

Standard Procedure

For Opening of Quotation, Preparation of Comparative Statement & Evaluation of quotations

PREQUALIFICATION OF VENDORS

The prequalification criteria shall be entirely based upon the technical capability and resources of the prospective bidders to perform the particular contract satisfactorily, taking into account their (a) experience and past performance on similar contracts (b) capabilities with reference to personnel, equipments and manufacturing facilities (c) financial standing.

SPECIAL CONDITIONS TO BE SPECIFIED IN TENDER DOCUMENT

Sometimes while purchasing sophisticated and costly equipment, machinery etc., and Special emphasis is given to factors like high quality performance, environmental friendly features, low running cost, low maintenance cost, etc.

To take care of the same, relevant details are to be incorporated in the tender enquiry document and the criteria adopted to assess the benefit of such features while evaluating the offers are also to be clearly stipulated in the tender enquiry document so that the tenderers are aware of the same and quote accordingly. While evaluating such offers, these aspects are also to be taken into account

PRE-BID MEETING

In case of indents of high value/complicated technology equipment/two part tendering where pre-bid meeting or site visit is included in the indent, it should be ensured that the same is brought out very explicitly on the body of the indent or on the first page of the specifications prominently to avoid it being skipped from the notice of the Purchase section to include it in the tender document

In case of Two Part Tender/Public Tender/Limited Tender resulted in Single Effective Tender, the same will be treated on par with Single Tender and the procedure to be followed for placement of order is as applicable for Single Tender. In such conditions, the indenter has to be satisfied that no more vendor could have participated and also the reasonableness of price. Approving authority will approve the proposal after satisfying the above conditions

OPENING QUOTES/RESPONSES

1. Opening quotes: As per the purchase procedure and guidelines, a separate Tender Opening Committee (TOC) is formed from time to time to open quotes, tenders, etc depending on the mode of purchase. The TOC after opening responses (including fax, email, sealed envelopes), submit it to the Purchase section for further processing.
2. The following is the SOP for opening quotes in various situations:
 - a. Single Party Quotes can be opened and put up to the indenter after verifying all details, terms and conditions as per our enquiry. Deviations, changes, different terms, if noticed, the same should be recorded and put up to the Competent Authority for approval through the indenter.
 - b. In other cases where enquiries were sent to as many as parties, the following method is to be followed:
 - i) When the indent value is up to Rs. 2 lakhs a Minimum three responses are required. However, if only one response is received and if it is from the authorized dealer, it can be opened.

- ii) If less than three responses are received other than authorized dealers, file may be sent to the competent authority for approval and then responses are opened.
- iii) When the indent value is above Rs. 2 lakhs but below Rs. 5 lakhs a Minimum three responses are required. However, if less responses are received, a reminder to be sent to all parties giving ten days time. After this date, if we do not get requisite responses, a file to be put up to the competent authority for further decision.
- iv) When the indent value is above Rs. 5 lakhs a Minimum five responses are required. However, if less responses are received, a reminder is to be sent to all parties giving ten days time. After this date, if we do not get requisite responses, the file is to be put up to the competent authority for further decision.
- v) For public tenders (Indent Value is Rs. 25 lakhs and above) : Guidelines by TIFR is to be followed.
- vi) If the enquiry has been sent to a single party and response from them has been received, committee can open the same without waiting till the expiry of the due date.
- vii) Response received against all limited tenders will be opened by standing TOC irrespective of value as per TOC guidelines.
- viii) If response received against limited tenders are to be opened in presence of bidders, approval for the same by Dean NF / Dean GO / CD will have to be obtained before floating enquiries
- ix) Quotation received by Fax / E-mail or in sealed envelope will all be taken up for consideration.

PROCEDURE FOR DEALING INDENTS FOR ITEMS WHERE PRICES /STOCK OF ITEMS ARE HIGHLY VOLATILE

- a. Enquiry will be sent to parties by e-mail/fax giving time limit of 7 days for submitting quotation.
- b. Responses recd will be opened by Toc and based on Quotation with complete details, Qtn analysis statement is prepared and sent to indenter / Group head within one working day.
- c. Indenter to give recommendation in three working days
- d. Approval to be accorded in by CFA in one day.
- e. PO to be processed by purchase & accounts in 1 working day after which purchase order will be put up for signature.

