

KIOCL LIMITED

(A Govt. of India Enterprises)

**II Block, Koramangala,
BANGALORE – 560 034**

**PURCHASE
DEPARTMENT
MANUAL
2009**

(INTERNAL CIRCULATION ONLY)

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सत्यमेव जयते

प्रमोद कुमार रस्तोगी
P. K. Rastogi



सचिव
इस्पात मंत्रालय
भारत सरकार,
उद्योग भवन, नई दिल्ली
SECRETARY
MINISTRY OF STEEL
GOVERNMENT OF INDIA
UDYOG BHAWAN, NEW DELHI
TEL. : 23063912
FAX : 23063489

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FOREWORD

Companies under Government ownership or large public participants depend on full time Board Members and independent Board Members to carry on the activities of the Company to achieve the goal for which the Company is established. It will be difficult for large stakeholders to participate in day-to-day management.

The Management being the trustee on behalf of the stakeholders, they should observe strict discipline in conducting the day-to-day activities in the larger interest of the organization. Every issue will have a different dimension depending on the concerned employee/executive looking into the same. To converge different ideas and to take a consistent stand on the issues, it is necessary that guidelines are laid down which are free from distortion and provide clear cut directions.

Manuals play a very important role in this direction and act as a ready-reckoner even to the new-corner into the organization. In this respect, KIOCL Limited has got prepared 11 Manuals comprising of all Departments. These Manuals take care of the present working conditions and the possible changes that may occur in near future.

I congratulate KIOCL team for their efforts in bringing out these Manuals and I sincerely hope that these will be updated from time to time to keep abreast of the changing working environment.


(P.K. Rastogi)



ಕೆ. ರಂಗನಾಥ
ಅಧ್ಯಕ್ಷ ಮತ್ತು ವ್ಯವಸ್ಥಾಪಕ ನಿರ್ದೇಶಕ

के. रंगनाथ
अध्यक्ष व प्रबन्ध निदेशक

K. RANGANATH
Chairman-cum-Managing Director



ಕರ್ನಾಟಕ ಕೃಷಿ ಮತ್ತು
ಪ್ರಾಣಿ ಸಂರಕ್ಷಣೆ ಮತ್ತು
ಆಹಾರ ಇಲಾಖೆ
ಆರ್.ಎಸ್.ಆರ್. 10001, 14001 ಮತ್ತು
ಆರ್.ಎಸ್.ಆರ್. 18001 ಕಂಪನಿ
ISO 9001, 14001 &
OHSAS 18001 COMPANY

कार्यालय Office : 080-2553 1322 / 2553 1272 (Off.)
इंजीनियरिंग EPABX : 080-25531461-70 Extn. 333 (Off.)
: 080-25630111 (Res.)
फैक्स Fax : (+91-080) 2552 1584
इमेल e-mail : kudreore@vsni.com

ಕೆಐಒಸಿಎಲ್ ಲಿಮಿಟೆಡ್
(ಭಾರತ ಸರ್ಕಾರದ ಉದ್ಯಮ)
2ನೇ ಬ್ಲಾಕ್, ಕೊರಮಂಗಲ, ಬೆಂಗಳೂರು-560 034.
के आई ओ सी एल लिमिटेड
(भारत सरकार का उद्यम)
2 ब्लॉक, कोरमंगला, बंगलूर - ५६० ०३४.
KIOCL Limited
(A Government of India Enterprise)
2 Block, Koramangala, Bangalore - 560 034.

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FOREWORD

The requirement of department manuals was felt for a long time to streamline the functions of the department and to define the roles & responsibilities of the employees working in various departments.

Keeping this in view, KIOCL LTD prepared 11 department manuals which explain in detail the functions of these individual department & its responsibilities, detailed working procedures and decision making process etc.

I am happy to record that the officials of KIOCL Ltd and the Consultant M/s Chunder Khator & Associates, Kolkata have put in their best efforts to bring out these manuals successfully.

I am sure that these manuals will provide necessary guidance and support during various stages of departmental activities for taking suitable decision as per company policies and guidelines. Further, these manuals will be helpful not only to the KIOCL Ltd but for other stake holders also to understand the working procedure of the each individual departments and company as a whole.

I congratulate all the concerned officials for their sincere effort in preparation of these manuals in a systematic and time bound manner.

I hope the respective departments follow the procedures laid down in the manuals to perform their day to day activities and improve up on continuous basis.

K. Ranganath
(K. Ranganath)



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Segment : 1:	PERSPECTIVE
Reference – 1.1	Genesis & Objectives of Purchase manual

Action Description
<p><u>Genesis</u></p> <p>Procurement function constitutes an important segment in the value chain that facilitates creation and delivery of value. Efficient and effective procurement system helps in economising resources use, optimising business process and improving value to customers.</p> <p>Besides, the present day shift of thrust to quality standards and a 'Total Quality Management' culture in a competitive environment further emphasizes the need for streamlined systems and procedures on Integrated Inventory Management.</p> <p>Systems & Procedures form the backbone for governing uniform & consistent practices across the organisation. The principal considerations in documenting the same in the form of manual are:</p> <ul style="list-style-type: none">• Establishing transparent and efficient systems & procedures that effectively handle processes in the value chain• Building preventive control system• Attending core issues of procurement function for compliance for effective performance <p>In the above perspective, Purchase Manual serves as a documented reference book on Company's policies and procedures relating to Purchase Management.</p> <p><u>Objective of the Manual</u></p> <p>Purchase manual serves as the operating guide for personnel of Materials Management and also provides documented handbook for reference by personal executives of other disciplines.</p> <p>Since publication of the existing Purchase Manual, efforts have been continuing for further streamlining, standardisation and updating of the policies, systems & procedures to cope with changing dimensions from time to time. Purpose of this Manual is not only to update the documented systems & procedures on the platform of current practices but also to structure a harmonious, flexible, responsive & efficient work environment having regard to the controls necessary for accomplishment of desired organizational goals.</p>



Segment : 1:	PERSPECTIVE
Reference – 1.2	Scope of the Manual

Action Description

Scope of the Manual

The manual lays down the policy guidelines relating to procurement of goods & services in line with the best practices in Materials Management aligned with the organizational philosophies and strategies.

The manual lays down scientific approach to Purchase Management in order to –

- i. Facilitate creation & delivery of value
- ii. Economize in investment
- iii. Streamline the systems & procedures for timely servicing
- iv. Eliminate/ avoid non-value adding activities
- v. Ensure built-in controls in the process flow, etc.

The Manual, in particular, defines the concepts and mechanics of Procurement, Vendor Selection & Development, and Purchase Order Management for timely & cost effective servicing of demands.

It prescribes

- a) The methodology for developing alternative sources of supply by adopting a system of vendor listing and appraisal.
- b) General systems and procedures on purchase function in order to achieve control on inventory.

While rationalising the procedures, methods & tools, the manual ensures adequate checks and balance in the system.

It focuses on reliable vendor base with ethical business relationship. The Manual prescribes documentation procedures for keeping proper and adequate records to aid physical control and analysis.

It covers the methodology and structure of generating meaningful information to :

- i. Aid decision making
- ii. Improve performance
- iii. Provide internal control tools
- iv. Enable performance monitoring
- v. Facilitate risk assessment



The aspects of Purchase function as covered in the manual are as under:

- i. Procurement of stores from indigenous and offshore sources as required in accordance with the procedures in force.
- ii. Receiving Material Purchase Requisition (MPR).
- iii. Checking of requisition / purchase indents & processing.
- iv. Formation of tender committee.
- v. Deciding mode of tendering & approvals of vendors.
- vi. Inviting tenders and purchasing as per laid down policies & procedures.
- vii. Analysing quotations / bids etc., and preparation of comparative statement.
- viii. Consultation with the Indenter for technical recommendations.
- ix. Techno-commercial discussions with bidders / negotiating contract wherever required.
- x. Issue of purchase orders.
- xi. Carrying out post order follow up.
- xii. Maintenance of vendor performance records/data.
- xiii. Maintaining all records relating to purchase function.



Segment : 1:	PERSPECTIVE
Reference – 1.3	Exceptions

Action Description
<p><u>Exceptions:</u></p> <ul style="list-style-type: none">• The Manual does not cover the accounting aspect of purchase transactions. Accounting aspect has been covered in “<i>Finance & Account Manual</i>”.• The Manual does not cover process stock and stock of finished goods.• The Manual does not cover Stores Management, which has been covered in “<i>Stores Manual</i>”.• The application of concepts and procedures envisaged in the manual are based on the assumption that present level of computerization will be progressively upgraded with time bound programme to an environment of online linkage of all interfacing departments such as Inspection & Progress, Stores, Accounts and Indenting / User with Purchase.



Segment : 1:	PERSPECTIVE
Reference – 1.4	Framework of the manual

Action Description
<p><u>Frame work</u></p> <p>The Purchase Manual is structured into seven classified Segments. Under each segment related topics are identified as separate subjects each having unique reference number. Manual is developed in the context of current business practices, philosophies, policies, systems & procedures - documented or superseded by alternative practices by the Company and based on understanding of the activities performed by concerned Function. For this purpose, pattern of organisation and system of departmentalisation have been kept in view. Besides, roles of different organizational tiers on a functional pattern have also been kept in view.</p> <p>In this regard, key consideration for the manual is not only to update the documented systems & procedures on the platform of current practices but also to structure a harmonious, flexible, responsive & efficient work environment having regard to the controls necessary for accomplishment of desired organisational goals.</p>



Segment : 1:	PERSPECTIVE
Reference – 1.5	Maintenance of manual

Action Description

Maintenance

This Manual is conceived against the backdrop of current business scenario, pattern of organizational setup of Procurement Wing, current practices of activities performed by Purchase personnel, pattern of role performed by the function in the value chain and in relation to other service groups of the organization, The existing structure and operating matrix of Delegation of Powers (DOP) etc., If any change takes place in any of the drivers as above, the current manual will need to be updated with such changes as and when deemed necessary. Such amendments in the Manual will accordingly need to be duly approved by competent authority for implementation.

For the above purpose, responsibility center shall be Head of the Materials Department or any other authorized representative to perform / manage all activities relating to this manual (Example: planning, documentation, approvals, updating, implementation & dissemination).

Documentation of periodical Updating

As and when such amendments are carried out, the same shall be documented at appropriate places in the manual. Relevant Segments/Subjects, if required, need to be suitably renamed and restructured to give effect to the changes.

As change is a dynamic process each such change from time to time should be denoted by a **version serial number** chronologically and reference to change subject recorded at one place for reference.



