

Such claims shall also be settled with Insurance Companies/Carrier/Suppliers, as per contractual conditions but replacement supplies shall be arranged to cater the needs of requisitioning department.

NB: For claim administration and detailed procedure, please refer relevant Chapter of Stores Management System Manual.

d) Rejection of Materials:

- Sometime materials supplied may be found wrong i.e. not in conformity with order specifications including make, model or size etc. and not at all acceptable. Stores shall communicate details of such rejection to the supplier but Purchase wing is also expected to pursue for settlement of discrepancies promptly. This shall not only help in liquidating the supplier's advance payments, if any, but also make available promptly, the materials required by user departments.
- Instance may also be there when materials supplied are not fully in conformity with specifications contained in the purchase order but they may be usable.

Such materials in exceptional cases, to meet urgency of requirement or otherwise may be accepted on discounted price. Purchase executive in association with Finance and Stores representative shall facilitate determination of suitable discounted price and obtain supplier's consent or negotiate with supplier to arrive at a mutually agreed price so that materials are accepted. These types of issues shall be sorted out with financial concurrence and approval of award approving authority.

12.2.3. Monitoring of Supplier's Advances:

Longs pending supplier's advances are against the sound Accounting System and also attract adverse attention of Auditors. In view of this Finance shall circulate from time to time, details of such outstanding advances with age analysis. Both Stores and Purchase shall make joint efforts for review of rejections, pursue with suppliers and obtain replacement supplies. Similarly, pending claim with underwriter carrier shall also be pursued.

12.3. Closing of Purchase Order Files:

After the orders are fully executed, supplies are inspected and accepted; discrepancies in supply, if any, are settled and payments are released to the supplier; purchase executive shall initiate action to close the P.O. files. The following are some of the issues, which shall be looked into.

12.3.1. Release of Security Deposit of Supplier:

After confirmation from Stores and checking Purchase department's own file if there is nothing outstanding from the supplier, Finance shall be advised to release the security deposit. It is also necessary to check the records that there is no outstanding discrepancy against any other order (s) on the supplier. If any recoveries or rejections are noticed, security deposit shall either be withheld until discrepancy (s) are resolved by the supplier or adjusted against outstanding advance. For releasing SD amounts, hand receipt shall be prepared by stores department.

12.3.2. Release of Performance Bank Guarantee:

If any Performance Bank Guarantee is obtained, the same shall be released after obtaining a satisfactory performance certificate from user department. In case any defects are noticed in the equipment/ materials, Purchase shall initiate action for rectification/ replacement. In certain exceptional cases supplier may be asked to extend validity of Performance Bank Guarantee to observe function of equipment for another 12 months from the date equipment/materials are put in operation after rectification carried out by the supplier. For releasing PBG amounts, hand receipt shall be prepared by stores department.

12.3.3. When all the issues pertaining to P.O. are settled, the file should be treated as closed and can be transferred to Record Room. It shall, however, be ensured that a proper record and location of files in record room is maintained so that files for any future reference or reply to any audit queries can be traced without any loss of time.

Chapter – 13
**Petty Cash, Emergent &
Sundry Purchases**

13. Petty Cash, Emergent and Sundry Purchases

13.1. Petty Cash Purchases:

As a matter of principle, cash purchases shall be avoided. User departments are expected to work out requirement of materials in such a planned way that by the time need for items is felt, they are received in Stores against regular purchase orders. The consumable, which are regularly used shall be classified as stock-items and brought under Automatic Replenishment System (also known Minimum & Maximum System of Inventory Control). However requirement of certain petty small value items or purchases of unanticipated emergent parts/components cannot be ruled out.

13.1.1. Petty Purchases up to Rs.5,000/-

Petty cash purchases up to **Rs.5,000/-** at a time, shall be made by user departments themselves without any reference to Purchase Section and without obtaining any hand quotations. Such materials need not be routed through Stores for Store Accounting purposes/ regularizing action. Records for such cash purchases shall be maintained by user department themselves and for this purpose a Cash Purchase Register shall be maintained. It is to be ensured that such cash purchased materials when brought inside the plant is entered in records maintained at Security Post and certified by security personnel on reverse of Invoice/ Cash Memo. Payment for such purchases shall be made from imprest advance and reimbursement/ recoupment obtained from Finance from time to time. The person who has purchased the materials shall certify on the body of Invoice/ Cash Memo that payment is made to the supplier in cash, rates charged are reasonable and recorded the details in Cash Purchase Register and entered the details of page/serial number. The person who has received the material shall also certify on body of Invoice/ Cash Memo.

13.1.2. Cash Purchases over Rs.5,000/-and up to Rs.20,000/-:

Petty purchases more than **Rs.5,000/-** and up to **Rs.20,000/-**. **Rs.40,000/-**, if purchases are made from Govt. Emporium, Employee Cooperative, State/Central Consumer Cooperative Society and Public Sector organizations) can also be made by user departments themselves. It is, however, to be ensured that after verbal enquiries, minimum 3 hand quotations are obtained from prominent and reliable suppliers who shall preferably be distribution/ stockist of renowned manufacturers. Hand quotation shall be collected on rotation basis if the number of dealer/stockiest is more than 5.

A certificate has to be furnished by officer making cash purchases that hand quotations are obtained on rotation basis. While selecting the sources of supply first preference shall be given to local suppliers who are registered and approved supplier of APGENCO. After determining the reasonability of lowest amongst the quotations, purchases can be made. Such purchases shall have the approval of competent authority of user department. Cash purchases from Govt. Emporiums, Employees Cooperatives, Public Sector organizations, and State/ Central Consumer Cooperative Societies etc. can be made on single tender basis.

User department may draw a specific advance (preferably in the form of a cheque payable to supplier) or make payment from imprest account. Record keeping and accounting of such petty cash purchase shall be same as 13.1.1.

However, if value of single item exceeds Rs.5000, the material shall be routed through stores to meet stores accounting requirement i.e, receipt through Stores Receiving Voucher, issue through Stores Issue Voucher and entries in stock records (ledgers if maintained manually and Material Master, if computerized) as well as Priced Stores Ledger maintained by Finance Department.

13.1.3. Imprest Account:

In order to meet the petty and emergent expenses on day to day basis, Head of the Unit, in consultation with local Finance may sanction permanent recoupable imprest advance to nominated executive of various departments (minimum level of executive shall be sectional head). The proposal for sanction of such imprest advance shall clearly indicate the nature of petty expenses to meet from this account. In order to exercise financial/budgetary control, the proposal shall also indicate sealing of expenditure through recoupable account during a financial year. The concerned executive or sectional head shall ensure that by the time 50-60% of the sanctioned amount is spent, a statement of expenditure incurred is prepared and after approval of Head of Department is submitted to Finance for recoupment so that by the time balance cash amount is spent, reimbursement is made by the Finance. It is further to be ensured that total expenditure during the financial year remains within the sanctioned amount and as such in each statement of recoupment, it shall be indicated as to how much recoupment is already made. In the beginning of financial year, Head of unit may sanction permanent recoupable advance to various Sections/Departments. The amount of advance and financial limit shall differ, based upon nature of activities. Before closing of financial year, imprest account shall be settled and unspent amount shall be deposited alongwith last statement of expenditure, if any and a new advance shall be sanctioned on the beginning of next financial year.

13.1.4. Cash Purchase of Stock Items :

Action for cash purchase of stock items, in the event of stock-out, in line with provision of Section 13.1.1 and 13.1.2. shall be taken by the Stores Section of Materials Management Department. However, accounting shall be done by preparing Stores Receiving Voucher, posting in records and piece-meal issues to various departments, irrespective of value of purchase/single item.

13.1.5. No regularizing purchase order shall be issued except recording of petty cash purchases in Cash Purchase Register. Power of purchase under this category shall be used for a particular occasion. Splitting of demand shall be avoided i.e. requirement shall not be broken to avoid approval of higher authority or keep the expenditure within petty cash purchases.

13.2 Cash Purchases of Emergent/sundry requirements :

Cash purchase over Rs.10,000 and up to Rs.25,000, if emergent/ sundry requirements (over Rs.20,000 and up to Rs.50,000 for purchases from Govt. Emporium, Employees Cooperative, State/Centre Consumer Co-operative Societies, Public Sector organizations etc) shall be made by Materials Management Department.

Cash Purchase Requisition as per prescribed Proforma by the requisitioning department. Reasons for emergent requirement or cash purchase of sundry requirement (as to why indented items cannot be purchased by normal procurement system of limited tendering) must be recorded in the forwarding note. Cash Purchase Requisition alongwith details of any specific conditions, duly approved by the competent authority, shall be forwarded to Stores for verification of stock, quantities in pipe- line, if any or availability of any substitute materials. After checking by Stores, if purchase action is needed the requisition shall be forwarded to Purchase Section.

13.2.1. Cash Purchases up to Rs.25,000/- :

Cash Purchases shall be made by the Purchase Section in association with user department. The nominated member of both the department shall visit the local market and issue tender enquiry to local suppliers registered with APGENCO or apparently resourceful suppliers (preferably distributor/ Stockist of manufacturers) identified after market survey. Before visiting the market, purchase representative shall prepare sufficient copies of Tender enquiry. After discussing the requirements with prospective supplier, tender enquiry shall be handed over to them and sealed offers are obtained then and there or collected later, as the situation may be. It is be ensured that minimum three responsive offers are collected. Cash purchase from Govt. Emporium, Super Bazaar, Employees Cooperative, State/ Central Consumer Cooperative Societies, PSU etc. can be done on single tender basis

Nominated executives shall open offers. The representative of user department shall do the technical scrutiny and purchase representative shall do the commercial evaluation, prepare a Comparative Statement of bids and identify techno- commercial evaluated L1 bidder and place the order. Tender opening may done in the market itself, if offers are received promptly, otherwise tender opening and finalization of order can be decided after return to office. If the order is finalized in the market, ex-post- facto approval of competent authority shall be obtained on return to office.