COMPARATIVE STATEMENT (QUOTATION ANALYSIS STATEMENT)

(P. S. The words tenders, quotations, bids, offers, responses, have the same meaning)

- a. If the quotations/responses received against our enquiries/tenders, do not meet basic and essential requirements they will be summarily rejected.
- b. All the tenders are to be evaluated strictly on the basis of the terms and conditions incorporated in the tender enquiry document and terms and conditions etc. stipulated by the tenderers in their tenders.
- c. No new condition should be brought in while evaluating the tenders.
- d. Similarly, no tender enquiry condition should be overlooked while evaluating the tenders. Aim should be to ensure that no tenderer gets undue advantage at the cost of other tenderers and/or at the cost of the Purchaser. Details such as validity of the offer, delivery schedule, submission of EMD, SD, PBG, etc. are indicated in the Comparative statement.

If the offers have been received containing different currencies (in the case of imported goods), the entire quoted price are to be converted into the Indian currency for evaluation and comparison of offers on equitable basis, on the tender opening day. If this day happens to be a bank holiday, the next working day will be considered.

IMPORTANT POINTS CONSIDERED WHILE PREPARING COMPARATIVE STATEMENTS

Following points are considered while preparing the comparative statement as there will have an effect on the decision making.

- a. Conditional discount offered by the bidders should not be taken into consideration for comparison.
- b. In cases where the bidders have mentioned about excise duty: If exempted against our certificate – nil. If not exempted or for any such reasons – payment of actual duty to be considered.
- c. details of validity period, delivery period, warranty period, payment terms, VAT, Octroi etc. as quoted by the bidders.

EVALUATION OF QUOTATIONS

- a. Once the Comparative statement is complete as above, the folder will be sent to indenter for technical evaluation and further recommendations.
- b. Evaluation of tenders shall be done on an equitable basis and in a fair and transparent manner considering all aspects in Comparative statements.
- c. Justification for rejecting the offer with lower rates to be provided if order is not recommended on L1.
- d. Even in cases where the technical/price comparative statement of offers is prepared by the user, purchase staff shall check the details and ensure that the comparative statement is correctly prepared in all respects before sending the file to the competent authority/committee for approval/preparing the order.

AWARD CRITERIA

The award of contract to the successful bidder to be made whose bid has been determined to be substantially responsive and has been determined to be the lowest evaluated bid, provided further that the bidder is found to be technically, commercially and financially acceptable and whose goods have been type approved/validated by the Purchaser.

POINTS TO BE CONSIDERED FOR EVALUATION – BY INDENTER

The following points must be taken into account while evaluating the offers:-

- a. All the offers must be compared on the basis of the essential technical specifications laid down in the tender document and the qualification criteria if any, mentioned therein.
- b. The offers should not be given any special grading based on the additional features, if any, offered by the bidders which were not part of the tender specification.
- c. Financial capability of the firm.
- d. Technical capability.
- e. Delivery period offered.
- f. Past performance.
- g. Reasonableness of price quoted.
- h. Warranty period

- i. Payment terms
- j. Bids received should be evaluated in terms of the conditions already incorporated in the bidding document. No new condition which was not incorporated in the bidding document should be brought in for evaluation of the bids. Determination of the bid's responsiveness should be based on the contents of the bid itself without recourse to extrinsic evidence.
- k. The lowest bidder meeting the laid down tender specification must be considered for acceptance if they are otherwise found suitable.