Segment : 1:	PERSPECTIVE
Reference – 1.6	Profile of Procurement functions

Action Description
<p>Functions of Purchase Department are classified into following broad groups on the basis of functional homogeneity:</p> <ul style="list-style-type: none">➤ Procurement Planning as per Indents➤ Vendor Selection and Development➤ Tendering and Evaluation of Tenders➤ Award of Purchase Order / Service Contract➤ Order re-viewing and delivery re-phasing➤ Regular interaction with the Inspection & Progress Department, Stores & Material Planning Cell of indenting department in respect of non-receipt of materials against pending Purchase Orders.➤ Follow-up with suppliers on expediting delivery of materials / services.➤ Co-ordination with Finance & Accounts department for timely payment to suppliers.➤ Performance evaluation of delivered material / services.➤ Vendor Evaluation and Rating.



Functional Structure of Purchase Department

Irrespective of substantive designations and inter positional relationship, the managerial tiers of Purchase functional organization as has been conceived in the Manual is as under:

Authority Level	Functional Band	Remarks
GOVERNANCE	Board of Directors/ CMD / Functional Directors / HOD (Materials)	
MANAGEMENT TIER 1	Functional Head (Materials) Functional Head level reporting to Governance level [i.e. HOD (Materials) / Functional Director / CMD as applicable]	For the smooth functioning of the department, powers have been delegated according to which decisions are taken at appropriate levels. The delegation of power will be reviewed and revised as and when the need is felt.
MANAGEMENT TIER 2	Functional Managers (Purchase) Functional Managers level (irrespective of substantive designation) reporting to Functional Head (Materials)	
MANAGEMENT TIER 3	Sectional Managers (Purchase) to Jr.Officers (Purchase) / Dealing Officers Sectional Managers level (irrespective of substantive designation) reporting to Functional Managers of respective cluster of activities in the stream of Purchase.	



Segment : 1:	PERSPECTIVE
Reference – 1.7	Objectives of Procurement Functions

Action Description	Responsibility
<p>Effectiveness & Economy Procurement of materials / Services at economic prices / rates according to the approved indents received from Indenting departments within the overall framework of Purchase Policy.</p>	Respective Case Dealing Officers / Functional Managers of Procurement
<p>Quality Assurance Adherence to consistency of quality with good quality control measures by way of incorporating Inspection clause as required.</p>	Concerned Manager and Inspection Group
<p>Timeliness Maintenance of continuity of supply for production. When there are disruptions in the continuity of supply, excess costs are inevitable.</p>	Respective Case Dealing Officers / Functional Managers & concerned executives -- Production, Stores & Purchase Department
<p>Vendor Development Development of effective vendor base through good rapport with suppliers, Vendor Rating and creation of Data Bank for vendor listing.</p>	Respective Case Dealing Officers / Functional Manager, Vendor Management, Purchase Department
<p>Summary of Goals Goals of Purchasing involve — ‘right price, right quality, right terms, right time, right source, right material, right place, right quantity and right mode of transportation.</p> <p>Action requirements for achieving the Goals follows :-</p>	All functional managers, Case Dealing Officers & Sectional managers of Purchase function



ACTION REQUIREMENTS FOR ACHIEVING GOALS

RIGHT PRICE	←	Considering quality & price
RIGHT QUALITY	←	Clear specification; proper understanding of functional Value & Cost; understanding of supplier's quality systems; Quality Awareness
RIGHT MATERIAL	←	Standardization; Value Engineering
RIGHT QUANTITY	←	Material Requirement Planning; Cyclical Reviewing; EOQ;
RIGHT TIME	←	Analysis of demand; analysis of Lead Time
RIGHT SOURCE	←	Vendor Development, Rating & Management
RIGHT TERMS	←	Contractual Terms — unambiguous & comprehensive
RIGHT MODE	←	Logistics & Cost-benefits of modes of transportation



Segment : 1:	PERSPECTIVE
Reference – 1.8	Procurement Policies

Action Description

General

- The procurement function shall ensure that procurement is made of desired **quality**, at desired **time**, in desired **quantity** & at reasonable **cost** and that **transparency** and **ethics** are maintained while buying materials / engaging agencies for services.
- All concerned managers shall ensure improvement of throughput time by identifying decision activities and eliminating non value-adding activities.
- The objective of procurement shall be minimization of **Landed Price** instead of purchase price.
- Endeavour shall be made to maintain /improve harmonious relationship with vendors and service providers.
- In the event of non-fulfilment of obligations by the vendor, rights of the purchaser shall not be reduced / waived/ relinquished unless the same is approved by the competent authority as per Delegation of Powers (DOP). If financial implication of reduction / waiver / relinquishment exceeds the parameter/value as per DOP reference shall be made to Competent Authority for decision.
- Wherever cash purchase is unavoidable due to exigency or operational reasons, the same may be resorted to on approval of competent authority as per DOP.
- **Decision considering various aspects of procurement shall be taken having regard to Government's / CVC's relevant guidelines.**



Vendor Management

- Vendor Management group in Purchase Department shall maintain list and records of approved vendors, national and overseas, as applicable, preferably for each category & group of materials.
- Approved Vendor List shall be reviewed and updated periodically as an ongoing process.
- Approved vendor List shall not contain name of any banned vendor (separate list of banned vendors will be maintained). As and when vendors are banned or any vendor's name is reverted from banned vendor's list with the approval of competent authority, information thereof shall be shared with the Senior Management Group including Functional Heads. **Guidelines of Government / CVC in this regard shall be kept in view.**
- For each category of material / service, as far as practicable, names and relevant data of at least 4 approved vendors shall exist in the vendor database.
- For registration of a new vendor, approved procedure shall be followed.
- Performance of Vendor shall be evaluated as per approved procedure of vendor performance evaluation.
- Periodically, list of material categories/groups will be identified for which alternative sources are required to be developed either in view of risk of failure of existing vendors or to mitigate single / limited source dependency risk.
- Quality shall not be compromised in consideration of other exigencies – stock out, ready delivery, price etc.

Inspection, Expediting, Logistics and Delivery

- There shall be specific inspection clause in the order regarding inspection of equipment / material etc. at the appropriate stage(s), through in-house expertise or external agency, as deemed fit.
- Regarding function of Inspection department, the manual of Inspection and Progress Department shall be referred / followed.
- All Transportation proposals shall be made in consultation with Group dealing with Logistics and covered by Transit Insurance.



Accounting and Payment

- Accounting of material received at the units of the company shall be on the basis of Goods Receipt Notes (GRNs) prepared after inspection & acceptance of the material. This includes payments made, from Corporate Office to the vendors on proof of despatch, for which inspection at vendors' premises is conducted by authorised inspecting group prior to despatch by vendor. This excludes cases of imported materials where accounting will be on completion of certain further formalities as per regulations and practices.
- Bills of Vendors/Service Providers shall be passed and paid based on vendor's invoice supported by relevant documents evidencing award of Purchase Orders/ Contracts and receipt of Materials/ Services. Based on contractual terms where payments are made based on proof of despatch against a Purchase Order / Work Order, bills shall be passed and accounted based on GRNs of approved materials / services as stated herein before.



Segment : 2:	VENDOR MANAGEMENT
Reference – 2.1	Vendor Development, Evaluation & Selection criteria

Action Description
<p><u>Objectives of Vendor Management</u></p> <ul style="list-style-type: none">➤ Building effective relationship with the performing vendors for mutually beneficial business association.➤ Enlarging vendor base to reduce dependency risks, improve competitive environment and adhere to the ethics of purchasing.➤ Creating acquaintance with technological improvements in inputs and processes.➤ Identifying cost effective substitutes through continuous search & interaction.➤ Fostering a transparent and partnering approach in dealing with vendors.
<p><u>Vendor Development & Registration Process</u></p> <p>The steps involved in the process are as under:</p> <ul style="list-style-type: none">• Identify possible sources for any category/ group of items of materials based on internal and external references, past successful vendors already available from the system, vendors in the waiting pool etc.• Check if any of the suggested vendors' names appears in the list of vendors, if any, blacklisted by the appropriate authority or his name appears the category of vendors de-listed due to unsatisfactory performance.• Match vendors' data as received from vendors with approved selection criteria• If results of exercise are acceptable, decide whether any trial order will be placed on the vendor before enlistment• On satisfactory execution of trial order (or without such order wherever not required), recommend for registration, obtain approval, register the vendor, create vendor code for inclusion in the Vendor Master.• Inform vendor on enlistment.



Import Substitution Items

Trial orders issued to vendors for items of import substitution shall be treated uniquely, and their performance shall not be routed through selection criteria for enlistment as above. The material, until completely developed, is also categorised uniquely. Once the development process is fully on saddle, such vendors' performance will be evaluated under normal process.



Segment : 2:	VENDOR MANAGEMENT
Reference – 2.2	Vendor Performance Evaluation Methodologies

Action Description
<p><u>Performance Evaluation</u></p> <p>Vendor performance evaluation methodologies include rating matrix, performance score and updating of master</p>
<p><u>Program of vendor evaluation</u></p> <p>As per vendor management policies, performance of Vendors shall be evaluated in line with approved program for vendor performance evaluation.</p>
<p><u>Purpose of Vendor Evaluation</u></p> <ul style="list-style-type: none">• Objective of vendor evaluation is to establish an appraisal methodology which, as far as practicable, gives an effective, timely, accurate, consistent and a true reflection of performance of vendors.• Besides, the report on evaluation should be objective and accurate to the extent that it can be relied upon in making accountable decisions.• In the process, vendor evaluation helps in identifying the areas of improvement. The fact that names of non-performing vendors are eliminated from the list of approved vendors and in the process helps in building a stable mutually beneficial business relationship and fostering a transparent and ethical standard of dealing with vendors.• Vendor rating system is an important decision support tool and its strength lies in best possible factual assessments against evaluation criteria for making a decision on sharing of business & identification of areas of improvement



Evaluation Process

The steps involved in the process are as under:

- Take data from individual vendor's performance data pool
- Take appropriate evaluation criteria and methodology
- Assess whether results of performance are as per acceptable standard.
- If not, review causes. If causes are due to the internal failures, take corrective measures
- If vendor is responsible for the non performance, sufficient opportunity may be given for improvement..
- Take successful vendors' list & data and upgrade Vendor Master

Rating Schemes

Rating of performance of vendors may be made by various methodologies, performance criteria and schemes.



Segment : 2:	VENDOR MANAGEMENT
Reference – 2.3	Vendor Performance Management

Action Description

Vendor Performance Management

Vendor performance management includes reporting on overall vendor performance against delivery and quality.

Review of Vendor Master

Approved vendors list and the vendors' database shall be reviewed by concerned in Purchase Department periodically in consultation with related departments.

Cases of Vendors requiring review

Cases of vendors requiring review are summarized below:

- ◇ Vendors who have not secured qualifying scores in the latest performance evaluation
- ◇ Vendors who have not responded to RFQs / Tenders consecutively three times without furnishing valid reasons or as decided by the functional manager with the approval of competent authority.
- ◇ Vendors /Contractors who violated safety norms, that resulted into fatal accidents.