However, if tender opening process/evaluation of offer is done after return to office, proposal for cash purchaser shall be initiated by this team and approval of competent authority obtained before issue of purchase order. Payment to supplier shall, preferably be made through cheques, which shall be drawn in supplier's name as an advance. However, if the supplier insists cash payment, Purchase- representative shall draw advance payment. Before collecting the materials, inspection shall be carried out by the representative of user department. Materials, when brought to plant/ office shall be entered in records of security check post and certified by security personnel on reverse of Invoice/Cash memo.

Materials may be taken directly to work place or handed over to Receiving Group of Stores for preparing Stores Receiving Voucher and issue against Stores Issue Voucher and posting in stock records. If materials are directly handed over to user department, regularizing action shall be taken on the next working day. It is to be ensured that within 3 working days, advance drawn for cash purchase is settled by submitting the account with SRV details, copy of Invoice and copy of purchase order to Finance Department. Since such orders are placed without any financial concurrence, the details shall be recorded in the prescribed register, which shall be subject to audit review.

13.3. Emergent and Sundry Purchases over Rs. 25,000 through Committee of Officers:

Purchases through committee shall be resorted to only in exceptional cases

- a) When materials are urgently required to overcome an emergency i.e. serious break-down in plant, effecting generation of power and materials required including the suitable substitutes, bringing the equipment back to operating condition are not available. The same shall be true in the situation of averting an anticipated failure of equipment.
 - b) When requisitioning department is not in a position to furnish firm specifications (basic requirement of purchasing through normal competitive bidding is clear and complete specifications with no ambiguity to enable the bidder to quote for correct materials), requiring on the spot decision after market survey.
 - c) When estimated value of cash purchase is more than Rs.25,000 (more than Rs.50,000 in case of purchases from Govt. Emporium, Employee Cooperative, State/Centre Consumer Cooperative, Public Sector organizations etc).
- 13.3.1. Requisitioning Department shall prepare a Requisition for Cash Purchase and after approval of competent authority, furnish the same to Stores (MPIC Group) for verification of stock position, quantities in pipe- line i.e. pending purchase requisition or purchase order, if any. And any suitable substitute of items covered in the requisition. If procurement is unavoidable, requisition shall be forwarded to Purchase Section for needful action.
 - 13.3.2. Prior approval of competent authority, as per Delegation of Power, shall be obtained for constitution of Committee of three executive i.e. one each from Materials, Finance and Requisitioning Department. Nomination shall be made by respective Head of Department and member from Materials shall be the coordinator. Approval of competent authority shall also be obtained if the Committee has to make purchases from out-station, due to non-availability of materials in the local market.
 - 13.3.3. Finance member of the Committee shall be responsible to draw the advance, disburse for cash purchases made and subsequent submission of account and settlement of advance. The member from Materials and Requisitioning Departments shall personally be accountable for completing accounting formalities at Stores within 3 working days from the date of payment to avoid cash advance being kept outstanding.
 - 13.3.4. The Committee members shall visit the market and explore the sources of supplies and also contact sources recommended by user department in requisition for cash purchase. Procurement of standard materials and component, urgently required may not pose much difficulty.

However sundry items where the specifications have not been spelled, Committee member shall study the various makes of items available in the market and draw up specification for issue of spot enquiries, obtain offers, evaluate the offers and identify techno-commercially acceptable L1 offer and place the order. In exceptional cases, if comparable specification for an item cannot be drawn, the Committee may buy the quality product at reasonable price on single source basis and issue purchase order accordingly. While initiating the proposal for the approval of competent authority reasons for such purchase, in details shall be indicated.

- 13.3.5 If the purchases are being done from the local market, Committee shall insist payment through cheques against collection of ordered materials. However, in exceptional cases, cash payment may also be made.
- 13.3.6. After having purchased the materials. The Committee shall submit the purchase proposal for approval of competent authority as per Delegation of Power. Finance representative being a member of Committee, no separate financial concurrence shall be required before approval of competent authority.
- 13.3.7. When the materials are brought to plant/office, necessary entries must be made in records of Security Check Post at the gate and certified on the reverse of Invoices/Cash Memos. Urgently required materials shall immediately be taken to work- place and regularizing/accounting action may be taken later. However, it shall be preferable that materials are handed over to Receipt and Inspection Group of Stores, who may immediately prepare Stores Receiving Voucher and issue the materials against Stores Issue Voucher. Responsibility of quality for such purchases shall be with representative of user department.
- 13.4 Heads of Generating Stations shall review the Purchase Orders, Petty Cash, emergent and sundry purchases made during the month and send the review report to Corporate Office i.e., to concerned Director and FA&CCA (Audit& Trust) by 5th of succeeding month.

Chapter- 14
Standardization &
Finalization of Rate Contracts

14. Standardization and Finalization of Rate Contract

14.1. Standardization:

For the efficient operation and maintenance of power plant, timely availability of quality materials at reasonable price is very important. Failure of small items of MRO (Maintenance, Repair and Operating Supplies) may prove very costly and result in spoiling our very high value equipment, increasing cost of maintenance and sometime even effecting power generation. For example, in the area of plant consumable, for almost every item quite a number cheap products have been developed and being marketed by various suppliers. Many of them have failed to provide reliable and consistently good services. We being in power sector cannot afford pre-mature failures. It is therefore imperative for us to look for quality materials amongst available brands/ manufacturers. Standardization helps us to select reasonably and consistently goods quality materials from the various alternatives available in the market.

14.1.1. Procedure for Standardization:

As and when user departments feel the necessity of standardizing sources/ makes of certain items due to difficulties in getting requisite quality materials, they shall initiate a proposal for standardization of source (s) of supply of those items. The proposal shall indicate in details as to why source/ make standardization of proposed items is necessary. Such proposal needs to be approved by Chief Engineer/ Head of Unit.

14.1.2. After approval of competent authority to consider source standardization of certain proposed items, the first step in this direction would be constitution of committee comprising member from User Department, Materials, Finance, Quality Assurance who shall be at Minimum level of Divisional Engineers. Nomination shall be made by Head of respective department and approved by Chief Engineer/ Head of Unit. Member from Materials Department shall be the coordinator.

14.1.3. Standardization of different categories of items shall be done on the basis of past experience/ data available with regard to performance of products of different reputed manufacturers. If felt necessary committee may consult other power station/ obtain feed back in this regard. Data may also be collected from other reputed power organizations like NTPC, NHPC, PGCIL, BHEL, GAIL, ONGC etc. The data available from the past open tender (NIT) may also be utilized.

14.1.4. If necessary sources under consideration, who are renowned manufacturers, may be asked to provide samples or extend the facilities of deputing their Application Engineer alongwith samples for trial/ discussions with committee members.

- 14.1.5. In the process of standardization of sources, if required, committee may recommend for assessment of supplier's works for technical capabilities, process of quality assurance and availability of testing facilities, managerial competence, financial strength, turn over etc. In order to carry out this assessment committee may visit the supplier's works.
- 14.1.6. As far as possible, committee shall look for multi- source standardization. However, in exceptional cases, single source standardization may also be recommended.
- 14.1.7. After assessment of potential sources for standardization, committee shall prepare the final recommendations which shall be approved by Chief Engineer/ Head of unit
- 14.1.8. Standardization of sources shall be valid for a maximum period of **THREE YEARS** and be reviewed in such a manner that by the time its validity expires, new standardization, based upon the experience ranging three years period, is duly approved and in place, so as to ensure smooth procurement.
- 14.1.9. Issue of tender enquiry to all the sources, in case of multi-source standardization, it shall be treated at par with open tender for the purpose of Delegation of Power.
- 14.1.10. A copy of approval of source standardization for various items must be sent to other power stations of APGENCO for their reference or similar action.
- 14.1.11. Similarly, when details of standardization of items are received from other power station, those shall be brought to the notice of user department and may consider similar standardization at the station. This shall provide support to the efforts for source standardization for maximum items.
- 14.1.12. **Some items at power station which can be considered for source standardization:**

Welding Electrodes, Packing (both Metallic and Non-Metallic), Fastens, Hand Tools, Cutting Tools and Abrasives, Surface Coating Materials (Paints etc), Bearings & Accessories, V Belts, Lab. Chemicals, Stationery items, Office Furniture, Guest House Furniture, Switches, Plug Tops and Misc. similar materials, lamps, florescent Tubes, Fuses etc. This list is only exemplary and not exhaustive. Many more items can be considered for source standardization (Source standardization for items like Conveyor Belts, Personal Computers, Reinforcement steel and structural Steel etc. shall be done at Head-Office level- Issue of Tender Enquiries to all the standardized source, so finalized shall be treated at par with Open Tender (Notice for inviting tender).

14.2 **Finalization of the RC against single/ multi-sources standardization:**

One of the reasons for higher inventories at power station is considerable long lead-time due to adherence of systems and procedures, public accountability etc. If source standardization and rate/ running contracts are finalized at Corporate or Station level, procurement lead-time shall substantially be reduced. An item, for which a rate contract is finalized we can cater the need of user departments very efficiently and effectively even by keeping a low stock. Finalization of an order against a rate contract may take, 2-3 days time from the date of receipt of PR.