DIVIDING THE QUANTITY (PLACING ORDER ON MULTIPLE PARTIES FOR THE SAME ITEM)

As per standard procedure, each schedule of requirement incorporated in the tender enquiry document is to be covered on the lowest responsive tender for that schedule without dividing the same. The tenderer who does not quote for the complete schedule as required is normally to be treated as unresponsive and ignored. However, there may be special occasions of purchase of very large quantities of goods which are beyond the capacity of a single tenderer and the lowest responsive tenderer is unable to take the load of the entire quantity. In such cases, the remaining quantity may be ordered on the second lowest responsive tenderer (L-2) at the rates offered by the lowest responsive tenderer (L-1), as far as feasible and for this purpose, negotiation may be held with the above tenderer (L-2). In such cases, it may not also become necessary to divide the requirement under a schedule by placing multiple contracts for part quantities on more than two responsive tenderers. Such eventuality should normally be foreseen and specified in the tender. The formula proposed to be adopted for allocation of orders to multiple (responsive) tenderers should be clearly brought out in the Tender. The splitting of order should be an exception rather than a rule.

NEGOTIATION

Central Vigilance Commission has banned negotiations other than with L1. They have also indicated that even with L1 negotiations can be undertaken only in the following circumstances:-

1) There should be no post-tender negotiations with L-1, except in certain exceptional situations. Such exceptional situations would include procurement of

- A) Proprietary items,
- B) Single tender items with limited sources of supply and
- C) For items where there is suspicion of a cartel formation.

The justification and details of such negotiations should be duly recorded and documented without any loss of time.

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

3) Negotiations should not be allowed to be misused as a tool for bargaining with L-1 with dubious intentions or lead to delays in decision-making. Convincing reasons must be recorded by the authority recommending negotiations.

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

timeframe exceed the validity period of the tender and it should be ensured that tenders are invariably finalised within their validity period.

4) As regards the splitting of quantities, pre-disclosing the distribution of quantities in the bid document may not be feasible, as the capacity of the L-1 firm may not be known in advance. After due processing, if it is discovered that the quantity to be ordered is far more than what L-1 alone is capable of supplying and there was no prior decision to split the quantities, then the quantity being finally ordered should be distributed among the other bidders in a manner that is fair, transparent and equitable.

It is essentially in cases where it is decided in advance to have more than one source of supply (due to critical nature of the item) that the central vigilance Commission insists on pre-disclosing the ratio of splitting the supply in the tender itself. This must be followed scrupulously.

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

COMMITTEE FOR NEGOTIATION

Where price negotiations have been approved by the competent authority, the following have to be kept in mind. Price negotiation is to ensure that the interest of the institute is fully protected and the price paid is reasonable. The relationship between purchaser & seller is a long standing one for the mutual benefit of both. Hence the result of the negotiation should end in win-win situation.

On the institutes side negotiations are invariably conducted by a duly appointed Commercial Negotiation Committee. The Committee should consist of a representative of purchase, indenting group, Accounts, quality assurance and preferably a specialist from other group. If necessary a legal representative may be added.

The basic objective of the negotiation is to establish reasonableness of price being paid by the institute. This is a complex task and many factors need to be considered. Some of the guidelines to be considered for negotiations are furnished in the following clauses.

ESSENTIAL FEATURES FOR NEGOTIATION

The essential features required for successful negotiations are:

1) Information (2) Personality (3) Empowerment (4) Time

SCOPE OF NEGOTIATION

What to negotiate: 1) Price (2) Quality (3) Quantity (4) Delivery (5) Transportation (6) Commitments (7) Commercial Terms. Negotiation should be for the least total cost.

CIRCUMSTANCES UNDER WHICH NEGOTIATION CAN BE HELD :

When to negotiate: When Total cost is high

Total cost is = Initial cost + running or maintenance expenditure for life of the equipment.

- 1) Purchase of equipment is unique in nature or of highly complicated technology.
- 2) Equipment is being procured for the first time and only a little information is available regarding the cost of the material.

- 3) Prices quoted are based on suspected cartel formation.
- 4) Number of suppliers in the field is limited.
- 5) In a competitive bid the cost quoted is higher than the reasonable estimated cost
- 6) When it is proposed to conclude parallel contracts
- 7) When it is proposed to conclude rate contracts with more than one supplier
- 8) Commercial terms offered are much in variance from our enquiry/tender document.