Vendor Manager (VM) shall ensure that in respect of vendors who are identified for review are given fair deal while rating and adverse remarks if any, do not infringe Company's policy and all conditions for points scoring have been duly taken care of.

Before review, the list of such vendors will be circulated among the executives of Purchase Department and indenters if required (stating therein the reasons & facts) for their views.

Banning of Suppliers / Contractors

In case of default, bad performance, fraud, deception and misconduct, etc., by any supplier / contractor/vendor, action may be taken as per the guidelines of Government / CVC issued from time to time.



Segment : 3:	<u>PURCHASE PROCEDURE</u>
Reference – 3.1	Mode of Procurement

Action Description
<p><u>Procurement modes:</u></p> <p><u>Following are the recommended modes of tendering for placement of orders:</u></p> <ul style="list-style-type: none">(a) Open (advertised) / Global tender enquiry(b) Limited tender enquiry (LTE)(c) Proprietary tender enquiry (PTE).(d) Single tender enquiry (STE)(e) Repeat Orders.(f) Operating rate /running contracts.(g) Emergency Purchase(h) E – Procurement(i) Apart from the above methods of tendering for placement of orders, the following methods for placement of direct orders may also be considered.<ul style="list-style-type: none">i) Simplified purchase procedure for local purchase for small value items.ii) Spot / Cash Purchase for low value items. <p><u>The choice of particular mode of procurement shall depend upon the following factors :</u></p> <ul style="list-style-type: none">(a) Estimated value of purchase.(b) Sources of supply.(c) Quantity required and frequency of requirement.(d) Delivery / urgency of requirement.



- (e) Price fluctuation.
- (f) Nature of item.
- (g) Purchase policies.

Open (advertised) Tender including Website display:

Open (advertised) / Global Tender are to be considered under the following circumstances:

- 1) When reliable manufacturers / suppliers / traders / contractors as well as latest technology are not clearly known
- 2) When it is felt that advertising may elicit better response.
- 3) For any other commercial consideration i.e., as a policy, delegation of power / estimated value of purchase / job contract, formation of cartel / ring like situations etc.,

Open (advertised) / Global Tender including simultaneous display on Company's as well as Government's Websites will be resorted to when items are not available from known sources or the sources are presently limited and are to be broad based. This is so since some of the high value items are presently procured from established sources of supply, which are limited. As far as possible for high value items, open (advertised) tender mode shall be followed.

Wherever procurement by Open (advertised) / Global tender is resorted to, "Tender Notice" shall be issued in the press (newspapers and Trade Journals). Selection of the newspaper will depend upon the target sources, place of publication and extent of circulation required. The tender documents along with KIOCL's General Conditions for indigenous / offshore supply and other special conditions, if any, shall be priced (Tender document fee) keeping in view the value of the tender as also the cost of preparation of the tender documents. Besides issue of advertisement, advance copies of advertised matter shall be forwarded to potential suppliers from the approved panel maintained by Purchase Department. The complete tender documents are also to be displayed on the Website of the Company to enable interested parties to download and submit their tender along with the tender documents fee.

The due date fixed for opening of tender shall be normally about three to four weeks from the date of advertisement which may vary taking into account the nature of material called for as well as geographical location of the prospective tenderers. Due date may be subsequently extended with approval of competent authority only if it is felt necessary to have a better competition and also considering account delivery requirement.



Tender documents shall contain specification of the item(s), quantity, delivery required and the format in which prices are to be quoted, method of evaluation of quotations and the due date for submission of tender. A copy of the KIOCL's General Conditions for Indigenous / Offshore supply (KIOCL-P/1 or P/2) shall also be a part of tender document. The document shall be sent to the parties on request and on payment of prescribed tender document fee by means of a postal order or Bank Demand Draft or as specified.

LIMITED TENDER ENQUIRY:

Limited Tender Enquiry will be resorted to in case of material / services that are required to be procured from established and proven sources (approved vendors).

Limited Tenders shall be issued considering the following :

- a) The sources are limited and whose products / services are proven.
 - b) The demand is very urgent as confirmed by the users Dept.
 - c) When reliable manufacturers / registered suppliers / traders / contractors are known.
 - d) Where tender estimated value is low and does not justify going for open tender
 - e) When open tender system adopted during previous one/two years has established sufficient and assured sources of supply/services at competitive rates.
- In case of limited tender purchase enquiry, Requests for Quotation (RFQ) shall be sent to at least 4 approved vendors. If four vendors for the same material category/group/service are not available from the approved list, the enquiry shall be limited to the extent of available approved vendors. The number of tenderers shall generally be not less than four. In case parties available are less than four, the reasons shall be recorded and decided with approval of competent authority. However, additional vendors will have to be identified / developed for future requirements.

The due date for submission of quotation for all tenders shall be fixed with respect to

- (a) Nature of material / job involved
- (b) Delivery/work completion period.
- (c) Tenderers are local / nation-wide / offshore

In emergency situation where quotations are to be obtained within a short time, enquiries may be issued to the suppliers by fax /e-mail giving short notice depending upon the urgency.



PROPRIETARY TENDER

Procurement of items against proprietary tender shall be processed in accordance with the delegation of powers. Proprietary tender may be issued based on PROPRIETARY CERTIFICATE provided by the competent authority of Indenting department.

Proprietary Tender Enquiry may also be issued on certain special technical consideration giving proper justification for such procurement.

Proprietary items shall be purchased from manufacturers (OEMs) or their authorized dealer only, where the manufacturer does not supply the items directly and there is only one authorized dealer to sell the particular proprietary item.

SINGLE TENDER

- a) Single Tender Enquiries shall be issued as an exception only.
- b) Procurement of items against single tender shall be processed in accordance with the delegation of powers after recording proper justification.
- c) Single Tender enquiry may be issued in case of only one single proven source is available.
- d) Single Tender Enquiry is generally issued where value is small and or delivery requirement is urgent.
- e) Single tender mode may also be adopted in higher value cases after recording reasons for doing so and with the approval of competent authority.
- f) Single Tender Enquiry may be issued on certain special technical consideration giving proper justification.



REPEAT ORDER:

Repeat Orders shall be normally resorted to under unavoidable circumstances only in cases where it is commercially beneficial.

Repeat Orders may be considered against the last purchase / work order which was placed as a result of normal tendering process, if the demand is urgent and that tendering may not only delay supply / completion of work, but may also invite higher price / rate.

In all above cases and also any other cases of requirement, a specific confirmation must be obtained from the concerned supplier regarding acceptance of the same terms & conditions prior to release of the repeat order.

In addition to the above, the following conditions have to be fulfilled for processing a proposal for placement of repeat order:

- (i) Not more than one year (12 months) should have elapsed since placement of the original order.
- (ii) Value and quantity of repeat order, does not exceed the original order value and quantity.
- (iii) In all other cases where quantity is in excess of original purchase order quantity and or beyond the period of 12 months specific approval to be obtained from competent authority as per delegation of power.
- (iv) No repeat order shall be placed, if there is a downward trend in the prices / rates
- (v) Not more than two repeat orders should be placed against a specific order, which was placed as a result of normal tendering process.

RATE CONTRACTS:

To derive maximum monetary benefit out of rate / running contract, the Indenter shall furnish to the Purchase Department, their annual or half yearly requirement of items of stores of regular use such as stationery items, spares for vehicles, repair of hydraulic cylinders, electric motors, rubber lining of pipes and fittings, consumables etc., to enable Purchase Department to enter into suitable Purchase Contract in the nature of rate contracts after inviting quotations. Procedure for inviting quotations may be either by open (advertised) tender or limited tender or e-procurement. Rate / Running Contract shall be finalised as per the delegation of powers.



EMERGENCY PURCHASE / JOB CONTRACT :

Emergency purchase / Job contract shall be resorted to only where it is absolutely necessary for meeting the emergency needs. MPR for emergency requirement shall be prepared by the Indenter giving proper justification. The MPRs should be captioned as "Emergency MPR". The delegation of powers under "Emergency" category shall be followed.

E – PROCUREMENT:

Purchase of goods / services through electronic mode of interface with tenderers and IT enabled management of the entire procurement process (notice inviting tenders, supply of tender documents, receipt of bids, evaluation of bids, award of contract, and execution of contract through systematic enforcement of its various clauses and tracking of claims, counter-claims and payments) is to be adopted as per Govt. Guidelines in order to cut down transaction costs and improve efficiency and transparency. Appropriate cut-off points in terms of the size of procurement shall be decided based on the nature of the procurement. The required IT system for e-procurement shall be developed and same shall be secure, capable of maintaining complete confidentiality at appropriate stages of the bidding process, so that the tenderers feel confidence in electronically transmitting their queries and bids.

The help of external agency / service provider may be utilized until such time the required facilities are made available in – house. As on – line bidding is done by way of reverse auction, proper start -up price, decrement etc., shall be fixed in–consultation with Finance Department and the service provider. Fixing up of service provider / external agency shall be done by tendering process.

SIMPLIFIED PURCHASE PROCEDURE:

This is applicable for items required on emergency basis. Simplified Purchase Procedure shall be followed as per the delegation of power.

CASH PURCHASE

Cash purchase shall be made only in cases of emergent / exceptional and only in unavoidable circumstances.

Request for cash purchase shall be assessed keeping in consideration the following aspects:

- Reason for urgency.
- Approval of competent authority.
- Stock position.
- Source of supply.
- Value of items to be purchased.



Cash Purchase may be resorted to in the following circumstances :

1. When the value of purchase is low
2. When the item is not regularly purchased and/or not generally included in Annual Indent/Materials Budget
3. When the item is available ex-stock from show rooms or specially shops dealing with the item of such nature.
4. When the item is urgently required by the user and When the item is branded/packaged in original packing or may be accepted based on standard warranty of the manufacturer.
5. Cash Purchase will be made on cash payment basis from dealers/show rooms after obtaining proper cash memo, money receipt and warranty certificate, if any, against any manufacturing defects.