- 14.2.1 Rate Contract is a contract for supply of specified items at agreed price and commercial terms and conditions, over a designated period of time. Under this type of contract, the quantities are not fixed, until the time period is elapsed. Supplier is bound to accept any order, which is placed on him during currency of rate contract. The normal time period for this type of contract is one year and it can be for longer period also if the suppliers are willing to hold the fixed price or a suitable price variation formula is mutually agreed upon.
- 14.2.2 Period contracts are not a commitment or instruction to deliver certain quantities of materials. They are rather agreement as to total period, material specifications, prices and commercial terms and conditions on which goods are to be supplied.
- 14.2.3 Instructions which tell the supplier to deliver which materials, in what quantity and when against such rate contract shall be in the form of regular purchase order on standard format.
- 14.2.4 For stock items, operating under Automatic Replenishment System (Minimum and Maximum System of Inventory Control), various levels including safety stock shall be kept very low, since items for which Rate Contract are concluded are normally standard items, available, off the shelf deliveries and very short lead time. For non-stock items, various requisitioning departments are to be advised to requisition small quantities. To take full advantage of rate contracts, efforts shall be made to operate hand to mouth inventories with a small safety stock. This shall be the beginning of JIT Inventory Management.

14.2.5 Items to be considered for finalization of rate contract:

- (a) Items which are consumed in bulk and which are in regular demands through out the year and holding high inventory level for a longer period may not be feasible to optimize inventory cost.
- (b) Items that are standard item available for off the shelf deliveries and there are many customers in the market.
- (c) Prices for items are stable i.e. items are not subject to appreciable price fluctuations.

14.2.6 After standardization of sources (Section 14.1.) it has to be decided as to whether

- a) Certain items may be purchased as and when required by issuing tender enquiries to only standardized sources (either on single source standardization or multi-source standardization). Such purchase requisitions are accompanied with 'Proprietary Article/OEM/OES/Standardization Certificate (Appendix-C) duly approved by competent authority (Divisional Engineer or above of requisitioning department).
- b) Enter into a period (rate) contract with standardized sources.
- c) Choice between a) and b) depends on criteria laid down in Section 14.2.5. as above. However, if the requirement is small, irregular or rate contract is not finalized so far a) above shall be followed.

14.2.7. After standardization of sources, a tender evaluation committee (comprising of representatives from Materials, Finance and Requisitioning Department) may recommend the items for which rate contracts can be concluded. Stores and user departments are required to furnish the data to the committee viz. Annual consumption value of item, number of times issues from stores, present lead-time, criticality of items or any other data required by the committee.

14.2.8. Period of Rate Contracts:

Although period of rate contract depends as to how suppliers respond but it shall be for a period not more than 2 years. However, no extension to validity of contract is required, when deliveries against outstanding purchase orders continue after expiry of validity of rate contract. Validity of contract is for the purpose of requisitioning supplies through purchase orders. The contract shall, however, remain alive for the purpose of delivery of all materials ordered during its validity until deliveries are completed.

14.2.9 Direct dealing with the manufacturers :

While finalizing the rate contract or even otherwise dealing with the standardized source (s), direct association shall be insisted upon. In such arrangement there shall be potential saving to the manufacturer in marketing cost which are almost eliminated once the rate contract is finalized. Apart from this, there shall be saving to the manufacturers on bulk supplies. In view of this, in the process of negotiations, they may be asked to consider passing on part of the saving to us by way of Quantity/Trade discounts over the quoted rates. Even in exception cases, when the manufacturer through their dealer/distributors executes orders, some reasonable discounts still are obtained. Further, even though execution is through distributor, sale on E1 transaction shall be insisted upon to save on sales tax.

14.2.10 Finalization of Rate Contract for Multi-Source Standardization:

- a) In case of multi-source standardization, tender enquiries on the basis of expected annual consumption of items, may be sent to all the standardized sources. It shall be made very clear to the bidder in the tender enquiries that APGENCO may operate parallel rate contracts for the items. After opening the bids, negotiations may be carried out with all the bidders to accept lowest evaluated prices quoted against each item against this enquiry and also accept common terms and conditions. If suppliers agree, rate contracts may be finalized with all the sources. And subsequent orders during the currency of contract are placed in such a way that by and large each standardized source gets equal business.
- b) If the supplier does not agree to accept lowest evaluated rates quoted by each other against the tender enquiry, rate contract may be finalized for whichever items the individual source is evaluated L1.
- c) In case sources are not ready to accept a firm price during the period of rate contract, efforts shall be made to finalize memorandum of understanding incorporating mutually agreed terms and conditions for supply of materials. Under such situation except price everything else is mutually settled and documented, what unsettled is price. This also helps to finalize orders promptly by obtaining prices only, every time the materials are required to be purchased.

14.2.11 Finalization of Rate Contract on Single Source Standardization:

In case of single source standardization, in order to enter into a rate contract, offer may be asked from the party and based upon this and anticipated volume of business, negotiation shall be conducted to obtain optimum price and most favourable terms and conditions. It shall be emphasized to deal with the manufacturer directly and not through distributors/stockists. As stated in Section 14.2.9. maximum possible trade/quantity discounts shall be obtained. In a situation, when the prices are fluctuating and governed by printed price list, terms and conditions including discounts over printed price list shall be freezed and order shall be finalized on the basis of printed price lists issued from time to time.

14.2.12 **Incorporation of Fall Clause in the Rate Contracts:**

In case the supplier is already operating a rate contract with any other Government Department, Central or State PSU etc., it has to be ensured that RC is concluded on comparable and favourable terms and conditions with those agreed with other Government Department/ PSU. To protect the interest of APGENCO, there shall be a stipulation to this effect in the contract that during the validity of the contract, if supplier sells the specified goods at a price lower than the contract price, he shall charge only that lower price and paid accordingly. This purpose shall be served by incorporating a Fall Clause in the contract, which shall read as under:

Fall Clause:

- h) The prices charged for the materials supplied under Rate Contract/ Purchase Order by the supplier/ contractor shall in no event exceed the lowest price at which the supplier/contractor sells the materials of identical description to any other person/organization during the period till performance of purchase orders placed, during the currency of rate contract, is completed.
- ii) If at any time during the said period, the supplier/contractor reduces the sale price of such materials or sells the materials to any other person/organization at a price lower than the price chargeable under the contract, he shall forthwith notify such reduction or sale to APGENCO and the price payable under the contract for the materials supplied after the date of coming into force of such reduction or sale shall stand correspondingly reduced.

The above stipulation will, however, not apply to:

- a) Export by the supplier/contractor
- b) Sale of materials as original equipment at prices lower than the prices charged for normal replacement.
- c) Sale of materials such as drugs, which have expiry dates.

While submitting his bills for the materials supplied against the rate contract/purchase order, the supplier/ contractor shall furnish the following certificate:

“I/we certify that the materials of description identical to the materials supplied to APGENCO under the rate contract/ purchase order herein have not been offered/ sold by me/us to any other person/ organization up to the date of bill/the date of completion of supplies against purchase orders placed during the currency of the rate contract, at a price lower than the price charged to APGENCO under the rate contract”.

If the supplier/ contractor sells any materials at lower than the contract price, except covered by any of the three exceptions indicated above, such sales have also to be disclosed in the aforesaid certificate to be given by the supplier/contractor to APGENCO. The obligation of the supplier/contractor in this regard will be limited with reference to the materials identical to the contracted materials sold or agreed to be sold during the currency of the contract.

14.2.13 The following clauses, in addition to the usually applicable standard terms and conditions, should also be incorporated in the rate contract:

- a) The purchaser reserves the right:
 - i) To enter into parallel rate contracts, simultaneously or at any time during the period of the rate contract with one or more suppliers.
 - ii) To terminate the contract by giving one month's notice.
- b) The supplier/ contractor shall maintain stocks at APGENCO's location (s) and shall make deliveries against purchase orders from such stocks within specified period.

14.3. Rate Contracts for supply of spares with OEM/ OES (Purchases against PAC):

Like Rate contract for single source standardization, such arrangement can also be made for purchase of spares from Original Equipment Manufacturer/Original Equipment Suppliers against issue of Proprietary Article Certificate by user departments. Such rate contract can successfully be operated for moving spares for Compressor, Pumps, Dozers etc. Efforts need to be made to make the supplier agree to hold the price firm for a period of one year and execute the orders directly without involving any distributor/ dealer. If the supplier insist variable prices from time to time, as stated in Section 14.2.9, maximum possible Trade discount may be obtained over the effective price list price and freezing out the terms and conditions of supply. If the manufacturer does not respond favourably, we may use the corporate strength to finalize the rate contract at Head Office to cater the need of spares for all the power station. Giving reference of such rate contract Materials Management Department may place the purchase order, as and when purchase requisitions are received. This will not only result in economical procurement of spares but also improve services to user department and optimization of inventory holding.

14.4. RC for common use items through Open Tender by Corporate Office:

- (a) Certain common use high consumption value spares (Purchased from sources including OEM- items like grinding media) and bulk chemicals (like Hydrochloric Acid, Aluminum Ferric, Hydrazine Hydrate etc), open tender (NIT) may be issued from Corporate Office to finalize the rate contract to cater the requirements of all the power station. Corporate Materials Management Department, in consultation with power stations shall finalize the list of items to be operated under this system.

Data of items identified for finalization of Rate contract viz. past three years consumption, anticipated consumption during the next two years, detailed specifications, last purchase prices etc. shall be compiled to proceed in the mater. NIT shall be issued for consolidated requirement and break up of quantities, plant- wise shall be incorporated in tender documents. Fright charges account for substantial portion of total cost and in view of this offers shall be invited on ex works price and freight charges upto different destinations separately. Detailed system of NIT to be followed is contained in Section 9.2.