In the case of parallel contracts and rate contracts negotiations can be conducted with the firms other than L1 bidders also.

PREPARATION FOR NEGOTIATION:-

- 1) Define the objective
- 2) What is to be accomplished in short term/long term
- 3) Identify the areas where the cost quoted is higher and where there is scope for negotiation or reduction
- 4) Form the negotiating committee and identify the Chairman of the negotiating committee. Define the responsibility of team members.
- 5) After collecting all the information the negotiating committee will work out the strategy to be adopted during the negotiation.
- 6) Normally the negotiation from the institutes' side will be conducted by the Chairman of the negotiating committee and other members will play a supporting role.

COLLECTING INFORMATION BEFORE CONDUCTING NEGOTIATION :-

Collect the essential data like last purchase price, movement of price indices, the market intelligence regarding cost of the item or similar items, material composition, cost analysis of raw materials, technological intricacies involved, whether of current production or otherwise, maintenance requirements, spares and warranties, etc. from the records available publication and reports, catalogues, press release, institutional and educational material, advertisement, public statements, company biographies, website, etc. Details of competitors and their price if they have not participated in the tender and from other customers who bought the equipment or similar one earlier. The committee will examine the report submitted by the specialist and other members and analyze the data for its correctness, and frame the basis for negotiation.

The committee will outline the overall negotiation strategy based on the inputs received. It will identify the strength and weakness of both sides. Normally only the Chairman of the negotiating committee speaks to avoid giving the impression that there is more than one view from the institutes' side.

MINUTES OF MEETING OF THE NEGOTIATION :-

Detailed record of discussion regarding compliance with tendered quantitative requirements, price and contract clause should be prepared and placed on record in the form of minutes of the meeting. It should be signed by all the parties

GENERAL DEVIATIONS

The deviations generally sought by the bidders are required to be settled during negotiations and before issue of the contract relates to the following factors:-

VALIDITY OF OFFER

In cases where after the purchase decision is taken and approved by the competent authority there is very little time left before expiry date of the offer and it is not practicable to issue the contract within the offer validity, after completion of the required procedures and formalities, the recommended bidder should be requested to extend the validity of the offer for a suitable period.

BREAK UP OF COST

In case the bidder recommended for award of the contract has quoted a lump sum price in his bid and the scope of the tender covers supply of more than one item and/or installation and commissioning, training of the user, etc., the break up of the item-wise price, installation and commissioning charges, training charges and charges for safe delivery etc. shall be obtained from the supplier for incorporation in the purchase order.

PACKING & SAFE DELIVERY CHARGES

In cases where the offer is for Ex-works or FOR Station of despatch or the bidder has specified that packing, forwarding and freight charges are payable extra/at actuals, the reasonable amount of packing and safe delivery charges shall be arrived at in consultation with the bidder and incorporated in the contract.

TAXES & DUTIES

In case the recommended bidder has specified that taxes and duties are payable extra or statutory levies are extra, the exact applicability of the statutory levy like ED/CD/VAT/CST/Service Tax and the specific percentage rate shall be checked and incorporated in the contract.

PAYMENT TERMS

In case the payment terms in the recommended offer are different from our standard terms or the specific payment terms offered by us against this contract, the supplier shall be requested to accept the offered terms. In case of disagreement, reasonable terms of payment can be settled based on the merit of the case fully safeguarding the interest of the Institute.

Where advance/stage payment has been mutually agreed between the buyer & seller, the minimum amount of advance (say 5% to 10% of the basic cost) and stage payments on completion of definite milestones can be agreed to in consultation with the user and with approval of the competent authority. Such payments against each milestone should not be more than the value of the work done. Normally advance/stage payments should be considered against high value long delivery orders where the investment of the seller is high or in case of developmental, import substitutes, reverse engineering and highly technology oriented contracts.