Segment : 3:	PURCHASE PROCEDURE
Reference – 3.2	Purchase Requisition Process

Action Description

Material Purchase Requisition (MPR) shall be raised by the User Dept. in case of Non-Automatic Replenishment items or by the Central Stores dept. for Automatic Replenishment items. The following important details shall be covered in MPR:

- Material Planning & Control Section (MPCS) No., and date.
- Approval of the MPR by Competent Authority as per delegation of power,
- Specification of the material required, item code, quantity and the estimated cost.
- Suggested sources of supply : Names of sources to be indicated.
- Original approved MPR shall be sent to the Purchase Dept. after allocating MPCS number and date.
- The delivery required at site shall be specified after taking into account the stock and dues-in and normal /realistic lead time as per the norms already in vogue.
- Wherever drawings are required, sufficient copies (not less than six copies) shall be sent with the MPR by the indenting department.
- For Emergency Purchase, indenting department shall forward MPR with necessary justification to stores department. Subsequently Stores department after allotment of MPCS No and date will forward the same to Purchase dept indicating as “Emergency Purchase”. Every MPR shall be signed by competent authority.
- In case of Capital Equipment, the specifications shall be drawn up in detail and finalised before sending the same along with MPR to Purchase Department for procurement action. Details of provision in the capital budget must be verified and shown in the MPR as procurement of capital equipment is to be done only if there is a provision in the sanctioned budget for the particular year.



The check list approved by Competent Authority for raising material purchase requisitions (MPRs) by Indenting Departments and scrutiny on receipt of the MPRs by Purchase Department shall be complied with.



Segment : 3:	PURCHASE PROCEDURE
Reference – 3.3	Tendering Requisition Process

Action Description

PAYMENT:

1. Terms of payment shall normally be 90% of the price on completion of despatch of each lot / shipment against dispatch documents including Inspection Certificate and other requisite documents as stipulated in the purchase order through Bank or direct as the case may be. The balance 10% payment will be made within 30 days after receipt and acceptance of the material at destination against Goods Receipt Note (GRN) or after 110 days of shipment / dispatch of materials, whichever is earlier or after satisfactory installation as the case may be.
2. Wherever suppliers insists for 100% payment, the same shall not be normally agreed to. However in special circumstances, payment of 100% against dispatch documents may be agreed to subject to prior approval by the competent authority on the merits of the case.
3. **Opening Letter of Credit**
In case of L/C payment, ensure that L/C contains all the relevant instructions of foreign suppliers. Bank will not release payment to the overseas suppliers unless all the terms and conditions of L/C are complied with. Terms relating to shipping advice, inspection, test certificate, payment etc. should be clear and unambiguous.
4. **Advance payment** need to be generally discouraged except in specific cases. Whenever payment of advance is considered unavoidable such as in major high valued equipment order / select works, the same shall be interest bearing as per CVC Guidelines and be allowed on receipt of an acceptable Bank Guarantee for an equivalent amount with sufficient validity so as to fully protect the company's interest. Reasonable time shall be stipulated for submission of Bank Guarantee so that contractual remedies could be enforced if required. The Bank Guarantees need to be properly



examined with respect to the acceptable format and any conditions deterrent to the Company's interest should be got withdrawn before acceptance besides verifying the genuineness of the Bank Guarantees from the Bankers. Timely action for revalidation / encashment of the Bank Guarantees also needs to be taken so as to protect the Company's interest. The bank guarantee shall be issued by the Nationalised / Scheduled Bank valid to cover the delivery period so that the bank guarantee can be released after adjusting the advance. However, all efforts are to be made to avoid advance payment.

INSPECTION:

Inspection of the materials before despatch shall be carried out by In-charge Inspection and Progress Department or by his representative at the premises of the supplier in accordance with the Inspection Procedure laid down from time to time and incorporated in the purchase order. Detailed inspection procedures have been laid down for items like castings, forgings, shaft, repair of motors, chemicals, number of other items etc., and the same shall be sent along with purchase enquiry so that the supplier would know with procedure well in advance before submitting the quotation. The testing charges for samples in accordance with Inspection procedure should be borne by the supplier and this should be made clear at the enquiry stage itself to avoid claims at a later date / affect their position in comparative statement of offers in case of competitive tendering.

Any special testing involving financial implication shall be settled prior to placement of order and as such cost should form part of evaluation. For more details, refer **Inspection & Progress Department's Manual**.

In case of offshore supplies, Inspection clause shall be incorporated in the Purchase Order wherever required as under :

- 1) KIOCL may depute their representative or any third party inspection agency to supplier's manufacturing premises, to carry out / witness inspection & testing, performance testing at its discretion.



- 2) Alternatively, KIOCL shall retain an option to waive the above clause (1) and accept the material based on supplier's internal test report, guarantee and fitment certificate.
- 3) Receipt inspection shall be carried out by In-charge Inspection and Progress, Mangalore on receipt of the goods at Central Stores, KIOCL Ltd., Mangalore.

CONDITIONS FOR TRANSPORTATION:

Where critical equipment of high value is involved, suitable special instructions shall be conveyed to the supplier about the mode of transport, loading, avoidance of transshipment and if necessary provision of escorts. Purchase officer concerned shall consult In-charge Transportation and wherever possible necessary arrangement may be made through transportation section and advise the parties accordingly. While releasing the purchase order, it may be made clear to the suppliers that the items are to be transported only through Bank approved transport carriers indicating clearly the address of the Consignee to whom the consignment is to be booked. In case of Chemicals, powdery materials, liquid materials, etc., parties may be advised to pack properly and cover the materials to avoid spillage en-route to avoid pollution problems and also to conform to ISO 14001 Standard. In case transport is arranged by KIOCL, suitable instructions may be incorporated in the transportation contract accordingly.

Wherever the items make a full truck load the suppliers should be advised to dispatch such items in full truck direct to the consignee on door delivery basis to site.

In respect of steel items from SAIL / TISCO / IISCO stockyard, the delivery order will be handed over by Purchase officer to the Transport Section, who will handover the same to transporters for collecting the items from the stock-yards and then transport the same to site. As soon as the items are received, the Stores In-charge of Mangalore will intimate receipt of the material to Transport Section, Bangalore. This is to ensure that the items dispatched have been received at destination intact and in time. Similarly in case of Cement and other pilfer able and high value consumables, receipt status may be obtained from Stores within a reasonable time after dispatch.



INSTRUCTIONS REGARDING DESPATCH OF GOODS AND DOCUMENTS:

The supplier shall be specifically asked to dispatch the consignments to the In-charge, Stores, KIOCL Limited, Mangalore or Bangalore as the case may be. All dispatch documents viz., Railway / Lorry receipt, Goods Consignment Note, Air-way bill, Invoices, Packing list, freight memos, test certificate etc., shall be sent to the In-charge (Finance & Accounts), Bangalore who will arrange to make payment and send the relevant documents to the Consignee for enabling them to take delivery of the consignment and raise GRNs. In the event payment is through Bank, all the original documents are to be sent through the designated bank. In the case of dispatches in full truck load, KIOCL shall advise the supplier to send consignee copy of the Lorry Receipt to the consignee along with the consignment and the consignment shall be booked to KIOCL and not "self".

1. The bills shall be addressed to In-charge (Finance & Accounts), KIOCL Limited, Koramangala, II Block, Bangalore – 560 034 and send five copies of their invoice. The invoices must be pre-stamped and shall indicate the details of Lorry Receipt or Railway Receipt number as the case may be and also the details of the packing list and the items dispatched. The invoice must also indicate the Purchase Order No. and date, the unit rate and the net total price and the packing list shall include the total weight of the consignment and the items dispatched. All documents are to be duly signed by the supplier's representative.
2. In the case of imported consignments shipping documents as prescribed in the order / General Conditions for Offshore Supplies KIOCL-P/2 shall be sent for making payment.
3. The Bank charges towards processing of the bills for payment shall be as per terms and conditions of Purchase Order.

ADMINISTRATIVE LEAD TIME FOR ORDER PLACEMENT:

Purchase department shall take prompt actions to convert the MPRs into Purchase / Work Orders at the earliest, which will facilitate in receiving supply of items / completion of work well in time as also to control the inventory. While releasing the enquiries the Purchase department should clearly stipulate delivery requirement given in the MPR. However, the following is the indicative time schedule as a



guideline for converting the MPRs into purchase orders against various modes of purchases:

SL. No.	Mode of Procurement	Indicative Time schedule	
		Indigenous items	Imported items
1.	Single Tender / Proprietary	Within 4 weeks	Within 5 weeks
2.	Rate / Running Contract, Approved supply arrangement	1 - 2 weeks	1 - 2 weeks
3.	Repeat order	2 – 3 weeks	2 - 4 weeks
4.	Limited Tender	6 – 8 weeks	8 – 10 weeks
5.	Open (advertised) Tender	12 weeks	-
6.	Emergency Local Purchase	1 day	-

The Time Schedule as above is only indicative and schedule shall be subject to change based on nature of items, sourcing, sample testing, site visit / pre-bid meeting with prospective bidders and Govt. Guidelines etc.,

PREPARATION OF TENDER ENQUIRY

The following points are to be kept in view while preparing the Tender Document. The Invitation to Tender together with Instructions to the Tenderers is an important document as the firm's proposal/tender is based on them. The Tender Enquiry shall be prepared setting out in clear terms the requirements of the purchaser as to quality, quantity, delivery required etc.

The Tender Enquiry usually comprises :

- a) Invitation to tender and schedule to tender accompanied by general terms and conditions.
- b) Places at which the stores are required to be delivered.



c) Basis of Price :

- i) For all indigenous supplies, the firm should normally be asked to quote their rates on Ex-works basis / FOR Destination / Door Delivery to KIOCL, Stores, Mangalore/Bangalore basis. In case of FOR Destination basis the break up of prices such as Ex-works Price, Freight, Packing & Forwarding Charges (on lump sum basis), Excise Duty (if applicable), Concessional Sales Tax (CST) / KVAT, etc., The safe arrival of stores at destination shall be the responsibility of the supplier.
- ii) In case of direct import by KIOCL, enquiry to be issued with a request to quote specifically price on FOB delivery port basis only. However, in exceptional cases price may be obtained on C&F port of destination basis.

After issue of Tender Enquiry, necessary details such as Tender Enquiry No. and date, names of parties, due date for submission of quotation etc., shall be entered in the in the Tender Register maintained by the tender opening committee.

Sale of Tender Documents

Tender forms against advertised tenders shall be charged for and the tender fee shall be indicated in the advertisement itself. In cases where special drawing or specifications are to be supplied with the tender forms, the charges including the cost of drawings/specifications for tender forms shall be fixed in each case in consultation with the competent authority. Tender forms purchased by one firm cannot be transferred to another firm.

Tender fees shall be received in the manner indicated in the advertisement. A Cash Receipt will be issued for the fee and Tender forms shall be issued to the firm on the basis of such Cash Receipt. Date and time for Sale of tender papers shall be indicated in the tender document.

The tender document shall be posted in the Company and Govt. Tender website to enable interested prospective tenderers to download the same. If the tender document is a priced one, there should be clear



instructions for the tenderers in the document (which has been downloaded) to pay the amount by demand draft / by payment in cash along with the tender, prepared in the downloaded document.