14.5. Delegation of Power for approving Rate Contracts:

For the purpose of delegation of power, the total value of procurement during the contract period shall be considered and accordingly mode of tendering and award of contract shall be approved by competent authority not below the level of Chief Engineer. For instance if total value of certain items in a rate contract for one year is Rs. One crore, such contract shall be approved by an authority who can approve purchases against OT for value of Rs. 1 crore. However, for placement order against the RC, the value of individual P.O. shall be considered and approved by the authority competent to approve the award of contract against open tender.

14.6. Finalizing Rate Contract by Power Station:

Before finalizing rate contract by power station, they shall contact other power stations to obtain the feed back regarding prices and performance of potential suppliers. Copies of rate contracts concluded by a power station shall be sent to all other power stations and Corporate Materials Department.

Chapter – 15
**Disposal of Scrap, Obsolete &
Surplus Materials**

15. Disposal of Scrap, Obsolete and Surplus Materials :

15.1. Scrap, Obsolete and Surplus Materials

15.1.1. Scrap- All items of stores which can no longer be used for the purpose for which they were acquired or for an alternative use within the power station due to wear and tear resulting from extensive use or damaged beyond economical repair shall be termed as scrap. Scrap may arise due to number of reasons like breakage, distortion in the form of condemnation of machinery, turning, boring, empties, packing materials, worn out tools, waste steel (cut pieces below certain pre-determined lengths and width considered usable) are usually classified as scrap. In a power station, major source of scrap arising is worn out components like grinding rolls, bull ring-segments, grinding media forged S. S. balls, pipes (including ash-lines), valves, bearings etc. As regard identification and lot formation of scrap for most economical disposal, please refer relevant Chapter of Stores Management System Manual.

15.1.2. Obsolete items- These are partially used and not damaged (reusable) or unused items, spares or equipment which have economical worth but are no longer useful to the Corporation owing to many reasons such as change in process or materials, as well phasing out of equipment. Items also become obsolete due to standardization efforts. Spares are more prone to obsolescence than other materials such as consumable or raw materials. In power stations impact of obsolescence shall further be high due to R&M activities.

15.1.2. Surplus/ Redundant items- Surplus items are not obsolete. When the quantity of an item in stock is more than the reasonably necessary to provide adequate and effective services to user departments, the excesses over normal holding is said to be surplus or redundant. Items may become surplus due to improper inventory control, Unpredicted changes in consumption pattern due to rationalization, standardization, modification or replacement of some equipment, development of alternate and/or cheaper materials and sometime due to faulty warehousing and existence of duplicate codes/folios. In power stations, another reason for surplus may be return of construction/erection excess materials.

15.2. Authority for identifying/declaring the items as scrap, surplus and obsolete for disposal action:

15.2.1. Salvage Committee:

At each power station, there shall be standing Salvage Committee, having tenure of two years. The committee shall be comprising of representative from O&M/ User, Finance and Materials Departments and co-opted member from any other department for special categories of items. The members of committee shall be at DE or equivalent level. Nominations for the committee shall be made by the respective HOD and constitution approved by Chief Engineer/ Head of Unit. DE (Stores) shall be the convener of the committee.

15.2.2. Functions of the Salvage Committee:

- a) Identification of items and classification into scrap, surplus and obsolete categories
- b) Decide whether worn out spares, assemblies are repairable and if so, the extent and mode of repair and estimated cost. If the items are repairable and cost of repair is very high and incommensurate with value of items, Committee shall recommend them to be classified as scrap.

Such decisions shall, however, be taken keeping in view the following aspects:

- Cost of reconditioned versus cost of procurement/making new item.
 - Life expectancy from reconditioned component versus replaced new item
 - Manpower cost associated in repairing defective items.
 - Availability of spares in case of repair of assembly/sub-assembly
 - Degree of precision, quality and reliability
 - Infrastructures facilities, like shop equipment, level of skill of operatives etc.
 - Safety
- c) Recommending mode of disposal i.e. auction, tendering or sale to employees etc.
 - d) Fixing reserve prices of items recommended for disposal keeping in view following factors
 - Rates of scrap metal appearing in Trade Journals
 - Scrap sale schedule prepared and circulated by the organization
 - Condition of materials to be disposed off.
 - Local condition of unit disposing off scrap including geographical location.
 - e) To act as a referee in case of dispute connected with classification of any item as scrap, obsolete, surplus or repairable.

15.2.3 As regard detailed procedure for identification and disposal of scrap, surplus and obsolete materials, kindly refer Stores Management System Manual. The chapter under Purchase Management System Manual presently outlines system and procedure for sale of scrap materials by tendering, auctioning and sale to Corporation' employees.

15.3. Sale of Scrap Materials:

- 15.3.1. Sale of scrap shall normally be done through tendering. However, if the value of the lot is small, sale through auction can also be opted.
- 15.3.2. Sale of both metal and plastic (HDPE) drums, scrap wood etc. to the employees can also be considered as and when they are transferred from one unit to another. This being welfare measure, nominal prices can be fixed in consultation with Finance Department and approved by Chief Engineer.

15.4. Procedures for Sale of Scrap through Tendering:

15.4.1. In order to ensure sufficient response to Tender Notification and also to obtain optimum price, each major lot shall be disposed through a separate tender notification. However minor miscellaneous lots can be clubbed together and form one tender notification. In order to minimize the expenses of press notification, few tenders shall be clubbed together for publication in the newspapers.

15.4.2. Tender Fee:

In case of open tender (Notice for inviting tenders) for sale of scrap, tender fee, based upon the estimated value, shall be determined as per Section 9.2.6 (Chapter 9- Invitation of Tenders) of this manual.

15.4.3. Publication of Tender Notice :

Tender notification for sale of scrap shall be published in newspapers as per the provision of Section 9.2.2. of this manual.

15.4.4. Intimation of Tender Notice to known Buyers:

In order to ensure wide publicity and better response, copies of tender notification shall be sent to known parties who deal with purchase of relevant category of scrap. Corporate Materials Department shall maintain and keep updating the list of prospective buyers of various categories of scrap. In addition to known buyer (scrap dealers), copies of tender notification for sale of special category of scrap viz. Nihard scrap, worn out grinding rolls, bull ring segments, grinding media forged balls and other major components shall also be sent to manufacturers of these spares. Such scrap being raw materials, for those manufacturers, direct sale to them shall attract optimum price.

15.4.5. Arrangements for buy-back of scrap with suppliers/manufacturers of major components :

While procuring the major components, efforts shall be made that manufacturers/supplier buy the worn-out spares to be used by them as raw materials during manufacturing process. For example, procurement of fresh grinding rolls shall be linked with return of worn out grinding rolls. Techno-commercial evaluation of bids shall also include the price offered by the bidders for purchase of worn-out grinding rolls. This practice is adopted by some organization and found very successful.

15.4.6. Earnest Money Deposit:

Earnest Money Deposit of 2% of quoted value of item (s) in the form of Demand Draft/ Pay Order only in favour of APGENCO, drawn on any Government Banks/Nationalized banks/Public Sector Banks/Scheduled Banks or any other Bank(s) notified by APGENCO from time to time must accompany the bid. EMD in any other form shall not be accepted and such bid shall be rejected. Bids received without EMD or EMD of lesser amount shall also not be considered. The prescribed EMD shall invariably be furnished even by those who are having permanent EMD arrangements with the Corporation. EMD of unsuccessful bidders shall be refunded only after finalization of tenders. No interest shall be payable on EMD, even if there is delay in refunding the EMD by the Corporation.

However, every effort shall be made to release the EMD of unsuccessful bidders promptly, so as to develop confidence in the market.

15.4.7. Security Deposit:

Successful bidder shall be required to furnish Security Deposit of 10% value of sale order within 15 days from the date of receipt of intimation regarding acceptance of offer. The EMD paid by the successful bidder alongwith tender shall be adjusted against SD and Purchaser shall submit Demand Draft/ Pay Order for balance amount, in favour of APGENCO and drawn on any Government Banks/Nationalized banks/Public Sector Banks/Scheduled Banks or any other Bank(s) notified by APGENCO from time to time scheduled bank or **Bank guarantee from any Government Banks/Nationalized Banks/Public Sector Banks/Scheduled Banks or any other Bank(s) notified by APGENCO from time to time.** The security deposit amount shall be adjusted against remittance of last installment of payment for lifting the scrap. No interest shall be payable on security deposit amount.

15.4.8. Validity of offers:

The offers shall be valid for a period of 120 days from the date of opening of tenders. The bidder shall not be permitted to withdraw their offers or change the price after opening of tender within the validity period and if they do so, the EMD paid by them shall be forfeited.

15.4.9. Sales Tax and any other Duties/ Levies:

- a) Offers shall be asked for price exclusive of Sales Tax/ Duties/ Levies which shall be payable by the bidder extra as applicable on the date of actual removal/ lifting of materials.
- b) The bidders shall be advised to furnish the CST/ APGST Registration number and enclose Xerox copy of CST/ APGST Registration Certificate alongwith the offer.
- c) The successful bidder shall be required to furnish form 'C' for the value of Sale Order, before taking delivery of materials if he avails concessional rate of CST. In order to further avail concessional CST, materials need to be transported by buyer (s) through a registered public carrier across the state boarder. The details of Inter-state transaction shall be indicated in Gate Passes issued to buyer (s) against delivery of materials.
- d) The material to be purchased by bidder shall be subject to all such duties/ levies as may be applicable from time to time and the same shall have to be borne by the Purchaser

15.4.10 Price:

The price quoted by the bidders shall be firm. Price shall clearly be shown both in figures and words. In case of any difference between figures and words, the prices which shall be most favourable to the Corporation shall be take for consideration and same shall be binding to the bidders. The highest evaluated bid shall be considered for awarding the sale order.