The advance and all stage payments should be fully secured by bank guarantees from any one of the authorized banks, as per our format for equivalent value which should be valid till two months after satisfactory completion of the Contract.

In case the scope covers installation and commissioning, certain percentage of payment depending upon the nature of installation & commissioning activities (a minimum 10%) of the basic cost should be retained till the completion of the installation and commissioning, in addition to the installation and commissioning charges payable as per the offer. A Performance Bank Guarantee for 10% of the total value of the contract should also be insisted in the form of Bank Guarantee valid till two months beyond the warranty period before making the final payment.

WARRANTY

The standard warranty should be of 12 months from the date of delivery and acceptance in respect of standard items where installation & commissioning is not involved or 12 months from the date of installation and commissioning in respect of equipment, plant and machinery, where installation & commissioning is involved. Otherwise the warranty clause should be as mutually agreed between buyer & seller.

LIQUIDATED DAMAGES (LD)

The LD clause should be as per the General Terms & Conditions of the Contract. Otherwise the LD clause should be as mutually agreed between the buyer and seller depending upon the merit of each case.

WAIVER OF SECURITY DEPOSIT

The Contractor should submit the Security Deposit wherever applicable as called for in the document. Director may consider waiver of Security Deposit in respect of firm registered with NSIC/DGS&D.

PERFORMANCE BOND

The tender document stipulates the condition for submission of Performance Bond in the form of Bank Guarantee and hence the rate quoted by the supplier includes the cost of submission of Performance Bank Guarantee (PBG). In respect of firms who are well established and reputed and other firms who are regularly supplying such items to the Department and the performance of the equipment during the warranty period in the past cases are satisfactory and even in a few cases where there is deficiency the firm promptly attended the deficiency in time and ensured the proper performance of the equipment, Director, may consider waiver of PBG subject to satisfaction that no cost has been added for submission of PBG in the tender, this will not alter the status of the tender and no undue advantage will accrue to the firm. However, this should be considered on case to case basis depending upon the merit of each case. Before taking a decision the recommendation of the Indentor and the feed back from other users regarding past performance of the firm should be obtained for consideration.

INCLUSION OF FORCE MAJEURE CLAUSE

In cases where the recommended bidder has included in his offer the force majeure clause, the same should be properly scrutinised. The force majeure clause as agreed between buyer & seller can be considered for incorporation in the Contract.

AGENCY COMMISSION

In cases where the recommended offer is from the Indian Agent who has quoted on behalf of their foreign principal or in cases where the offer is directly received from the foreign supplier indicating the name and address of their Indian agent, the exact quantum/percentage of agency commission included in the price quoted should be obtained and clearly mentioned in the purchase order indicating that the agency commission is payable in equivalent Indian currency at the rate of exchange prevailing on the date of payment to the foreign supplier.

Any other commercial terms & conditions like inspection, training, replacement/repair of rejected material at the buyer's premises including its installation & commissioning without any additional expenditure to the buyer during the warranty period, submission of documents for verification and reimbursement of certain claims agreed, etc. has to be mutually settled between the buyer & seller before the same is incorporated in the Purchase Order.

RATE/RUNNING CONTRACT (RC)

A rate contract is an agreement between the purchaser and the supplier to supply the stores/items at specified prices during the period of the contract. RC is in the nature of a standing offer and neither any quantity nor any anticipated drawal are guaranteed. The supplier is bound to supply any quantity at a specified rate during the currency of the RC. As the RC is a standing offer, either party can revoke it at any time after giving a reasonable notice and opportunity.

Running Contract is a Contract concluded with one or more suppliers for a specific period for the supply of specified stores at the specified rate with specified quantity.

Rate/Running Contracts are concluded for items for which there is a regular and recurring demand and common user items required the price of which is not subject to appreciable fluctuation.

A Rate/Running Contract enables the indenter to procure the indented items promptly and with economy of scale and also cuts down the order processing time and inventory carrying cost.

Rate/Running Contract should be concluded after inviting tenders. The period for which the RC is proposed to be awarded, an indication on the anticipated total value of the purchase but not a commitment based on the previous years consumption, qualification criteria if any should be indicated in the enquiry/tender in addition to the general tendering and contract conditions.