FREE SUPPLY OF TENDER PAPERS AGAINST ADVERTISED / GLOBAL TENDER

Tender papers shall be supplied free of cost in the following cases :

- a) Tender forms against the advertised / global tender may be supplied free of cost on demand to SSI Units Registered under NSIC as per Govt. guidelines.
- b) In case of Global Tenders, a specimen copy of the tender notice advertised in the Indian Trade Journal or other Newspapers shall be supplied free of charge to the Trade Commissioners/Counselor/Representatives/High Commissions, if necessary. Copies of Global Tender Notices shall be sent to the Indian Embassies/High Commissions located in different countries of the World for wide publicity, wherever felt necessary.

EARNEST MONEY DEPOSIT (EMD) :

Requirement of EMD prevents non serious tenderers from making in fructuous offers.

- a) In general the Earnest Money to be deposited by the tenderers shall be up to 2% of the estimated value or as specified in the tender document. The amount of EMD is to be specified in the tender document in terms of absolute value. However, the EMD should not be so high as to discourage tenderers.
- b) The tenderers shall furnish an interest free EMD in the form of Bank Demand Draft / Bank Guarantee / Bid Bond / Stand-by Letter of Credit **valid for a period specified in tender document** in favour of "KIOCL Limited", payable at Bangalore, along with the Techno-Commercial bid. However, KIOCL reserves the right to accept EMD in the above form or any other form at its discretion. The EMD shall be from any Indian Nationalised Bank / Scheduled Bank / reputed Foreign Bank. EMD from Co-operative Bank will not be accepted. Bank Guarantee / Bid Bond shall be as per KIOCL format.
- c) **Forfeiture of EMD** : EMD will be forfeited if the tenderer withdraws or amends or derogates from the tender in any respect within the period of validity specified in the tender document.



d) **Exemption of EMD :**

- i. Exemption from submission of EMD by small unit registered with the National Small industries Corporation Ltd., (NSIC) or affiliated to Small Industries Service Institutes, etc., shall be governed by the guidelines issued by the Statutory Authorities from time to time and those tenderers seeking such exemption shall necessarily furnish requisite documents along with the tender.
- ii. EMD may be exempted in cases of procurement from offshore suppliers (other than capital, high value long-gestation procurement), original equipment manufacturers (OEM), proprietary / single tender basis and also well established / proven suppliers on limited tender enquiry basis in order to obtain maximum response to Tender Enquiry. However, specific approval from competent authority to be obtained in this regard.

- e) **Refund of EMD :** EMD will be refunded to the unsuccessful bidder after finalisation of Purchase / Work Order. In case of successful bidder EMD will be refunded after submission of the security deposit or as specified in the tender document.

SPLITTING OF ORDERS:

Splitting of orders, wherever necessary among more than one tenderer shall be done to ensure continuous supply of items which are critical or vital in nature.

Intention of splitting the quantity need to be specifically indicated in the tender enquiry including the distribution pattern for splitting the orders into 2/3/4/.... Parties. However, capability, capacity and past performance will be kept in view for allocation of quantities to multiple sources. In addition to the above, in case more than one party has the same rank, then their share will be added and equally distributed.

The applicable CVC guidelines on the subject shall be followed for splitting the order quantity among more than one supplier/contractor.



SECURITY DEPOSIT:

Security deposit is intended to safe guard the Company's interest and to ensure successful execution of order / contract.

a) Successful bidder has to furnish Security Deposit up to 10% of the order value or as specified in the tender document, by way of payment of Cash / Bank Guarantee from Indian Nationalised Banks / Scheduled Banks registered in India / Foreign Banks routed through any Nationalised / Scheduled Bank in favour of KIOCL Limited, within 15 days from the date of receipt of Order. The Bank Guarantee shall be strictly as per our format (annexure) and should be valid for a specified period. Bank Guarantee issued by Co-operative Bank will not be accepted.

b) Exemption from submission of Security Deposit by small scale industries registered with the National Small Industries Corporation Ltd., (NSIC) or affiliated to Small Industries Service Institutes, etc., shall be governed by the guidelines issued by the Statutory Authorities from time to time and such tenderers seeking exemption of security deposit shall necessarily furnish requisite documents along with the tender.

c) Security Deposit may be exempted in cases of procurement from offshore suppliers (other than capital, high value long-gestation orders), original equipment manufacturers (OEM), proprietary / single tender basis and also well established suppliers on limited tender enquiry basis in order to obtain maximum response to Tender Enquiry.

d) The bank guarantee will be returned after expiry of the contract period, after satisfactory fulfillment of all contractual obligations.



TAXES & DUTIES:

a) Sales Tax:

KIOCL is entitled to avail concession of Central Sales Tax against 'C' form for certain categories of items which have been declared to Sales Tax Authorities by the Finance & Accounts department for supply from outside State. For such items, suppliers should be advised to claim Central Sales Tax at concessional rates against 'C' form. In the case of supplies from within the State, Karnataka VAT as applicable will be paid. As per prevailing Government orders at the time of tendering, the reimbursability or otherwise of CST or VAT to 100% Export Oriented Units (EOU) is to be informed to tenderers at enquiry stage itself.

b) Excise Duty:

KIOCL Pellet Plant Unit being a 100% Export Oriented Unit (EOU) is exempted from payment of Excise Duty for certain categories of items as per applicable Excise Notifications. To avail this concession, pre-authenticated CT-3 form shall be issued by Stores Dept. KIOCL Ltd., Mangalore and in this regard following details are to be obtained from supplier:

1. Address of Superintendent of Central Excise under whose jurisdiction their works falls.
2. The factory address of the supplier from where the items ordered will be dispatched.
3. Excise Tariff number under which the item(s) are classified.

To issue CT-3 form, Purchase Department shall forward the details received from supplier along with 3 copies purchase order to Central Stores department, KIOCL Ltd., Mangalore. Central Excise Trade Notice issued by the Commissioner of Central Excise, Mangalore from time-to-time authorizes 100% EOU (KIOCL) to issue pre-authenticated CT-3 form. On receipt of purchase order from Purchase Department, Central Stores department at Mangalore would prepare CT-3 form in triplicate and the original would be sent to the DTA (domestic tariff area) supplier and the supplier is expected to hand over the original to their Range Excise Authorities retaining a copy with them. The duplicate copy



would be sent to the Range Superintendent of Central Excise at Mangalore within 24 hours of issuance of the original and Central Stores department, Mangalore for record purpose, would retain triplicate copy. A photocopy also would be sent by Central Stores department, Mangalore to Purchase department at Bangalore for record purposes. While issuing Purchase Order, parties should be clearly advised that they should adhere to the procedure laid down under Excise Notification applicable and AR-3A form to be sent along with the consignment to facilitate de-bonding at KIOCL.

INSURANCE:

Where the responsibility for insuring the consignment rests with KIOCL, Purchase department shall advise the parties to ensure that advance intimation is sent to Insurance Company with whom there is an open insurance policy so that the consignments are insured well in advance. Finance & Accounts department are also declaring all consignments for insurance every month in their statement which they would be submitting to the Insurance Authorities. However, Purchase department should ensure that all consignments are insured properly, having regard to the terms of delivery in the orders, nature of goods, and mode of transportation.



Segment : 3:	PURCHASE PROCEDURE
Reference – 3.4	Tendering Evaluation Process

Action Description

Receipt and Opening of Tenders:

Tender Box:

A locked tender box shall be kept in a conspicuous place in the Purchase department. Tenderer shall drop the tenders in the above box and incoming tenders received by mail/fax/courier/speed post or by hand shall also be deposited in that box everyday. On the due date and time of opening, the tender box shall be opened, the contents removed, sorted out tender-wise and date-wise and entered in the tender register by the Tender Opening Committee.

Tender opening committee shall open quotations received at the appointed hour on tender opening day. Each tender shall be signed by the members of the Committee. The tenders received shall be serially numbered as 1/X, 2/X.....X/X (the denominator indicating the total number and the numerator, the specific tender serial number). Any corrections observed in tender at the time of opening, in prices, quantity etc., shall be noted and initialled by the Tender Opening Committee. Any ambiguity, which could lead to mis-interpretation, shall be underlined by the Committee. No alteration of any kind, specifications, price or delivery etc., shall be made after it is opened. At the time of handing over the tenders to respective Purchase Section, necessary acknowledgement shall be obtained from Dealing Officer / Assistant for receipt of the tender(s) along with samples if any in the tender register.

Note:

- (1) The keys of the tender box shall be in the custody of the In-charge of the Tender Opening Committee of Purchase department and opening and sorting out of the tenders shall be done under the supervision of a Purchase Executive deputed in this regard. In case of Open (advertised) Tenders and Limited Tenders of estimated value Rs. 15 Lakhs and above and also Limited Tenders of estimated value below Rs 15 Lakhs wherever felt necessary, a suitable clause shall be incorporated in the tender enquiry instructing the intending tenderers to submit their offers in two bid system i.e., technical bids with commercial terms and conditions along with the copy of price bid blanking the price portion in a sealed cover and price bid only in a separate sealed cover. In case EMD is



included in the tender enquiry, EMD amount is to be enclosed in a separate (third) sealed cover or along with techno-commercial bid as stipulated in the tender document. The above two or three parts of bids shall then be put in one single outer cover duly sealed and superscribed with Purchase Enquiry Number and due date. The techno-commercial bids of valid offers shall be opened by the Committee in the presence of such tenderers or their authorized representative who are present. Thereafter the price bids of those tenders whose offers are techno-commercially found suitable shall be opened by the Committee in the presence of such tenderers or their authorized representative who are present. The name and signature of the tenderers or their representatives, who attend the tender opening, should be taken in the prescribed formats and kept in the file for records.

- (2) Other limited tenders of estimated value below Rs 15 Lakhs, tenders received on proprietary and single tender basis shall be opened by the Tender Opening Committee internally i.e., without the presence of the tenderers.
- (3) After opening the tender, each tender shall be individually scrutinized to verify whether it is in conformity with the tender terms and conditions. The tender should be annotated by the Evaluating Officer with explanatory notes giving reasons for rejecting them – for example, “late tender, or earnest money not received, two bid / three cover system not followed or unsolicited tender or quotation received by fax / e-mail in case of two bid or three bid system or any other non-conformity with respect to instructions regarding submission of Tender.

Amendment to tender document on any account shall be done well in advance to the due date and time for opening of tender. In case of Open Tender, any amendment to the tender document within the due date will be displayed in the company website as “amendment letter” or “corrigendum” to tender document. Bidders to ensure that offer are made in line with tender document in full inclusive of any amendment / corrigendum issued by the purchaser. However specific intimation will be given to the



parties who purchase the tender document directly. In case of estimated value of procurement / offered price of Rs. 10 Lakhs and above, technical recommendation of the indenting department concerned shall be routed through Director (P & P) or the next officer below him in his absence, and a techno-economic evaluation shall be made.