15.4.11. Payment Schedule:

The successful bidder whose bid is accepted by the Corporation shall be required to make payments as under.

The sale order amount shall be paid in monthly installments within the payment period. The first installment shall be remitted within 15 days from the date of receipt of sale order by the purchaser and subsequent installment shall be paid well in advance so that there is no interruption in clearing of available material.

In case of any failure to do so, if any loss or damage occurs to APGENCO as well as the cost of getting the work done by APGENCO through other agencies and storage charges will be recovered from the purchaser.

- ii) Offers with conditions for extra time for payment of sale value and for lifting scrap shall not be considered.
- iii) All payments shall be made through Crossed Demand Drafts/ Pay Order in favour of APGENCO and payable at respective power station. No other mode of payment shall be accepted. Release Order, however, shall be issued after confirmation from Accounts regarding realization of the amount of demand draft.
- iv) For delay in payment beyond the above permitted time, Corporation shall charge interest for every week or part thereof, delay @18% per annum on the amount/ installment not paid in time. However full payment must be remitted within 90 days if value of sale order is less than Rs. 25,00,000 and within 120 days if Rs. 25,00,000 or more, together with stipulated interest for delayed payment.
- v) If the payment is remitted by the Purchaser only for basic cost and amount of sales tax or any other levy and late payment fee, if any, etc is not remitted; Corporation at its own discretion shall issue the Release Order for reduced quantities after adjusting the sales tax and late delivery charges etc.

15.4.12 Delivery of Scrap Materials

- a) Scrap shall be handed over to the Purchase, in full or part, only after remittance of requisite payment and issue of Release Order. The responsibility of the Corporation shall cease once the materials are handed over and gate pass (s) is/are issued.
- b) We may have to allow a reasonable number of Purchaser's representatives, labour, and vehicle etc. for the purpose of removal and transportation of scrap. The Purchaser (s) shall complete all formalities with Security Department as per the rules. The Purchaser shall further follow procedure of issue of Gate Passes for taking the materials out of Corporation's premises.
- c) Scrap shall be handed over to the authorized representative of Purchaser who shall submit an Authority Letter/ Power of Attorney in this regard.
- d) Purchaser shall be allowed to lift the scrap during working hours on working days only.
- e) Since the scrap is sold on 'AS IS WHERE IS BASIS', arrangement for packing, loading and transportation shall be made by the Purchaser. Purchaser shall not be allowed any picking, choosing and sorting out of materials and remove the materials only from the area earmarked.

- f) Weighment of the materials shall be carried out at Corporation's weighing machine and such weightment shall be final and binding.

15.4.13 Care & Diligence in Removal of Materials :

While removing the scrap from the premises of the Corporation the Purchaser (s) is/are required to ensure that there are no damages to the machinery and other properties of the Corporation. In case any losses are suffered those shall be recoverable from the Purchaser and estimate of losses prepared by Divisional Engineer (Stores) shall be the basis for such recoveries.

The Purchaser shall also be required to make arrangements for tools and plant and also necessary labour and supervisory staff at his own cost. Corporation shall not be responsible for any liability that may come under the statutory provisions of various labour laws.

15.4.14. Default in Lifting the Scrap by the Purchaser:

The Purchaser shall lift the materials within 30 days from the date of Release Orders. In case of delay in removing/lifting within the specified period, ground rent shall be payable by the Purchaser @ 1% of the value of un-lifted quantity /value for delay of every week or part thereof subject to maximum of 5% of the value of Sale Order. The maximum period allowed for lifting the materials as such should be limited to 65 days i.e. 30 days free time plus 5 weeks period allowed with payment of ground rent. Any failure to comply with this requirement shall entail the forfeiture of all the amounts paid, including Security Deposit and the Corporation without prejudice to other rights be free to dispose off the materials under subject at the risk of the Purchaser.

15.4.15 Force Majeure:

Although every effort need to be made both by the Purchaser and Corporation to remove the scrap as expeditiously as possible. However, sometime due to circumstances beyond control of the organization, removal of scrap is hindered. To take care of such situation, provision of Force Majeure clause shall be made in disposal documents.

15.4.16 Default in Payment:

If there be any default in payment of sale amount including taxes and levies, if any, or the successful bidder fails to abide by the conditions of sale or deviate in prices after communication of acceptance of his bid, the Corporation shall, without prejudice to its right under the law, forfeit the amount paid by the Purchaser till then including security deposit. The Corporation may also cancel the Sale Order and resell the materials to others at the risk of defaulting Purchaser and also recover from him any loss sustained by the Corporation by such resale and expenses in connection with resale, as well, all outstanding recoverable amounts including ground rent, damages, interest etc.

15.4.17 Inspection of Scrap:

Since scrap is sold on 'AS IS WHERE IS BASIS' opportunity must be provided to prospective bidders to properly inspect the scrap materials so as to satisfy themselves on all points with regard to quantity, quality, nature, conditions and other details. Corporation shall provide no guarantee or warranty as to the condition of materials or its quality, its fitness for any specific use. It shall be made clear to prospective bidders/Purchasers that no claim/complaint about the quality, quantity and conditions/fitness for use shall be entertained at any later stage.

15.4.18 Quantity:

- a) Where the goods shall be sold by unit i.e. weight or number and not on the basis of 'lot', the quantity indicated in such cases against the respective lot may be approximate/indicative, which in actual may turn out to be more or less than the indicated quantity. In case the actual quantity is found less than the indicated quantity after completion of lifting by the Purchaser (s), Purchaser (s) shall not be entitled to claim any damages, loss of interest or compensation or for any other account, but shall be entitled to proportionate refund towards the cost of materials undelivered only. The Corporation reserves the right to vary the quantities upto $\pm 25\%$ specified in Schedule of Rates before or after issue of Sale Order.
- b) Where the goods are sold on 'LOT' basis and not by unit/number basis, the entire material laying in the lot shall have to be lifted by the Purchaser so as to clear the entire lot. The quantity if any indicated against the respective lot shall purely be indicative and Corporation shall not entertain any claim/complaint from the Purchaser (s) for any deficiencies in quantity/ quality/ size/ dimension or for refund of the whole or any part of purchase money or loss of profit or interest/ damages or otherwise.

15.4.19 Superscription on envelope containing offers :

Sealed tender cover should be superscribed as under (filling in the spaces)

- a) Tender No.
- b) Due date for submission of bids: Upto 1500 Hrs on_____ .
- c) EMD amount equivalent to 2% of quoted value of items being remitted through DD No._____ dated _____ drawn on _____(Bank)
- d) Offer is valid for 90- days from the date of opening of bids.

Tender covers without above superscription shall be liable to be rejected and returned unopened to the bidder.

15.4.20 Late Tenders:

Tenders received after due date and time of receipt shall not be considered and shall be returned to bidders unopened. Bidders shall be advised to ensure timely submission of bids, as Corporation shall not be responsible for any delay or loss of bids during transit. Telegraphic/fax offers shall not be entertained.

15.4.21 Standard Bidding Conditions for Sale of Scrap:

Keeping in view the above procedural requirements, Standard 'Instruction to Bidder for Sale of Scrap' (Annexure-25) and General Conditions of Sale of Scrap' (Annexure-26) have been formulated which shall be used for Sale of Scrap through tendering. Special Conditions if required for individual disposal case shall be developed and incorporated in bidding documents. Tender documents to bidder after receipt of tender fee shall be forwarded using Proforma of Tender Documents for Sale of Scrap.

15.4.22. Other formalities of tender opening shall be same as enumerated in Chapter- 8 and Chapter- 9 of this manual.

15.5 Evaluation of Bids and Approval of Competent Authority for Award of Sale Order:**15.5.1. Comparative Statement of Bids:**

After opening of bids, Comparative Statement of quoted and evaluated rates shall be prepared, H1 and H2 grading marked, signed by the concerned executive of Purchase Department and sent to Finance for vetting.

15.5.2. Evaluation of Bids:

Bids shall be evaluated by Tender Evaluation Committee (TEC), comprising of members from O&M/User, Finance & Materials Departments. The level of committee members and process of nomination shall be the same as enumerated in Section 10.11.2. and 10.11.3. While formulating the recommendations for approval of sale, the highest evaluated offer shall be linked with reserve price worked out by Salvage Committee. If the evaluated highest price is more than the reserve price, TEC may recommend to sell the scrap to highest evaluated bidder. However, if the highest evaluated price (s) are marginally lower than the reserve price (s), the committee may recommend for sale keeping in view the cost associated with re-tendering, market conditions, holding cost of inventory of scrap and deterioration of materials during longer storage. In case the TEC feels that the highest evaluated price (s) is/are not reasonable, they may recommend for re-tendering after review of reserve price (s) by the Salvage Committee. TEC 's recommendations after financial concurrence shall be submitted for approval of competent authority as per delegation of power.

15.5.3. Issue of Sale Order:

After approval of recommendations of TEC by the competent authority, Sale Order (Annexure-28) need to be issued to communicate to highest evaluated bidder, the acceptance of his offer by the Corporation. Draft Sale Order shall be sent to Finance for vetting. After necessary vetting, Sale order shall be released. Power for signing the Sale Order shall be same as signing of Purchase Order (Section 11.1.4.). 2 copies of Sale Order shall be sent to Purchaser who shall returned one copy duly signed as token of having received the same. Copies of Sale Order shall be sent to Stores and Finance. If the tendering is done at Corporate Office, copies shall be sent to the concerned Chief Engineer/Unit Head of power station.