Rate/Running contract should be awarded to the lowest suitable/ reliable/reputed firms after ascertaining their capacity, technical and financial capabilities and their past performance after obtaining the approval of the competent authority

DRAFTING OF CONTRACT

The drafting of Contract is the most important stage in the procurement process and it should be ensured that the contract is issued complete in all respects without leaving any room for avoidable correspondence at a subsequent stage. Hence Indenter will have to give all necessary inputs at indent stage itself so that same are included in the enquiry/tender document and also while placing order.

TERMS & CONDITIONS AS PER TENDER OR AS MUTUALLY AGREED

The terms and conditions being incorporated in the contract should be in conformity with the offer of the recommended firm and any variations being incorporated should have been mutually agreed to. Unilateral insertion of any terms and conditions which are different from those of the tender will not bind the contractor.

PREAUDITING

Purchase Procedure has a provision for pre-audit of purchase files and certification by ACCOUNTS SECTION before release of the purchase orders. All the proposed purchase / work orders where value exceeds Rs. 20,000/- are sent to ACCOUNTS for pre-audit.

If during preaudit the officer doing the preaudit finds any discrepancy or inadequacies, he will bring then to the notice of purchase/indenter as the case may be and after getting the satisfied Answers order will be cleared for signature on the PO and then for releasing.

RELEASING OF PO/WORK ORDER

The orders after preauding are sent for signature by competent authority viz PO/Head (A&F)/ Dean NF / Dean GO /CD depending on the value as per delegation of powers.

Payment of advance by DD/TT and opening of LC in case of imports

Where advance to be paid as per PO conditions, purchase will forward the file along with Ltr. to bank /form A1 /LC application to accts on receipt of proforma invoice and order acknowledgement from supplier. On receipt of LC /DD /payment advice, same is transmitted to supplier with intimation to freight forwarder to arrange for picking up the shipment from supplier when ready.

Where payment to be made after receipt of items, purchase section will prepare form A1 based on suppliers invoice after the items are received at our stores and forward it to accounts for onward transmission to bank for arranging payment.

FOLLOW UP FOR DELIVERY OF ITEMS

Purchase section will follow up with supplier and their agents for delivery of items if items are not delivered by the due date as specified in PO and as committed in their order acknowledgement.

CUSTOMS CLEARANCE OF IMPORT SHIPMENTS

Purchase section will prepare documents for customs clearance on receipt of dispatch documents viz Airway bill and invoice from supplier/freight forwarder and forward the same to clearing agent. Duty amount and airfreight charges and bank release orders are sent subsequently. After customs clearance shipment are delivered at khodad /pune stores as per our instruction. Custom clearance take a minimum time of 10 to 15 days and depends on customs/port authorities.

RECEIPT AND PHYSICAL VERIFICATION OF ITEMS

Is done by stores normally. Where the items are too technical and difficult for stores personnel to match item received with PO, indentors are informed to identify the items received vis a vis order and to provide inspection report/performance report

On receipt of the same pune stores will prepare Store arrival intimation (SAI) for items accepted and supplier bills in rupees are sent to accounts along with SAI for payment.

ISSUE OF CONSUMABLE ITEMS BY STORES : Consumable items in stock are issued to indenter against stores requisition slip (SRS) approved by competent authority.

ISSUE OF CAPITAL / F&F ITEMS BY IMD CELL : Capital / F&F items are issued to indentors by IMD Cell after obtaining signature on Capital / F&F register.

RECEIPT AND ISSUE OF CAPITAL / F&F ITEMS :

1. After they are inspected and accepted details of the items will be entered in IMD Database based on SAI and suppliers Invoice.
2. Accession number is allotted bar code label is affixed appropriate place on the item.
3. Indenter will be informed to sign in the IMD Register and then the item is issued.

4. Capital item database is updated showing the name of individual with name, designation and CC No. to whom item is issued.