With regard to high value items of repetitive nature, discussions may be held with the tenderers wherever necessary in association with the Finance department and the cases are to be processed thereafter for the approval of the competent authority.

Late / Delayed Tenders :

The examination of delayed or late tender shall be done jointly by the Committee. All tenders / modifications thereto received beyond specified time and date for opening shall be marked as "Late or delayed" as the case may be and will not be considered. The envelopes of the late and delayed tenders are not opened. In case of late tenders received in open conditions the same to be put in separated cover and necessary endorsement made by the tender opening committee.

In case of doubt if any regarding delayed / late tenders, Committee members will discuss the matter with Competent Authority and decision of competent authority will be final.

VALIDITY OF THE OFFERS:

Every effort should be made by the Purchase department to finalise orders within the validity period of the offers. If for any reason it is not possible to process and finalise the purchase order within the validity period of the tenders, the officer concerned shall seek and obtain extension of validity. In any case, order should be released within the validity period since tenderers may not agree to hold the same price after expiry of the validity period.

PURCHASE ORDER VALUE EXCEEDING THE ESTIMATED VALUE:

If on receipt of offers it is found that the value of acceptable offer(s) exceeds the estimated value by more than 10%, matter to be taken up with Indenting department to review the requirement or arrange for additional sanction in case there is no change in the indented quantity and to confirm the same within a



week's time. If there is no reply within this period, the case can be processed for placement of order. Where the value of the order is large, the matter shall be again pursued with the Indentor for review of procurement to avoid inventory build up.

In respect of AR items, approval for additional sanction is not necessary as it is within the scope of Materials department.



Segment : 3:	PURCHASE PROCEDURE
Reference – 3.5	Tendering (Purchase Proposal) Approval Process

Action Description

Scrutiny of Quotation

Each Tender shall be individually scrutinised to verify whether it is in conformity with the tender terms and conditions. Evaluation of tenders is one of the most significant areas of Purchase Management. The entire process of tender evaluation and finalisation of contract must be transparent. All the aspects, which are to be taken into account for evaluating the tenders including the method to be adopted for evaluation of tenders and the techniques for determining the lowest acceptable tender for placement of contract are to be incorporated in the tender enquiry document in clear and comprehensive manner without any ambiguity, so that the interested tenderers can formulate their competitive offers in a meaningful manner and participate in the tendering process with confidence.

Preliminary Examination

On receipt of quotations from the tender opening committee, the dealing officer shall scrutinize the offers for compliance with NIT terms and conditions. Those tenders, which do not meet the tender requirements, are given an opportunity to comply with NIT terms and those tenderers, who still do not meet the tender requirement even after the opportunity given, shall not be considered further.



Scrutiny of Quotations against One Bid System :

1. When the required goods are simple in nature and have standard specifications, scrutiny on techno-commercial criteria may be done simultaneously.
2. In other cases of procurement of sophisticated items, where technical scrutiny is more important, a copy of tender shall be forwarded along with techno-commercial offers to the Indentor for technical recommendation. The Indentor shall send their technical recommendations / comments to Purchase Department.
3. All the techno-commercially acceptable tenders are only to be considered for price evaluation.
4. Based on Price evaluation and Price negotiation (on exceptional cases) Tender Committee shall send its recommendations for approval of Competent Authority for placement of order on L-1 bidder

SCRUTINY OF TWO / THREE PART QUOTATION

(Techno-Commercial and Price Bid Separately):

1. A copy of techno-commercial bid shall be forwarded to the Indentor for technical recommendation.
2. In case of technical evaluation of tender, after evaluation of technical parameters of all tenders, Indentor shall furnish their technical recommendations / comments routed through competent authority to Purchase Department.
3. After receipt of technical recommendation from indentor and necessary clarifications from bidders, tender committee shall send its recommendation for opening of price bids of those tenderers whose offers are techno-commercially acceptable.
4. Based on Price evaluation and Price negotiation (on exceptional case), Tender Committee shall send its recommendations for approval of Competent Authority for placement of order on L-1 bidder



SAMPLES:

In certain cases where sample once submitted by vendor as per requirement along with tender or after the submission of quotation and these samples shall be forwarded to the Inspection Department or Indenting department as the case may be, for giving their recommendations. The approved samples shall be properly marked by the Officer recommending the purchase and should be kept safely to enable Inspection department to check the bulk supply with the approved sample. All the samples should be clearly tagged and marked to avoid any confusion at a later date.

Price Comparative Statement:

Tenderers normally quote on different terms viz., Ex-Works, FOR station of dispatch, FOR destination, FOB/FAS, C&F, CIP/CIF, Door Delivery etc. For Import / Indigenous supplies. While tabulating the offers these terms are to be taken into account, as also the taxes and duties which are to be paid and arrive at the value of the item for final delivery at destination. In this connection, it may be noted that KIOCL as a 100% EOU, is exempted from payment of terminal Excise Duty / Customs Duty, for Capital items, Raw-materials, Components, Consumables and spares as long as the items are bought in connection with manufacture of final product for export. In this regard, Excise and Customs Notifications issued from time-to-time would be complied with. It is therefore, necessary to check whether the items fall under the scope of applicable Excise Notifications and accordingly we should take into consideration exemption of excise duty if any. Any **other relevant factors** as indicated in tender document must be taken before the final comparison is made on the total delivered cost at site / effective cost etc., as the case may be. Applying the above factors, a logical gradation of the various acceptable offers shall be made.

The evaluated prices as above worked out in the comparative statement format for different tenderers and based on landed / effective cost offered, tenders will be ranked as L-1, L-2, L-3..... being the lowest.



Tabulation of comparative statement.

A comparative statement shall indicate the following :-

- i) Prices quoted by all the firms shall be tabulated. Where suppliers have offered stores to different or alternative specifications, models, types, their prices shall also be indicated.
- ii) The prices quoted shall be compared on a total landed cost basis or as indicated in the tender enquiry whichever is applicable.
- iii) Delivery terms of all the suppliers shall be indicated.
- iv) Deviations in specifications shall be pointed out (for single bid system).
- v) Deviation from standard terms and conditions and any special terms asked for has to be brought out (for single bid system).
- vi) Whether the duties and taxes are included in the prices quoted. In case duties and taxes are payable extra, the rates applicable shall be mentioned.
- vii) Any special conditions specified by the supplying firms shall be brought out.
- viii) Discount, if offered, shall be brought out.
- ix) The LAST PURCHASE PRICE (LPP) will be shown against each item. LPP is the basic price at which the last order was placed for the same item. If the LPP included Tax and Duties, it should be properly discounted to the basic price level. The date of last order may be indicated. If date of last order is more than 24 months old or the item was not purchased earlier, it is to be mentioned that LPP is not available.

Conversion of Currencies

If offers have been received containing different currencies (as in the case of purchase of imported goods), all the quoted prices (with different currencies) are to be converted into a single currency for evaluation and comparison of offers on equitable basis. For this purpose, all such quoted prices are to be converted into Indian rupees, as per the selling exchange rates established by RBI/SBI on the date of price bid opening.



Negotiations in Tendering Process

As per CVC Guidelines, there should be no post-tender negotiation even with L-1 bidder, except in certain exceptional situations. Such exceptional situations would include procurement of proprietary items, items with limited sources of supply and items where there is suspicion of a cartel formation. The justification and details of such negotiation shall be duly recorded and documented without any loss of time. Convincing reasons must be recorded by the authority recommending negotiations. Competent authority shall exercise due diligence while ordering negotiations.

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 the L-1) in case of splitting of the quantity, as pre-disclosed in the tender, shall not be deemed to be negotiation.

Re-tendering

In case the L-1 party backs out there should be a retender. In cases where a decision is taken to go for re-tendering due to the un-reasonableness of the quoted rates, but the requirements are urgent and re-tender for the entire requirement would delay the availability of the items, 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 re-tender, following normal tendering process. In this regard relevant CVC guidelines shall be followed.



Segment : 3:	PURCHASE PROCEDURE
Reference – 3.6	Purchase Ordering Process

ACTION DESCRIPTION

Proposal for Purchase / Award of Contract

After ranking the techno-commercially acceptable offers from the lowest to the highest on landed / delivered and / or effective cost basis as specified in the tender document, proposal for placement of PO / WO shall be made on the lowest (L-1) tender. After due processing of tender received 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 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. The proposal to finalise the order shall be recommended.

All purchase proposals shall be processed in terms of the delegation of powers issued from time-to-time.

PROCESSING OF PURCHASE ORDER:

On receipt of the file after the approval of the Competent Authority, a draft purchase order shall be prepared and sent to Finance for vetting as per delegation of power. If there are any corrections to the draft purchase order such corrections shall be carried out and order is released. Letter of acceptance (LOA) may be sent to the Supplier by e-mail/Fax wherever required. The formal order shall be sent soon thereafter incorporating all mutually agreed terms and conditions. It shall be made clear to the supplier that terms and conditions of the tender enquiry shall apply together with conditions in the purchase order as also KIOCL's General Conditions for indigenous / offshore supply (KIOCL P/1 or P/2)



The six digits purchase order serial number will be given based on the circular issued from time-to-time as the number varies from year-to-year. The new block of serial numbers will be designated for each financial year. Copy of purchase/work order shall be distributed to the related departments.

The original purchase order/work order is to be sent to the Supplier/contractor by fax / e-mail / registered post with A.D/Speed Post/courier etc. The Purchase department should ensure that the acknowledgement is received from the supplier/contractor and the same is filed in the case file. Any amendments to the order at a later date may be issued with approval of Competent Authority and concurrence of Finance wherever required.

TERMS AND CONDITIONS :

The Company's standard terms and conditions are incorporated in the Tender Document / Purchase Enquiry format. It shall be made clear to the supplier in every case the terms and conditions of the enquiry shall apply together with conditions contained in the tender document and KIOCL's General Terms and Conditions of Supply KIOCL-P/1 or P/2.

If any variation from the standard terms and conditions are observed, the matter may be taken up With.

Tenderer or call them for discussions and incorporate such terms and conditions as agreed to between KIOCL and the Tenderer.

If deviation are to be made from the General Conditions of contract of KIOCL, the same should be agreed to only with the approval of the Authority as specified in the delegation of powers.



Segment : 4:	PURCHASE PROCEDURE
Reference –4.1	Post Purchase Order Follow Up

Action Description

POST PURCHASE / WORK ORDER FOLLOW UP:

As soon as the order is issued, entry shall be made in the **PO follow-up file** recording therein the name of the vendor, the items, rate, quantity, amount, delivery schedule etc. Well before the scheduled delivery, concerned Dealing Officer depending on criticality of the item shall follow up with the vendor for confirmation of adhering to the delivery schedule. This shall be done in addition to the expediting / follow-up work carried out by Inspection and Progress Department.