15.5.4. Issue of Release Orders:

After receipt of Security Deposit and payment towards cost of scrap from the Purchaser (first installment in case the payment is spread over a period), Release Order (Annexure-29) for the requisite quantity shall be released who shall submit the same to Divisional Engineer/Stores for lifting the scrap. Similar Release Orders shall be issued by Purchase Section (of Power Station) as and when payments are made by the Purchaser as per conditions of Sale Order. Scrap shall be handed over to the Purchaser as per procedures contained in relevant chapter of Stores Management System Manual.

15.5.5

- a. **Amendments may be necessary to be given for the quantity, delivery period etc with the approval of the competent authority.**
- b. **The competent authority has powers to cancel the sale order based on the valid reasons.**

15.6. Sale of Scrap by Auction:

Sale of scrap by auction may be resorted to, considering the following aspects.

- a) A properly fenced scrap yard is established at power stations so that auctioning does not interfere with operation of other Stores as well security of power station.
- b) No difficulties are anticipated in connection with faster disposal through auction including delivering the materials and it is expected that there shall be substantial saving in clerical efforts and time required for sale through auction as compared with tendering.
- c) Arrangement need to be made for inspection of lot (s) by the prospective bidders including their entry, issue of identity cards (Gate Passes), a nominal gate pass fee for entering auctioning hall and proper arrangements made for sitting and participation of bidders in the auction.

If the above facilities are organized, auction may be a very fast method of disposal of small value and voluminous lots (reserve price of each lot may be less than Rs. 50,000)

Chapter – 16

**Evaluation of Purchasing
Performance**

16. Evaluation of Purchasing Performance:

Every management function needs to be measured in terms of its contribution to the basic objectives of the organization i.e. efficient, economical and consistent power generation. Evaluation process consists of developing measurement attributes/ criteria. The task of evaluation becomes difficult as few functions can be accurately and completely be measured in quantitative and objective terms. Purchase function is one of them.

16.1. Difficulties in Evaluating Purchase Performance:

Evaluation of purchase function is difficult because much of its effective work for organization is interpersonal relation. Another problem in measuring purchasing performance is that isolation of responsibilities is very difficult. Failure on quality front may be due to improper specifications or poor tooling provided by the purchasing organization as much as poor source selection. Failure of timely execution of supply may be due to delay in carrying out pre-despatch inspection or production control changing schedule frequently or poor supplier's performance. Poor supplier's performance may be due to delay in payment or lack of systematic evaluation of supplier's performance on various attributes. The point is that many functions are involved in one way or another with purchasing function. They influence performance of supplier, by many ways, by their actions, yet the complex inter- relationship makes it difficult to segregate the effect of that influence. The above difficulties are not to suggest that there shall not be any evaluation of purchasing function, but rather that evaluation shall be done with full recognition of inherent problems that exists. This shall not only help to determine proper criteria/ attributes for measurement but also interpret the results of evaluation with caution.

16.2. Objectives of Evaluation:

a) Recognition of Purchase Functions:

The inability to measure purchasing performance had hindered management recognition of the function. If Head of Unit has no means of measuring the performance of a function, he is unlikely to regard it as a function of importance. In absence of sophisticated means of evaluation, only crude methods are applied, which tend to be negative, highlight failure rather than success (e.g. when power generation is effected or overhaul is delayed for want of delay in supplies or supplies received are rejected).

b) Improve Performance:

Evaluation helps purchasing to improve performance. In order to determine improvements in purchasing it is imperative to know current level of performance on certain attributes and in the process discern the areas, which need improvement. This process helps in establishing a goal of expected attainment.

c) Provide Evaluation data:

Evaluation provides an established and acceptable basis on which to judge abilities and capabilities of personnel assigned to purchasing functions.

d) **Improve Morale of Purchasing Personnel:**

The evaluation of purchasing function improves the morale and increase efficiency and effectiveness of purchasing personnel. Employees do better work and take greater interest in their jobs when they know that their efforts will come to attention of superior and recognized by management. Thus they are better to be motivated with consequent improved morale.

e) **Facilitate Coordination:**

By means of uniform evaluation techniques, it is possible to compare the performance of purchasing at various power stations. Moreover evaluation shall provide a flow of information from several units through which improved methods and techniques in one unit can be transferred to others.

f) **High- lighting procedural bottlenecks and improving the system.**

When the performance of purchasing is evaluated, weakness, if any are highlighted. Sometime, it may be found that certain activities are not performed as efficiently as desired due to certain procedural bottlenecks. Such procedural problems are reviewed by management and thus improving system/procedures.

16.3. Attributes/criteria for measuring the performance of purchasing :

16.3.1. Lead Time

Lead-time is the period that lapses after receipt of requisition by purchasing till the materials are received and ready for issues to user department. This is one of most important attribute for evaluation of performance. We may divide evaluation in two parts i.e.

- a) How much time purchase department takes to convert the Purchase Requisition to Purchase order (s)- Administrative Lead time of ordering and
- b) How much time is taken by supplier to execute the order against promised/ as per contract and the amount of expediting (Supplier's lead- time)

i) Administrative Lead Time =
$$\frac{\text{Average Lead- time this Year}}{\text{Average Lead- times last year.}}$$

- ii) Another method to evaluate the purchasing function on administrative lead-time is to fix norms of period for various mode of tendering and than monitor the actual time taken. Norms may be 15 days against Rate Contract, 30 days against Source Standardization, 90 days on Single (OEM/OES) /Limited Tender, 150 days for Open Tender and average 90 days for all type of tendering. After computerization of Purchase Management, these reports can easily be generated.

- iii) Against each purchase order, supplies are to be effected as per the contractual delivery period (Delivery time indicated in the purchase orders). In case the actual delivery lead- time is more than the contractual, there is a delay

$$\text{Rating} = \frac{\text{Contractual Delivery Period} - \text{Delay in delivery}}{\text{Contractual Delivery Period}}$$

- iv) Another method to assess supplier's compliance/ adherence to contractual delivery period is the ratio of number of Purchase Orders placed in a year v/s number of Amendment of extension of delivery period issued over a period of a year.

16.3.2. Quality :

Supply of materials as per ordered specifications and zero rejection after receipt of materials from supplier should be the aim of purchasing. However, if rejections are there, responsibility must be assumed by purchasing, as it selects the supplier. Some- time, the supplier might have been suggested by user department, the purchasing department must share the responsibility for poor quality, because it is expected to analyze and warn these departments when they suggest poor sources.

$$\text{Rating} = \frac{\text{Value of Materials Supplied} - \text{Value of Materials rejected}}{\text{Value of Materials Supplied}}$$

16.3.3. Budget Compliance:

Purchasing performance may also be evaluated with reference to its efforts in purchasing the materials within the allocated budget:

$$\text{Rating} = \frac{\text{Budget allocation} - \text{Excess over budget}}{\text{Budget Allocation}}$$

16.3.4. Operating Cost

$$\text{i) Ratio} = \frac{\text{Total Number of Orders during the year}}{\text{Total number of employees in Purchase Section}}$$

This reflects optimization of manpower resources and is an important criterion for deployment of manpower in various power stations based upon the work- load.

$$\text{ii) Ratio} = \frac{\text{Total operating cost of Purchase Section during the year}}{\text{Total value of Purchase Order placed during the year}}$$

This common measurement criteria relates Rupees Volume of purchases made to the Rupees cost of operating purchase function i.e. how much it costs to spend a rupee in purchasing. This ratio has significance of evaluating Purchase Department as a whole but would not reveal areas of strength and weakness with the department.

Chapter-17
Objectives, Responsibilities
&
Functions of e-Procurement

17.1. OBJECTIVES OF E- PROCUREMENT:

The basic objective of implementation of e-procurement in APGENCO is to enable APGENCO Purchase/works Management Department to carry out tendering process for works contract, procurement of materials on our own e-procurement platform, besides empowering the contractors/suppliers to submit their tenders remotely as well as taking advantages of the electronic tender process which is connected with the centralized tendering platform APGENCO.

In order to achieve the above objectives and transparent and efficient tendering process so as to procure the services and materials at optimum prices, APGENCO has opted for e-procurement portal, which is in seamless integration with the ERP package.

17.2 SCOPE:

The scope of this chapter covers general guidelines and procedures to be followed by all the tender inviting officers of APGENCO, in respect tenders being floated in e-procurement portal.

The tendering process work flow in e-procurement portal has the following steps.

- Approval of the tender created.
- Sale of tender if proposed
- Receiving of bids online
- Pre-qualification bid evaluation if applicable
- Technical & commercial evaluation of tenders
- Price evaluation by migrating to ERP.

17.3 Creation and Publishing of NIT on e-procurement platform :

The NIT and Tender specification along with the Bill of Quantities for the approved materials Indent/ work Estimate as the case may be shall be prepared keeping in view all factors and the existing guide lines being followed in APGENCO including guidelines as regard e-procurement, finalized and got approved by the competent authority. This may be Single packet system or two packet system or EPC system based on approval in each case by the competent authority of APGENCO.

The concerned Asst. Engineer/Asst Divisional Engineer (depending upon availability or initiator in hierarchy being followed in APGENCO) of purchase management department will create the approved NIT and Tender specification along with Bill of Quantities in e-procurement platform, and submit it to next level authority, say concerned Asst. Divisional Engineer. The Asst. Divisional Engineer, after scrutinizing NIT and Tender specification along with Bill of Quantities, shall submit it through e-procurement platform to the concerned Divisional Engineer, who after due scrutiny, in turn, submit it to the concerned Superintending Engineer using e-procurement platform.

The concerned Superintending Engineer, who is authorized for approval in online mode of NIT and tender specification along with bill of quantities, shall scrutinize and approve the same to enable publication in e- procurement platform.

The authorized Superintending Engineer or his/her authorized authority, by clicking "APPROVED/ PUBLISH " button on e-platform, shall allow the NIT and tender documents to be visible to any one in the world. The purpose is that the NIT and Tender Documents along with bill of quantities can be downloaded at free of cost by any bidders without having any login ID, Digital signature.

17.4 Sale of Tenders:

There is an option in the e-procurement platform for collection of fee towards the cost of Tender Document. The collection of cost of Tender documents is not applicable, as there is no physical supply of tender documents in e- procurement. The bidders can view/download the tender documents from e-procurement platform without any login ID, Digital signature and cost.

17.5 Receiving of Bids:

The Bids shall be submitted on e-procurement platform by those interested bidders having requisite digital registration within stipulated date & time as per the terms and conditions set in the NIT and Tender Specification. After last date and time for uploading of the Bids by the bidders, the Pre-Qualification Bids or Price Bids as the case may be, shall be opened on e-procurement platform at the specified date and time as mentioned in the NIT & Tender Specification, by the concerned Superintending Engineer or his/her authorized authority by using simultaneous logon facility with the representative of accounts wing.

17.6. Evaluation of Tenders:

The Asst. Engineer/Asst Divisional Engineer (depending upon availability or initiator in hierarchy being followed in APGENCO) shall carry out the Technical Bid evaluation in case of Two packet system and EPC System or both Technical & Price Bid evaluation in case of Single packet system solely based on the uploaded Deposit (PEMD) deposited with APGENCO or EMD exemption letter issued by competent authority of APGENCO as the case applicable. The Tender analysis will be circulated for approval by the competent authority as per delegation of powers.

17.7. In case of Single packet System:

After getting the approval of Technical and Price Bid certificates/documents, DD/BG towards Earnest Money Deposit (EMD) or reference letter of Permanent Earnest Money Deposit acceptance.

After analysis by the competent authority, the department shall notify the successful bidder both in off line and on line modes for submission of original hardcopies of all the uploaded documents, DD/BG towards EMD or reference letter of PEMD deposited with APGENCO or EMD exemption letter issued by competent authority of APGENCO as the case applicable prior to release of purchase order duly allowing successful bidders 5 to 10 days time considering actual time required for submission.

After receipt of the hard copies of the uploaded document from the successful bidder, Purchase order/contract will be issued in favor of successful bidder. The fact of release of PO/Contract in favor of successful bidder shall be notified in the e-procurement platform.

17.8. In case of Two packet System and EPC system :

The Pre-qualification Bids (PQB) & Technical Bid analysis will be circulated for approval by the competent authority. After getting the approval in off line mode, the department shall notify, those who have qualified in PQB & Technical Bid, and intimate to the qualified bidders the date of opening of the Price Bids. The details of qualified bidders shall be displayed in e-procurement system. Similarly, the Superintending Engineer or his authorized authority shall open the price bids same as 17.7(1).

After getting the approval of Price Bid analysis by the competent authority in offline mode, the department will notify the successful bidder for submission of original hardcopies of all the uploaded documents, DD/BG towards EMD or reference letter of PEMD deposited with APGENCO or EMD exemption letter issued by competent authority of APGENCO as the case applicable prior to release of purchase order/Contract allowing successful bidders 5 to 10 days time considering actual time required for submission. After receipt of the hard copies of the uploaded document from the successful bidder, Purchase order (PO)/Contract will be issued in favor of successful bidder. The fact of release of PO/Contract in favor of successful bidder shall be notified in the e-procurement platform.

17.9. General guidelines of e-procurement process for procurement of materials/works contract.

17.9.1. **Authorized service provider:** The ERP wing shall be responsible for supporting e-procurement software.

17.9.2. **The required training:** For interested bidders and officers, addressing the problems posed by the bidders as well as APGENCO officials in transactions on e-procurement platform.

17.9.3. Transactions in e-procurement system by APGENCO officers:

All competent authorities vested with powers to invite, open tenders and move proposals for approval by competent purchase level committee as per delegation of powers and release of purchase order/Contract shall be required to mandatorily log into e-procurement platform for transactions electronically such as, uploading of tender documents, opening of bids on stipulated date and time etc., on e-procurement platform.

17.9.4. Registration with e-procurement platform for submission of online bids:

To bid for e-tenders, a vendor/bidder is required to have a Class-II category Digital Signature and the same is to be registered on e-procurement platform. At present there are about eight Certifying Authorities to issue Digital Signature Certificates.

17.9.5. Digital certification:

Bidders shall be directed by the competent Tender Inviting Authorities (TIA) to contact.

17.10. Up loading of NIT and Tender documents by user department:**17.10.1. Notice inviting Tender (NIT)/Tender documents:**

The notice Inviting Tenders (NIT) shall be published in news paper as in case of conventional tenders process. Tender documents shall be prepared keeping in view common factors as being followed in preparation of conventional tender documents as well as General Guidelines for e-procurement, and shall be finalized /approved by the officers competent as in the case of conventional Tenders. The officers competent to publish NIT in news papers in case of conventional Tenders will place the NIT in news papers in the e-procurement also.

The eligibility criteria of the respective tender will be arrived at as per the guide lines being followed as in case of conventional tenders.

The competent authorities empowered to invite tenders shall keep ready and upload the tender documents on e-procurement platform through secure mode using digital signature within stipulated date so as to enable prospective bidders to start down -loading the tender documents remotely as per their convenience from the date of availability stated in e-tender notice. The NIT format is given in Annexure-3.

17.10.2 Down Loading of tender documents:

The prospective bidders shall down load the bid documents and read the terms and conditions carefully and seek clarifications, if any, from tender inviting authority before submitting their bids through e-procurement platform electronically. The bidder has to keep a track of any changes that are informed in the e-procurement by way of amendments /corrigenda /addendum to NIT. Either Tender Inviting Authority or service provider will not be responsible for any claims/problems arising out of bidders not keeping a track of changes.

17.10.3 Authentication of e-bids:

The prospective suppliers/contractors shall have to mandatorily log into e-procurement website through secure mode and authenticate all their submitting e-bids using digital certificates (signing certificate-single key pair) in compliance with IT Act 2000.

Those bids that are not authenticated by respective bidder's digital certificate will not be accepted on e-platform for which APGENCO or service provider will not hold any responsibility, and not entertain any correspondence in the matter as well.

17.10.4 Uploading of hard copies, by prospective bidders: All the bidders intending to respond to tender published on e-platform shall invariably upload at the time of submitting their bids through e-platform the scanned copies of DD/BG towards EMD or reference of letter in case of PEMD deposited with APGENCO or EMD exemption letter issued by competent authority of APGENCO as case may be and certificates/documents in support of eligibility/qualifications as asked for in NIT/tender documents. This will be primary importance to consider the bid as responsive.

17.10.5 Bid Submission on e-platform and getting unique acknowledgement:The bidder shall complete all the processes and steps required for Bid submission by following instructions for bidders responding to e-tenders at website. The system will generate an acknowledgement with a unique bid submission number after completing all the prescribed steps and processes by the bidder after submission of bids on e-procurement platform. The bidder can modify withdraw the bid within the due date & time. After such modification, the unique number already generated will be modified with version change i.e XXXXXXXXXXXX –V3.

17.11 Opening of Technical bids/Price bids on e-platform:

- a) **Two part bids (Double packet system) & EPC System:**The Technical bids (pre-qualification bids) will be opened online by the concerned Superintending Engineer or his/her authorized by using simultaneous logon facility with the representative of accounts wing at the time and date as specified in the tender documents. All the Statements, documents, certificates, DD/BG towards EMD etc., uploaded by the Tenders will be verified and downloaded, for technical evaluation.

The clarifications, particulars, if any, required from the bidders, will be obtained by addressing the bidders. The technical bids uploaded by bidders will be downloaded by department, evaluated against the specified parameters/criteria and the technically qualified bidders will be identified and approved by the designated committee. But, Offline submission of either technical bids/qualification certificates or price bid shall, whatsoever reasons, not be allowed in case of tenders invited through e-platform.

Similarly, at the specified date and time, the price bids of all the technically qualified bidders will be opened by the concerned Superintending Engineer or his/her authorized authority. Till the technical bids are opened, the identity of the bidders who participated in the Tenders shall be kept confidential. Similarly, till the price bids are opened, the pre-bid offers are to be kept confidential.

b) Single part bids (single packet system): In case of single part bids (single packet system), after ensuring that scanned copy of DD/BG towards EMD or reference approved letter of PEMD deposited with APGENCO or EMD exemption letter issued by competent authority of APGENCO as the case applicable is available in uploaded certificates/documents, the price of particular bidder is opened by a click on "response" button on e-platform by the concerned Tender Opening Authority (concerned Superintending Engineer) or his/her authorized authority in the presence of member(AAO/AO) from financial/accounts wing as is being followed in case of opening of conventional tenders at the time and date as specified in the tender documents and the result shall be displayed on the e- procurement platform which can be seen by all bidders who participated in the Tenders. The Tender Opening Authority (concerned Superintending Engineer) or his/ her authorized authority will click 'non response' button in respect of those bidders who submitted their bid, but failed to successfully upload the scanned copy of DD/BG toward EMD or reference approved letter of PEMD deposited with APGENCO or EMD exemption letter issued by competent authority of APGENCO as the case may be. It is important to note that Price bid of those bidders who failed to upload scanned copy of DD/BG towards EMD or reference approved letter of PEMD deposited with APGENCO or EMD exemption letter issued by competent authority of APGENCO as the case may be will also be displayed in the system, but the rating will not be confirmed. The system will choose successful bidder (L1) from those bidders who have successfully uploaded the DD/BG towards EMD or reference approved letter of PEMD deposited with the APGENCO or the EMD exemption letter issued by competent authority of APGENCO as the case pertinent.