Purchase Order wise data will be maintained in the file regarding execution & performance of vendor.

The said file shall form the basis for MIS Report on unexecuted Purchase Orders beyond scheduled deliveries, reports on performance of suppliers etc.

On completion of the on going computerisation, concerned Sectional Managers of other departments shall have access to the relevant documents of Purchase Department, in the system.



Segment : 4	PURCHASE PROCEDURE
Reference -4.2	Purchase Order Execution & Closure

Action Description

PROGRESSING:

Once the orders are placed, acknowledgement from the supplier shall be obtained. Security deposit shall be obtained wherever applicable. Review of the Purchase Orders shall be undertaken on a regular basis and timely reminder shall be sent to the Suppliers to ensure that the supplies are made as per the agreed delivery schedule.

COLLECTION OF MATERIAL:

Against some of the purchase orders placed on the local firms, the terms of payment would be against collection of items. In such cases, the parties would be sending their proforma invoice well in advance. Purchase department shall obtain a cheque from Finance & Accounts department and collect the items from the premises of the suppliers.



Segment : 4:	POST PURCHASE ORDER ACTIVITIES
Reference –4.3	Offshore Supplies

Action Description

Shipping advice

As per General Conditions for Offshore Supply KIOCL-P/2, offshore suppliers are required to send one set of non-negotiable shipping documents in advance directly to the Company for information and follow-up.

Release of Original Documents from the bank

- On receipt of the documents from the suppliers' banker, the KIOCL's bank shall send advice to the Company. Based on the clearance from the KIOCL, the bank will release the original documents.
- Release the documents after payment in case of sight bill and giving undertaking to pay on due date, in other cases.

CLEARING OF GOODS

- As clearing of goods from the seaport / airport involves many complexities and formalities, KIOCL's authorised C & F agent shall arrange to get the imported goods cleared from port and custom authorities.

To facilitate the above, Shipping & Transport Department at KIOCL Ltd., Chennai / Transportation Section at Bangalore shall enter into contract with clearing & forwarding agent through tendering process.

On arrival of goods at Indian Seaport / Airport, the C& F Agent shall arrange to get the goods cleared from the port and customs authorities for transportation of the goods to KIOCL.

- On receipt of information regarding damage/ shortage from the clearing agents/ stores / final destination if any following action shall be taken: –
 - To intimate the Insurance Company immediately about the shortage/damage, as the case may be.
 - To arrange for joint inspection by the representatives of Company, Clearing Agent and Insurance Co. at the Sea Port/Air Port /Store.
 - On the basis of insurance report, raise claim on Insurance Company.



Segment : 5:	OTHER ASPECTS OF PURCHASE FUNCTION
Reference –5.1	Purchase Order Amendments

Action Description
<p>POST ORDER CHANGES:</p> <p>Amendment to P.O. may be for following reasons –</p> <ul style="list-style-type: none">(i) Change in Purchase Price.(ii) Change in quantity ordered.(iii) Change in delivery period / re-scheduling of staggered deliveries.(iv) There may be cancellation of P.O. for unexecuted supplies.(v) Change in certain terms and conditions(vi) Change in statutory levies(vii) Change due to any other situation not anticipated
<p>CHANGE IN PRICE:</p> <p>No change in price quoted shall be permitted after issue of purchase order. Changes in statutory rates of excise duty, sales tax etc., can only be considered if the changes take place within the stipulated period of the delivery subject to supplier producing the documentary evidence to this effect. This should be done only after specific approval as per the delegation of powers or as already agreed in the contract.</p>
<p>CHANGE IN DELIVERY DATE:</p> <p>The suppliers shall be required to adhere to the delivery schedule specified in the purchase order and if there is delay in supplies, liquidated damages shall be levied wherever there is a failure by the party. Extension of time may be considered on the request of the supplier. Such delivery extension can be given if justified even before the supplies are effected reviewing our right to levy Liquidated Damages (LD) if necessary.</p> <p>KIOCL may also consider extension of delivery after the supplies are completed without levying LD or extension with levy of LD of suitable amount depending upon the merits of the case. This should be done according to the delegation of powers in force.</p>



Segment : 5:	OTHER ASPECTS OF PURCHASE FUNCTION
Reference –5.2	Risk Purchase

Action Description

RISK PURCHASE AND IMPOSITION OF PENALTIES ON DEFAULTING SUPPLIERS

Where the suppliers fail to supply the items in accordance with the purchase order terms and conditions and the same has adverse effect on production, risk purchase action shall be taken. The defaulting supplier shall be given a reasonable time to supply the material / service by serving a notice on them by registered post with acknowledgement due, advising them to ensure delivery by a specific date failing which alternate purchase action will be taken by KIOCL at the risk and cost of defaulted supplier.

Simultaneously, a separate tender shall be issued to other sources with due date for submission of quotation being the last date for supply by the defaulting supplier. The decision to process the quotations received shall be taken based on the supply affected by the defaulted supplier. In case of risk purchase, extra cost if any incurred by the company by procurement from alternate source shall be recovered from defaulted supplier. This shall be done in consultation with law department and with approval of competent authority.



Segment : 5:	OTHER ASPECTS OF PURCHASE FUNCTION
Reference –5.3	Control of Quality & Inspection

Action Description
<p>Role of inspection group with regard to quality assurance are detailed in Inspection & Progress Manual.</p> <p>Purchase function has an important indirect role in improving the performance of external suppliers through efficient procurement and sound knowledge of the capabilities of the network of vendors to conform to standards. The Purchase Department’s role to contribute to quality control of input materials in the following areas :</p> <ul style="list-style-type: none">(i) Selection of Supplier.(ii) Clear perception of match between requirements of user departments and offer of supplier.(iii) Development of vendors with commitment for quality assurance.(iv) Improvement in overall value by improvement in processes, improved substitution of inputs and by reduction of dysfunctional costs.(v) Coordination with vendors for inspection of materials, if required, at supplier’s shop floor.(vi) Adherence to quality standard in the selection & purchase of an item.(vii) Courteous, purposeful and ethical relationship with suppliers to improve motivation of the vendors for achieving the quality standard.(viii) Commitment to maintain all the factors of quality requirement of raw materials <p>Adequate care shall be taken by Indenting / User Department and the dealing manager of Purchase Department for proper selection and description of standards.</p>



Segment : 5:	OTHER ASPECTS OF PURCHASE FUNCTION
Reference –5.4	Insurance & Insurance Claims

Action Description
<p>Matters relating to safe custody and security of materials in Stores have been dealt with in Stores Department Manual.</p> <p>Matters relating to short supply, rejection of items supplied by the vendors and damage / breakage of materials supplied, loss / damage of materials in transit and resultant claims arising there from are dealt with in Stores Department Manual..</p> <p>All incoming materials shall be covered under transit insurance policy established by KIOCL with Insurance Company. Immediately after dispatch / shipment of material, the supplier shall directly intimate Insurance Company of the despatches made under intimation to KIOCL in line with Purchase Order terms.</p> <p>In addition to the above, as stipulated in the insurance contract, periodical information of consignment despatched detailing the items, value, source, destination etc. shall be sent to Insurance Company by F&A Department of KIOCL.</p> <p>Matters regarding joint survey, lodging of claims, follow up etc. are dealt with in Stores Department Manual.</p>



Segment : 5:	OTHER ASPECTS OF PURCHASE FUNCTION
Reference –5.5	Bank Guarantees- Custody , Control & Discharge

Action Description
<p>RELEASE OF BANK GUARANTEES:</p> <p>Based on the terms & conditions of purchase / work orders, Purchase Department calls for Bank Guarantees from suppliers for advance payment, security deposit (towards performance guarantee) etc., These bank guarantees in original shall be forwarded to the Finance & Accounts department for safe custody and are to be released after parties have fulfilled their contractual obligations with reference to the conditions stipulated in the purchase orders. In the case of security deposit bank guarantee, which would cover the warranty period, before releasing the bank guarantee, Purchase department shall ensure that clearance is obtained from the Indenting department that there are no outstanding warranty claims. Based on this, Finance & Accounts department shall be advised for releasing the bank guarantee as per the delegation of powers. A standard format for processing for approval in such cases shall be utilized. Wherever the Bank Guarantees are to be extended, the suppliers shall be advised well in advance for extension of validity of Bank Guarantee. If claim is to be lodged on Bank Guarantee, Finance and Accounts Department shall be advised in advance. It has to be ensured that claim is lodged within the claim period stated in Bank Guarantee.</p>



Segment : 5:	OTHER ASPECTS OF PURCHASE FUNCTION
Reference –5.6	Dispute Resolution

Action Description
<p>The concerned Purchase Executive shall receive and handle the claims and initiate action on claims / counter claims.</p> <p>Through regular review of execution status of the Purchase Order / contract and correspondences, site developments and emerging disputes, if any, will come out. The developments of disputes and states of documentation of all events shall be monitored. After in-depth review of the claim, depending on merit of each case settlements may be reached and mutual obligations discharged. Alternatively, after thorough review of relevant aspects and on obtaining approval of Management, claims may be refuted and counter claims lodged.</p> <p>If no settlement is reached between both parties, necessary action for arbitration needs to be initiated by the Company. For such purpose a detailed brief with case history need to be prepared for legal opinion and after the legal opinion, case can be initiated for arbitration. Arbitration proceedings with the suppliers can be initiated only after approval from Chairman-cum-Managing Director. The appointment of Arbitrator has to be approved by Chairman-cum-Managing Director. The dispute may be referred to Arbitration in terms of purchase order and General Conditions for Supply KIOCL -P/1 or P/2 whichever is applicable. On completion of hearing and examination of evidences, Arbitrators Award is given.</p>



Segment : 6:	IMPORT SUBSTITUTION
Reference –6.1	Consideration of Import

Action Description

Objective of Import Substitution:

Import Substitution group shall identify and develop indigenous sources for items, equipment etc., which were originally procured from offshore vendors with the object of deriving substantial price advantage for the company in resorting to Import Substitution ensuring specification and performance as per the original imported supply. Having regard to the need for cost reduction maintaining quality, shall be to achieve:

1. Right quality : On par with original offshore supply.
2. Right price : Based on the savings on account of Import Substitution.
3. Right quantity : Sufficient enough to prove the performance.
4. Right source : Based on established vendors list/Market Research.
5. Right time : Within the delivery requirement with due consideration for development.



Segment : 6:	IMPORT SUBSTITUTION
Reference –6.2	Identification of Items – Factors

Action Description

SELECTION OF THE ITEMS FOR IMPORT SUBSTITUTION :

Import substitution group is responsible for selection of the items for Import Substitution. As and when required, the user departments may be contacted for the specifications, drawings, samples, quantities for trial etc.