17.12. Submission of original documents, DD/BG towards EMD by successful bidders:

It will be his individual responsibility of successful bidder to furnish original documents, DD/BG towards EMD of scanned copies that are uploaded at the time of submission of bids in e-platform to the designated tender inviting authority in case of single packet system as well as double packet system and EPC within stipulated date, either personally or through courier or by post prior to release of purchase order/Contract, and obtain acknowledgement from the concerned authority in proof of having submitted original documents, DD/BG towards EMD or EMD exemption letter issued by competent authority of APGENCO so as to avoid any discrepancy at later date.

The department will not take any responsibility for any delay in receipt/non-receipt of original DD/BG towards EMD, certificates /documents including delay in postal transition. The department shall ensure the genuinity of DD/BG towards EMD or reference approved letter of PEMD deposited with APGENCO or EMD exemption letter issued by competent authority of APGENCO as the case may be and other certificates / documents uploaded by the Vendors/suppliers/contractors in support of requisite eligibility criteria prior to release of purchase order (PO)/ Contract.

If any of documents furnished by the bidders are found false/fabricated /bogus, the bidder is liable for being blacklisted including forfeiture of EMD, cancellation of Purchase order/ Contract as case applicable and criminal prosecution.

17.12.1. Failure of successful bidders to submit original certificates/documents, DD/BG towards EMD:

The Successful bidder fails to furnish all the uploaded documents (like DD/BG towards EMD or reference approved letter of PEMD deposited with APGENCO or EMD exemption letter issued by competent authority of APGENCO as the case may be, of uploaded scanned copies in support of eligibility/qualification, as and when requested by the tender calling authority, both in case of single packet and double packet system and EPC as the case related, successful bidders shall be suspended from participating in tenders on e-procurement platform for a period of 3years. The e-procurement system is designed in such a manner that it will deactivate the user ID of such defaulting successful bidders based on trigger/recommendation by APGENCO.

17.13 Processing of tenders invited through e-procurement platform:

Tenders received by way of e-procurement platform are down loaded, processed keeping in view all the factors as is being done in case of conventional tender system for approval of proposals by the designated committee members as per delegation of powers for release of Purchase order(PO)/Contract as the case applicable.

17.14. The Unit Head of the Generating Stations or Functional Head at head quarters are competent authority for processing of tenders invited through E-procurement system.

17.15. Special terms and conditions to Bidders.

17.15.1. Bidders should have a legally valid digital certificate as per Indian IT Act from the licensed Certifying Authorities on payment of requisitioned charges. Submission of bids by prospective bidders through e-platform will be subjected to terms and conditions notified on APGENCO e-procurement website. Bidders are requested to read these terms and conditions carefully and act accordingly.

17.15.2. Bidders should have requisite internet connectivity, preferably broadband.

17.15.3. Any downloading soft copy of tender documents from web site is at the sole risk and responsibility of the bidder. APGENCO will not be responsible for any delay/difficulty/inaccessibility of the downloading facility for any reason whatsoever. However, APGENCO will ensure satisfactory functioning of e-procurement website.

17.15.4. Bidders ought to ensure that they have downloaded the complete set of bid documents, and shall be solely responsible for the completeness of bid documents and may note that any omission or lack of clarity in the downloaded copy will not be taken as reason for submission of incomplete offer or will not entitle the bidders to claim for changing of scheduled dates of tender process. In such cases, it will be solely responsibility of bidders to get clarifications from the Tender Inviting Authority before submitting tenders on e-platform within stipulated time for submission of bids.

17.15.5. Amendments/Addendum, if any, will also be posted on web site for downloading. APENCO will not hold any responsibility of Amendments being or not being kept tracked from time- to- time by the bidders.

17.15.6. APGENCO reserves its right, without prejudice to other rights under terms and conditions of NIT and tender documents or other remedy available, to cancel tenders without assigning any reasons, and will not entertain any correspondence in the matter. APGENCO accepts no liability whatsoever and will not be liable for any loss or damage arising directly or indirectly (including special, incidental or consequential loss or damage) from use of e-procurement web site or from cancellation of tenders.

17.16. Additional Terms and conditions as regards e-procurement to be incorporated in tender notice/tender documents invited through e-procurement.

17.16.1. The bidder who is desirous of participating in tenders invited through e-procurement shall submit his Bid on e-Procurement platform. The bidder is required to register on the e-procurement market place.

17.16.2. Registration with e-Procurement platform: For registration and online bid submission bidders may contact ERP wing of APGENCO.

17.16.3. Digital Certificate authentication: The bidder shall authenticate the bid with his Digital Certificate for submitting the bid electronically on e-Procurement platform and the bids not authenticated by digital certificate of the bidder will not be accepted on the e-Procurement platform.

(or)

The bidder may contact Digital Certificate Registration Authorities of India.

17.16.4. Tender Documents:

The prospective bidder intending to respond to e-tender notice is required to download the tender document and read all the terms and conditions mentioned in the tender Document and seek clarification if any from the Tender Inviting Authority. Offline bids shall not be entertained by the Tender Inviting Authority for the tenders published in e-procurement platform. Any condition as regards offline bid submission or offline opening of bids in the conventional tender document shall be treated as not applicable.

17.16.5. The bidder has to keep track of any changes by viewing the Amendment/Addendum/ Corrigenda issued by the Tender Inviting Authority on time-to- time basis in the E-Procurement platform. The Department Inviting tenders will not be responsible for any claims/problems arising out of bidders not keeping track of changes that are informed by way of amendment to NIT.

The bidders shall submit their eligibility and qualification details, Technical bid, Financial bid etc., in the online standard formats displayed in e-Procurement web site. The bidders shall also upload in the e-Procurement web site the scanned copies of DD/BG towards EMD or reference approved letter of PEMD deposited with APGENCO as case may be, all the relevant certificates, documents including contractor Registration, experience certificates, solvency, EPF, GIS/ESI, VAT/CST Service Tax registration certificates etc., in support of their eligibility criteria/technical bids as requested for in NIT and tender Documents. The bidder shall sign on the statements, documents, certificates, uploaded by him, owning responsibility for their correctness/authenticity.

17.16.6. Submission of hard copies :

- i. All the bidders shall invariably upload in e-Procurement system the scanned copies of DD/BG towards EMD or reference approved letter of PEMD deposited with APGENCO as case may be, Certificates/Documents in support of eligibility criteria as mentioned in NIT/Tender documents and this will be the primary requirement to consider the bid responsive.
- ii. The department will carry out the technical evaluation solely based on the uploaded certificates/documents, DD/BG towards EMD in the e-procurement system.
- iii. The department will notify the successful bidder for submission of original hardcopies of all the uploaded documents, DD/BG towards EMD prior to tenders being processed for release of purchase order/contract allowing successful bidders 5/10 days time considering actual time requirement from date of opening of bids to submit original hardcopies of all the uploaded documents.
- iv. The successful bidder shall invariably furnish the original Certificates/Documents of the uploaded scan copies, original DD/BG towards EMD or reference approved letter of PEMD deposited with APGENCO as case may be to the Tender Inviting Authority before release of Contract/release of Purchase order as case may be either personally or through courier or by post. The sending of the same within the stipulated date shall be the responsibility of the successful bidder. The department will not take any responsibility for any delay in receipt/non-receipt of original certificates/documents DD/BG towards EMD, Certificates/Documents from the successful bidder before the stipulated time. On receipt of documents, the department shall ensure the genuinity of the DD/BG towards EMD and all other certificates/documents uploaded by the bidder in e-Procurement system in support of the qualification criteria before bids are processed for release of purchase order/sale order /LOI of Contract as case may be.

- v. If any successful bidder fails to submit the original hard copies of uploaded certificates/documents, DD/BG towards EMD or reference letter of PEMD deposited with APGENCO within stipulated time or if any variation is noticed between the uploaded documents and the hardcopies submitted by the bidder, the successful bidder will be suspended from participating in the tenders on e-Procurement platform for a period of 3 years. The e-Procurement system would deactivate the user ID of such defaulting bidder based on the trigger/recommendation by the Tender Inviting Authority in the system. Besides this, the department shall invoke all processes of law including criminal prosecution of such defaulting bidder as an act of extreme deterrence to avoid delays in the tender process for specified work/materials.

The bidder is requested to get a confirmed acknowledgement from the Tender Inviting Authority a proof of Hardcopies submission to avoid any discrepancy.

17.16.7. Bid Submission on e-platform and unique acknowledgement:

The bidder shall complete all the processes and steps required for Bid submission following instructions for bidders responding to e-tenders at website. The system will generate an acknowledgement with a unique bid submission number after completing all the prescribed steps and processes by the bidder after submission of bids on e-procurement platform. The bidders shall be instructed in NIT/Tender documents to note that the bids for which an acknowledgement is not generated by the e-procurement system are treated as invalid or not saved in the system. Such invalid bids are not made available to the Tender Inviting Authority for processing the bids. The APGENCO or service provider is not responsible for incomplete bid submission by bidders.