Following factors are to be taken into consideration in selection of the items for Import Substitution:

1. Annual consumption quantity which would be viable for development process.
2. Lead time for procurement.
3. Dependability, performance and credibility of the offshore suppliers.
4. Criticality of the items for maintenance and production.
5. Nature of the items.
6. Technological obsolescence.
7. Lack of response from offshore tenderers against tender enquiries.
8. Technical feasibility of Indigenisation.
9. Cost competitiveness.



Segment : 6:	IMPORT SUBSTITUTION
Reference –6.3	Identification of Vendors

Action Description

SELECTION OF VENDORS :

Based on the nature of the items for which the import substitution has to be made, a list of manufacturers / suppliers is to be compiled as under :

1. Identify capable firms who are already registered with KIOCL.
2. Identify the sources through Market Research, discussions with other PSUs, SISI, NSIC, DIC etc.,
3. Advertise in the press notifying the broad categories of items for import substitution.

The list of firms / institutions may be compiled separately for

1. Designing and developing drawings based on the samples to be made available or information / technical data in possession of KIOCL.
2. Manufacturing and supply of items based on (1) above.
3. For both (1) and (2) above.



Segment : 6:	IMPORT SUBSTITUTION
Reference –6.4	Requisitioning & Purchase Procedure

Action Description

RAISING OF MATERIAL PURCHASE REQUISITION (MPR) :

After selection of class for development and identification / registration of vendors for sourcing, Import Substitution group shall select the items, generate an MPR based on the data available incorporating all the relevant details. User department shall be consulted wherever necessary. Further, MPRs can also be raised by User / Stores departments. Separate major class 28 has been allocated for import substitution items and codification scheme is devised keeping link with the equipment and existing material code. Quantities indented for development under Import substitution will be in addition to regular quantities required under respective code numbers since development of item is time consuming and is continuous process.

Copies of MPRs will be sent to Central Stores department, Mangalore for allocating MPCS No. and returning first copy to Import Substitution Cell. The third copy will be sent to Maintenance Planning department for their information and record.

TEST PROCEDURE :

The Import Substitution group shall identify the requirement of tests to be carried out and lay down procedures to be followed by the vendors and all others concerned. In this regard the assistance of Inspection & Progress department may be taken as and when required.

ISSUE OF ENQUIRY :

Import Substitution Cell shall issue enquiries to the identified parties for seeking their offers. In case only one party has been identified by the Import Substitution group, issue of single tender enquiry may be resorted to with due justification recorded in the file. Issue of such enquiries shall however be subject financial concurrence and approval of competent authority as per the delegation of



powers. Issue of tender enquiries, acceptance of tender received etc., shall be in line with the procedure followed by Purchase department as per the delegation of powers with financial concurrence wherever required.

PRICE COMPARISON :

Before awarding the import substitution trial purchase orders, the landed cost at which the imported items are procured shall be taken in to consideration and compared with that of indigenous tenders received. The parties may be called upon wherever required to give the break-up details of the price quoted by them, which can be scrutinized by the Import Substitution group for reasonability of the price quoted. As far as possible, it should be the endeavour to derive substantial price advantage for the Company in resorting to Import Substitution.

ISSUE OF PURCHASE ORDER :

The Import Substitution Cell shall issue the purchase orders based on the price, terms and conditions ultimately agreed to.

INSPECTION :

Inspection & Progress Department shall conduct periodical stage-wise inspection in the course of manufacturing operations at the suppliers' premises as well as the final inspection of the product keeping in view the required quality. Inspection Department shall keep the Import Substitution group posted with the position and progress at the suppliers' premises.

Besides this, Import Substitution group shall monitor the progress after placement of orders till the items are delivered to Stores Department.

LIQUIDATED DAMAGES

On considering the developmental activities involved a lenient view is taken with respect to liquidated damages in the case of Import substitution items. However, the interest of the Company is given importance.



RECEIPT & STORAGE :

As and when the items are received at Site, the Central Stores Department shall intimate the respective department's planning section as well as the Import Substitution group of the same. Further, these items shall be stored suitably to avoid any mix up with other items and to facilitate easy access.

ISSUE OF ITEMS TO THE INDENTER :

The Central Stores Department shall issue these items to the indenters with prior clearance. The Planning Sections shall maintain a separate record of the items thus issued by the Central Stores Department for monitoring the performance and establishing the suitability of the item.

REVIEW OF PERFORMANCE OF THE ITEM :

The respective Planning Sections shall keep close co-ordination with the user department with a view to maintain the history cards on the performance and suitability of items developed shall be maintained by planning section of respective user groups. A detailed feedback shall be given to Import Substitution group for taking corrective steps as necessary to improve the quality and performance of the items.

ISSUE OF PURCHASE ORDERS

Till the indigenous sources are fully developed for meeting the quality and performance of the items, Import Substitution group shall continue to deal with them. Subsequent procurement actions however be brought under the scope of normal purchase only after Import Substitution Cell has certified about sources developed and satisfactory quality established. Once the source is established, Central Stores department shall be advised to raise MPRs in the normal course by giving regular Item Code No., for the item and not " 28 ".

If any commitment has been given to the parties for ordering additional quantities, such cases will continue to be dealt by Import Substitution group till such time the period is over.



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Quantities for procurement of Import Substitution items indigenously shall progressively be enhanced based on performance of indigenously produced items, criticality of the item, lead time etc.



Segment : 7 :	MR & VR
Reference –7.1	MARKET RESEARCH & VENDOR REGISTRATION

Action Description

MARKET RESEARCH & VENDOR REGISTRATION :

1. **OBJECTIVE :**

The Primary objective of the Market Research Section function shall be to collect, maintain and provide the procurement sections exhaustive, accurate, relevant and timely information regarding the market status of items needed by KIOCL.

2. **COMPILATION OF MARKET INFORMATION :**

The approved list of vendors has to be updated from time to time. The above is achieved by effective functioning of Market Research. Data of new vendors can be obtained from response received from vendors, open tender advertisements, pre-qualification bids, Expression of Interest, against various enquiries in the Web site, dedicated Web sites, Exhibitions, Buyer-Seller meet, various publications of the National Small Industries Corporation Ltd., (A Govt. of India Enterprise), Department of Supply, Directorate General of Supply & Disposals, Development Commissioner (SIS) of Small Industries Service Institute, District Industries Center or State Governments, BIS, Mining / Trade journals etc.

3. **VENDOR REGISTRATION :**

It is necessary to verify the bonafides and standing of the new firms before they are enlisted in the approved vendor list. The agents of manufacturing units desiring registration with KIOCL are required to submit the prescribed application form for



registration duly completed in all respects. One of the main pre-requisites for registration as a manufacturer is that the firm should possess its own in-house testing facilities. In case of SSI units, the firm need not have their own testing facilities but must have regular arrangements with other reputed Government or government approved or private agencies in their area for testing products.

However, KIOCL shall reserve its right to consider any firm, for registration with or without in-house testing facilities.

KIOCL shall register the manufacturers and not agents or middlemen. Sole selling agent / authorized agent could be considered for registration subject to the condition that KIOCL is satisfied that they are the Sole Selling Agents of manufacturers and financial & technical capabilities of the manufacturers are ascertained by KIOCL. The availability of suitable arrangement with the Sole Selling Agent for after sales service shall also be ensured and KIOCL shall also satisfy themselves regarding legal agreement subsists between the applicant unit and their Sole Selling Agent, during the period for which they are registered.

The application form duly filled-in, when received from the firms shall be scrutinized carefully for assessing the credibility of applicants. References shall be made to other firms of standing to whom the applicant firm claims to be a supplier. Likewise, the applicant firm's bankers may also be requested to advise about the financial standing of the firm.

KIOCL shall depute a team of their officers from Purchase department and Inspection & Progress department and any other departments such as user department at its discretion, to the manufacturing factory / works of the applicant unit to verify the bonafides and standing of the firm, before they are included in the approved suppliers / vendors list. On being satisfied that the applicant has satisfactory credentials in all



points, the firm's name shall be included in the approved list for categories of items as deemed fit.

In case of firms having an established Quality Maintenance System with accreditation of ISO 9001-2000 Certification (latest version) by authorized agencies, KIOCL may consider registration of such firms without carrying out Capacity Assessment.

KIOCL shall retain its option to reassess firms already registered at any later date to satisfy themselves about the current financial soundness / credit worthiness, facilities available etc., and thereafter decide to retain their registration as an approved supplier for the items earlier considered or with necessary changes as deemed fit. In case of any adverse report from the team of KIOCL officers who reassess the firm, KIOCL shall delete such firm from the approved vendors list.

In the event, the performance of the registered suppliers is not up to the mark, over a period of time, such firm may be deleted from the approved / registered list of suppliers.

4. PROVIDING MARKET INFORMATION :

Once the firms are registered, a circular shall be issued by the Market Research Section to all sections in the Purchase department indicating therein the name & address of the registered party with details of the items, for which they are registered etc. All concerned in the Purchase dept., shall ensure that parties, who are registered with us are given a fair chance to quote for the items registered. In the event, the performance of the registered suppliers is not up to the mark over a period of time such firms may be deleted from the registered list for issue of enquiries (with the approval the Competent Authority). On approval, a circular shall be issued to all in the Purchase department so that the sections do not send enquiries to such firms deleted from the approved list.

MR Section shall provide a list of registered suppliers for each category of items so that the purchase sections concerned while putting up the files for approval for releasing the



enquiry enclose the list and mark the vendors to whom they wish to send enquiry instead of writing the vendors names in the note sheet every time. This will simplify the work and thereby reduce processing time.



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Segment : 7 :	MR & VR
Reference –7.2	List of Important Forms

Sl.No.	LIST OF FORMS
1	MATERIAL PURCHASE REQUISITION
2	PURCHASE ENQUIRY (Offshore)
3	PURCHASE ENQUIRY (Indigenous)
4	COMPARATIVE STATEMENT
5	PURCHASE PROPOSAL (Offshore)
6	PURCHASE PROPOSAL (Indigenous)
7	PURCHASE ORDER (Offshore)
8	PURCHASE ORDER (Indigenous)
9	FORM OF BANK GUARANTEE FOR EARNEST MONEY DEPOSIT
10	FORM OF BANK GUARANTEE FOR SECURITY DEPOSIT
11	FORM OF BANK GUARANTEE FOR ADVANCE PAYMENT
12	EXTENSION OF DELIVERY / WAIVER OF LD
13	RELEASE OF BANK GUARANTEE
14	FORM OF APPLICATION FOR REGISTRATION OF VENDORS
15	GENERAL CONDITIONS FOR INDIGENOUS SUPPLY – KIOCL-P/1
16	GENERAL CONDITIONS FOR OFFSHORE SUPPLY – KIOCL-P/2